KPMG

NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2003 and 2002

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Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2003 and 2002

INTRODUCTION

The following discussion and analysis provides an analytical overview of the financial position and activities of New Jersey Institute of Technology ("NJIT") and The Foundation at New Jersey Institute of Technology (the "Foundation") (collectively, the "University") at and for the years ended June 30, 2003 and 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Since its founding in 1881, NJIT has been transformed from a local technical school to one of America's top 200 research universities with national rankings and stature. While moving steadily to increasingly higher levels of excellence in educational performance, NJIT has become a research and development hub, participating in entrepreneurial development and building business partnerships through research and development initiatives. NJIT has evolved into an international presence, both in the scope of its educational programs, including on-site and distance learning offerings, attraction of international students to its programs, and through the reach of its educational, scientific and technological influence at international forums and in international research projects.

NJIT is a public, student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of New Jersey (the "State"), and in service to both its local communities and the broader society of the State and the nation. Over 400 full-time faculty members serve the University's approximately 8,800 students. NJIT offers a diverse range of degree programs in an array of engineering and technology disciplines, computer and information science, architecture, management, applied sciences, mathematics and biotechnology, including Ph.D. programs in nineteen professional areas, masters programs in forty-five specialties, and thirty-five baccalaureate degree programs.

The Foundation is a separately incorporated 501(c)(3) resource development organization that encourages private philanthropy on behalf of NJIT and initiates and administers scientific and technical investigations. The Foundation also operates a small business incubator whose mission is to accelerate the successful development of entrepreneurial companies through an array of business support resources and services.

FINANCIAL HIGHLIGHTS

The University's financial position at June 30, 2003 and 2002 was sound, with total assets of $349,559 and $341,555 and total liabilities of $204,172 and $201,317, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled $145,387 and $140,238 at June 30, 2003 and 2002, respectively. Net assets increased $5,149 in fiscal year 2003, principally due to increased grants and contracts revenues, net of related expenses, as a result of an increased focus on the University's research program, increased investment income due to the improvement in market conditions, increased student tuition and fees revenues as a result of increased rates, offset by a decrease in State appropriations. Net assets decreased $901 in fiscal year 2002, principally due to the conversion of the University's financial statements to a new reporting basis as required by Governmental Accounting

(Dollars in thousands)

Standards Board ("GASB") Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," resulting in an accounting policy change to recognize depreciation expense on capital assets. Other contributing factors to the decrease were increased interest expense as a result of increased borrowings associated with its facilities construction program, a decrease in the fair value of investments due to the declining value of the financial markets, and a mid-year reduction of State appropriations.

THE FINANCIAL STATEMENTS

The University's financial statements include a statement of net assets at June 30, 2003 and 2002, and statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. The financial statements are prepared in accordance with the accounting principles established by the GASB, as well as with the pronouncements of the Financial Accounting Standards Board ("FASB") and its predecessor entities issued on or before November 30, 1989. GASB pronouncements take precedence when there is a conflict or contradiction between pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

STATEMENT OF NET ASSETS

The statement of net assets presents the University's financial position at June 30, 2003 and 2002, and is summarized as follows:

	June 30, 2003	June 30, 2002
Current assets	$ 60,690	$ 97,077
Endowment investments	45,408	39,526
Capital assets, net	228,561	188,725
Other assets	14,900	16,227
Total assets	349,559	341,555
Current liabilities	40,190	35,005
Long term debt	152,837	156,229
Other liabilities	11,145	10,083
Total liabilities	204,172	201,317
Invested in capital assets, net of related debt	73,651	63,210
Restricted	53,487	50,316
Unrestricted	18,249	26,712
Total net assets	$ 145,387	$ 140,238

Current assets consist principally of cash and cash equivalents, short term investments, grants and accounts receivable, and deposits held with trustees. The decrease in current assets of $36,387 relates principally to a reduction in deposits held with trustees as a result of their use for facilities construction. Current liabilities are comprised of accounts payable and accrued liabilities, the current portion of long term debt, deferred revenue, and amounts due to affiliates. The increase in current liabilities of $5,185 relates principally to an increase in accounts payable, reflecting both increases in facilities construction and research program expenditures and an increased attention to cash management activities. Excluding deposits held with trustees, which can only be used for facilities construction and debt service, and deferred revenue, which is associated with certain specific activities, current assets exceeded current liabilities by $27,042 and $33,168 at June 30, 2003 and 2002, respectively. The University had $21,751 and $25,084 in cash and cash equivalents and short term investments to fund current operations at June 30, 2003 and 2002, respectively. The fiscal year end is traditionally a low point in the University's cash position because the timing of receipts of tuition and fees generally occurs consistent with the fall and spring terms. However, the University receives its State appropriations for general operating purposes ($50,221 and $52,383 in fiscal years 2003 and 2002, respectively) on a monthly basis.

Endowment investments include gifts from donors that are to be invested in perpetuity and the related income and appreciation. Only the income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments grew approximately 14.9% and 4.0% during fiscal years 2003 and 2002, respectively, reflecting growth from new gifts and realized expendable investment earnings in both years, fair value increases at June 30, 2003, and fair value decreases at June 30, 2002.

Capital assets increased 15.1% and 10.7% at cost during fiscal years 2003 and 2002, respectively, principally related to the University's facilities construction projects. During fiscal year 2003, a new small business incubator building was completed and inaugurated. During fiscal year 2002, a 300-bed residence hall addition to Laurel Hall was placed into service. Two other buildings are currently under construction, a new campus center and a joint use building including classrooms and administrative offices, both of which are expected to be completed during the first half of fiscal year 2004.

In order to fund the new construction, the University assumed $74,905 of long term debt during fiscal year 2002, consisting of $24,410 in serial bonds that mature on various dates through fiscal year 2022 and bear interest at a rate that increases from 2.4% to 5.25% over their life, and $50,495 in term bonds that mature annually through fiscal year 2032 and bear interest at rates from 4.75% to 6.05%.

Total long term debt at June 30, 2003 and 2002 totaled $156,233 and $159,269, respectively. Debt issued in prior fiscal years was principally utilized for the construction of new facilities or the acquisition of equipment.

(Continued)

(Dollars in thousands)

Net assets invested in capital assets, net of related debt, represents the University's interests in land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress, less the debt incurred to finance their acquisition. Net assets invested in capital assets, net of related debt, increased $10,441 during fiscal year 2003 as a result of the facilities construction program and capital asset additions, offset by depreciation expense, the same factors that affected it in fiscal year 2002, and a reduction of related debt.

Restricted net assets represents the original value of additions to the University's endowment and the remainder of life income and annuity funds, gifts that are restricted to use for specific purposes by the donor, grants, appropriations, endowment income, and other restricted sources. As discussed above, endowment funds represent gifts from donors that are to be invested in perpetuity. Life income and annuity funds are given to the University to be invested with the stipulation that an agreed-upon sum be paid to the donor for a stipulated period of time or for the beneficiary's lifetime, after which period the remaining funds become part of the University's endowment or are used for the purpose designated by the donor. Restricted net assets increased $3,171 during fiscal year 2003, principally due to an increase in restricted nonexpendable net assets for scholarships and fellowships as a result of additions to permanent endowments and an increase in restricted expendable net assets for scholarships and fellowships due to investment earnings during fiscal year 2003 and fair value increases at June 30, 2003. Restricted net assets increased during fiscal year 2002 as the result of new gifts and realized expendable investment earnings, offset by fair value decreases at June 30, 2002.

Unrestricted net assets are all other net assets that are available for general operations. Even though unrestricted net assets are not subject to external restrictions, management has designated the following unrestricted net assets at June 30, 2003 and 2002 in order to set them aside to be used for the stated specified purposes:

	2003	2002
Scholarships and fellowships	$ 3,244	$ 1,725
Instructional and other	3,567	254
Research and programs	—	1,588
Outstanding purchase orders	2,906	2,964
Debt service	4,352	—
Facilities projects, other than construction	—	6,000
Construction of new facilities	—	3,598
	$ 14,069	$ 16,129

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets presents both the operating results and the non-operating revenues and expenses of the University.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2003 and 2002

The components of revenues for the fiscal years ended June 30, 2003 and 2002 are as follows:

	2003	2002
Operating revenues:		
Student tuition and fees, net	$ 51,850	$ 49,745
Federal, State, and other grants and contracts	57,184	50,136
Auxiliary enterprises, net	7,368	7,481
Other operating revenues	2,442	2,614
Total operating revenues	118,844	109,976
Nonoperating revenues:		
State appropriations, including capital	68,852	72,230
Gift and bequests, including capital, and additions to permanent endowments	7,446	9,474
Investment income (loss)	4,161	(930)
Other nonoperating revenues	410	537
Total nonoperating revenues	80,869	81,311
Total revenues	$ 199,713	$ 191,287

The components of expenses for the fiscal years ended June 30, 2003 and 2002 are as follows:

	2003	2002
Operating expenses:		
Instruction	$ 56,214	$ 55,289
Research and programs	45,554	40,961
Public service and enterprise development	3,077	4,443
Academic support	17,755	18,615
Student services	9,010	8,745
Institutional support	20,549	20,873
Operation and maintenance of plant	12,970	14,666
Scholarships and fellowships	5,244	5,180
Depreciation	13,561	12,995
Auxiliary enterprises	4,242	3,304
Total operating expenses	188,176	185,071
Nonoperating expenses:		
Disposal of assets expense	255	1,308
Interest expense	6,133	5,809
Total nonoperating expenses	6,388	7,117
Total expenses	$ 194,564	$ 192,188

(Dollars in thousands)

Student tuition and fees, auxiliary enterprises, and State appropriations are the primary sources of funding for the University's academic programs.

Student tuition and fees, net of scholarship allowances of $16,445, totaled $51,850 for fiscal year 2003, an increase of 4.2% over the fiscal year 2002 student tuition and fees revenues, net of allowances of $15,265, of $49,745. The fiscal year 2003 increase is attributable to a 10.0% increase in tuition and fees, offset by a decrease in graduate enrollments due to greater difficulty for foreign nationals to obtain student visas, a decline in demand for continuing professional education due to the weak economy, and lower summer session attendance. In fiscal year 2002, tuition and fees were increased by 7% over fiscal year 2001. Tuition and fees have grown to provide needed resources as, over the course of the ten fiscal years ending on June 30, 2002, direct State support for University operations grew at a smaller rate than the overall University budget, and declined in fiscal year 2003.

Auxiliary enterprises revenues, net of scholarship allowances of $2,289, totaled $7,368 for fiscal year 2003, a decrease of 1.5% in comparison to fiscal year 2002, principally due to higher scholarship allowances offsetting increased revenues from the 300-bed residence hall addition.

In accordance with GASB requirements, State appropriations are reported as non-operating revenues despite the fact that their purpose is to fund operating activities. The components of the fiscal year 2003 and 2002 State appropriations were as follows:

	2003	2002
Direct appropriations for general operating purposes	$ 50,221	$ 52,383
FICA and fringe benefits paid by the State for University employees	17,165	15,660
Capital appropriations	1,466	4,187
	$ 68,852	$ 72,230

Federal, State, and other grants and contracts primarily fund the University's research and development activities, and are composed of the following:

	2003	2002
Federal grants and contracts	$ 33,946	$ 29,777
State grants and contracts	20,247	17,675
Other grants and contracts	2,991	2,684
	$ 57,184	$ 50,136

In fiscal year 2003, Federal, State and other grants and contracts revenues grew 14.0%, 14.6% and 11.4%, respectively, over the prior fiscal year, as the result of an increased focus pursuant to the University's stated objective of increasing its research program. In fiscal year 2002, Federal and State grants and contracts grew approximately 9% and 16%, respectively, over the prior fiscal year, while other grants and contracts declined approximately 29%.

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Private support from corporations, foundations, alumni and other donors is an important factor in the University's growth and development. Gifts and bequests during fiscal years 2003 and 2002 totaled \$3,975 and \$5,288, respectively, and capital grants and gifts generated another \$1,197 and \$2,421, respectively, for the purchase of capital assets. Additions to permanent endowments were \$2,274 and \$1,765, respectively.

Investment income (loss) includes interest and dividends income, realized loss on the sale of investments, and net increase (decrease) in the fair value of investments. Fiscal year 2003 investment income increased by \$5,091 over fiscal year 2002, principally due to an improvement in market conditions, resulting in an increase in the fair value of investments and a reduction in realized loss on the sale of investments. Interest and dividends income declined due to a lower interest rate environment, but the decline was largely offset by a decrease in the amount of interest income capitalized. Declining market conditions experienced during fiscal year 2002 was the principal reason for that year's investment loss.

The two largest components of the University's operating expenses are instruction expense of \$56,214 and \$55,289 and research and programs expense of \$45,554 and \$40,961 in fiscal years 2003 and 2002, respectively. While instruction expense remained relatively constant in fiscal year 2003, research and programs expense increased by 11.2% over fiscal year 2002, consistent with the increases in the University's Federal, State and other grants and contracts revenues.

Public service and enterprise development expense declined 30.7% to \$3,077 in fiscal year 2003, reflecting the decline in demand for continuing professional education services.

Operation and maintenance of plant expense declined 11.6% in fiscal year 2003, as the progress of the University's facilities construction program into its later stages resulted in a shift away from non-capitalizable construction expenditures. Depreciation expense increased 4.4% to \$13,561 in fiscal year 2003, primarily due to the increase in capital net assets resulting from the completed portions of the facilities construction program. Depreciation expense in the amount of \$12,995 was recognized for the first time in fiscal year 2002.

Auxiliary enterprises expense increased 28.4% to \$4,242, principally due to the 300-bed residence hall addition to Laurel Hall.

During fiscal years 2003 and 2002, the University incurred debt-related interest costs of \$8,538 and \$8,358, respectively, of which \$1,929 and \$1,337, respectively, was capitalized in conjunction with the current construction program and will be amortized over the estimated useful lives of the associated capital assets. Of the remaining interest costs, \$6,609 and \$7,021, offset by \$476 and \$1,212 of capitalized interest income, was a current fiscal year expense in fiscal years 2003 and 2002, respectively.

SUMMARY AND OUTLOOK

The University finds itself in a sound financial position at June 30, 2003. Student enrollment continues to grow modestly as planned, as the University's commitment to excellence becomes more widely known. Research and development activities are increasing, and the University is developing a strategy to capitalize on their results by licensing agreements and other commercial affiliations. The University's fundraising activities are successful, and have generated a significant endowment.

The University's debt rating by Moody's Investors Service is A2. The rating is based on the University's "successful, continuing evolution to a leading public institution in New Jersey for applied scientific and technological research, meeting growing student demand for technology education; consistently positive operating results; and high leverage, with moderate financial resources that should continue to grow from favorable fundraising efforts."

The University's contracts with its labor unions expired at the end of fiscal year 2003. Negotiations for new contracts are in progress, and are expected to come to mutually favorable conclusions.

As part of its long range plan, the University expects that its activities, including research, will increase the total operating budget. Management has been and will continue to be an active participant in the State's planning process, in order to ensure that its voice is heard and the University's needs are properly presented and considered in the State's financial deliberations. However, because of its poor current economic situation, the State decreased its funding of the University's operations in fiscal year 2003, and may have to do so again in fiscal year 2004. Accordingly, management has taken steps to increase the funding available from other sources. Such steps include higher tuition and fees in order to generate greater student tuition and fees revenues, a more aggressive research and development program resulting in increased revenues from Federal, State, and other grants and contracts, and a more intensive fundraising initiative. The University believes that its efforts in these resource-generating activities will continue to be successful because of favorable circumstances that exist or can be made to exist. In the former category is the positive trend in the number of high school graduates, which is anticipated to result in a greater demand for admission and University services. In the latter category is the University's placement of emphasis on the hiring of new faculty members who have a stronger inclination to become involved in research activities in addition to their teaching responsibilities. Management is also focusing on cost control and cash management initiatives.

Governor James McGreevey's March 2002 Executive Order 14 created the Commission on Health Science, Education and Training (the "Commission"), the objective of which was to enhance the overall quality of medical and health education in the State, increase the national competitiveness of State institutions, and provide for synchronization between the education and healthcare industries. In October 2002, the Commission recommended that the current institutional structure be realigned by restructuring the University, the University of Medicine and Dentistry of New Jersey, and Rutgers, the State University of New Jersey into a single research university system with three distinct university campuses in North, Central and South New Jersey. Via his December 2002 Executive Order 42, Governor McGreevey established a Review, Planning and Implementation Steering Committee (the "Steering Committee") to review the impact of the Commission's recommendations on the three institutions and to create a comprehensive plan for the restructuring. The University is represented on the Steering Committee and its supporting working groups. The University was established as a body corporate and politic by The New Jersey Institute of Technology Act of 1996; accordingly, any restructuring would require approval by the State legislature.

All in all, the University's management is of the opinion that the University's financial condition is sound, it is positioned to weather the currently poor economic situation, and it will continue to serve the needs of its constituencies for many years to come.

KPMG

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Independent Auditors' Report

The Board of Trustees
New Jersey Institute of Technology:

We have audited the accompanying basic financial statements of New Jersey Institute of Technology (the "University"), a component unit of the State of New Jersey, at and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Institute of Technology at June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 9 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. 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.

KPMG LLP

September 5, 2003

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 16,949	$ 19,626
Short term investments	4,802	5,458
Grants and accounts receivable, net	29,120	28,189
Deposits held with trustees, at fair value	9,184	43,047
Other current assets	635	757
Total current assets	60,690	97,077
Noncurrent assets:		
Endowment investments, at fair value	45,408	39,526
Deposits held with trustees, at fair value	11,080	12,311
Other assets	3,820	3,916
Capital assets, net of accumulated depreciation of $160,102 and $148,957, respectively	228,561	188,725
Total noncurrent assets	288,869	244,478
Total assets	$ 349,559	$ 341,555
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,306	$ 16,674
Long term debt, current portion	3,396	3,040
Deferred revenue	15,726	14,143
Due to affiliates	762	1,148
Total current liabilities	40,190	35,005
Noncurrent liabilities:		
Long term debt	152,837	156,229
Other noncurrent liabilities	9,493	8,518
U.S. government grants refundable	1,652	1,565
Total noncurrent liabilities	163,982	166,312
Total liabilities	$ 204,172	$ 201,317
Net Assets		
Invested in capital assets, net of related debt	$ 73,651	$ 63,210
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	26,088	23,864
Instructional and other	4,453	4,411
Expendable:		
Scholarships and fellowships	4,430	3,050
Research and programs	1,648	1,783
Instructional and other	3,234	3,300
Loans	921	877
Capital projects	—	1,645
Debt service	12,713	11,386
Unrestricted (see note 10)	18,249	26,712
Total net assets	$ 145,387	$ 140,238

The accompanying notes are an integral part of the financial statements.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Revenues, Expenses, and Changes in Net Assets

(Dollars in thousands)

For the years ended June 30,

	2003	2002
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $16,445 and $15,265, respectively	$ 51,850	$ 49,745
Federal grants and contracts	33,946	29,777
State grants and contracts	20,247	17,675
Other grants and contracts	2,991	2,684
Auxiliary enterprises, net of scholarship allowances of $2,289 and $1,570, respectively	7,368	7,481
Other operating revenues	2,442	2,614
Total operating revenues	118,844	109,976
Operating expenses:		
Instruction	56,214	55,289
Research and programs	45,554	40,961
Public service and enterprise development	3,077	4,443
Academic support	17,755	18,615
Student services	9,010	8,745
Institutional support	20,549	20,873
Operation and maintenance of plant	12,970	14,666
Scholarships and fellowships	5,244	5,180
Depreciation	13,561	12,995
Auxiliary enterprises	4,242	3,304
Total operating expenses	188,176	185,071
Operating loss	(69,332)	(75,095)
Nonoperating revenues (expenses):		
State appropriations	67,386	68,043
Gifts and bequests	3,975	5,288
Disposal of assets expense	(255)	(1,308)
Interest expense	(6,133)	(5,809)
Investment income (loss)	4,161	(930)
Other nonoperating revenues	410	537
Net nonoperating revenues	69,544	65,821
Income (loss) before other revenues	212	(9,274)
Other revenues:		
State appropriations – capital	1,466	4,187
Capital grants and gifts	1,197	2,421
Additions to permanent endowments	2,274	1,765
Total other revenues	4,937	8,373
Increase (decrease) in net assets	5,149	(901)
Net assets – beginning of year	140,238	141,139
Net assets – end of year	$ 145,387	$ 140,238

The accompanying notes are an integral part of the financial statements.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

(Dollars in thousands)

For the years ended June 30,

	2003	2002
Operating activities:		
Student tuition and fees	$ 52,541	$ 49,281
Grants and contracts	57,407	52,810
Payments for salaries and benefits	(110,326)	(106,842)
Payments to suppliers	(42,276)	(48,958)
Payments for scholarships and fellowships	(5,244)	(5,180)
Loans issued to students	(444)	(351)
Loans collected from students	357	276
Auxiliary enterprises	3,126	4,177
University programs	2,423	2,200
Due from (to) affiliates	(386)	2,890
Other receipts (payments)	523	(349)
Net cash used by operating activities	(42,299)	(50,046)
Noncapital financing activities:		
State appropriations	57,121	60,344
Gifts and bequests for other than capital purposes	3,277	3,504
Additions to permanent endowments	1,064	2,009
Direct lending receipts	14,542	11,460
Direct lending disbursements	(14,487)	(11,433)
Other	442	611
Net cash provided by noncapital financing activities	61,959	66,495
Capital financing activities:		
Proceeds from capital debt	—	76,573
Capital appropriations	1,466	4,187
Capital grants and gifts	173	1,714
Purchase of capital assets	(48,831)	(37,127)
Prepaid bond issuance costs	—	(1,186)
Principal paid on long term debt	(3,209)	(1,909)
Interest paid on long term debt	(8,437)	(6,345)
Deposits held with trustees	35,185	(44,918)
Net cash used by capital financing activities	(23,653)	(9,011)
Investing activities:		
Proceeds from sales and maturities of investments	63,040	35,500
Interest and dividends on investments	3,068	3,574
Purchase of investments	(64,792)	(41,089)
Net cash provided (used) by investing activities	1,316	(2,015)
Net increase (decrease) in cash	(2,677)	5,423
Cash and cash equivalents, beginning of year	19,626	14,203
Cash and cash equivalents, end of year	$ 16,949	$ 19,626
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (69,332)	$ (75,095)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,561	12,995
Noncash operating revenues	—	(248)
Noncash operating expenses	10,528	9,140
Changes in assets and liabilities:		
Grants and accounts receivable	393	(271)
Other assets, current and noncurrent	224	52
Accounts payable and accrued liabilities	1,476	(1,811)
Deferred revenue	1,237	2,302
Due to affiliates	(386)	2,890
Net cash used by operating activities	$ (42,299)	$ (50,046)
Noncash transactions:		
State appropriations for fringe benefits	$ 9,693	$ 8,357
Gifts and bequests	898	1,171
Additions to permanent endowments	1,210	—
Interest and dividends on investments	290	—
Investments	(1,563)	(387)

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

New Jersey Institute of Technology ("NJIT"), a public research university, includes six collegiate units: Newark College of Engineering, The College of Computing Sciences, New Jersey School of Architecture, The College of Science and Liberal Arts, The School of Management, and The Albert Dorman Honors College; a graduate division; a continuing education program; and a number of research centers. Fields of study include engineering, computer science, architecture, applied sciences, management, statistics, and actuarial science. NJIT offers programs and courses leading to bachelors, masters and doctoral degrees, and also conducts an extensive research program.

The New Jersey Institute of Technology Act of 1996 established NJIT as a body corporate and politic and determined that the exercise of NJIT's powers was a public and essential government function.

The Foundation at New Jersey Institute of Technology (the "Foundation") is a component unit of NJIT. The Foundation has as its goal the support of excellence in instruction, research, and enterprise development programs at NJIT. The Foundation initiates and administers scientific and technical investigations, primarily utilizing the personnel and facilities of NJIT. Because of the significance of its operational and financial relationships with NJIT, the Foundation's financial statements are combined and reported on a blended basis with those of NJIT. Copies of the Foundation's financial statements can be obtained by writing to The Foundation at New Jersey Institute of Technology, University Heights, Newark, New Jersey 07102, Attention: University Advancement Office.

Pursuant to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, NJIT, which is financially dependent on the State of New Jersey (the "State"), is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of NJIT and the Foundation (collectively, the "University") are included in the State's Comprehensive Annual Financial Report.

(a) Basis of Presentation

The University's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with *Governmental Accounting Standards*. All significant transactions between NJIT and the Foundation have been eliminated.

In addition to complying with all applicable GASB pronouncements, the University's financial statements comply with the guidance provided by the Financial Accounting Standards Board ("FASB"), the Accounting Principles Board and the Committee on Accounting Procedure issued on or before November 30, 1989. GASB pronouncements take precedence when there is a conflict or contradiction between pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

(b) Use of Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of net assets dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Actual results could differ from those estimates.

(Dollars in thousands)

(c) Cash and Cash Equivalents

The University considers money market funds and investments with original maturities of three months or less to be cash equivalents, except for those included in endowment investments and those deposits held with trustees that are not expected to be expended within the succeeding fiscal year.

(d) Investments and Deposits Held with Trustees

Investments in equity securities, debt instruments, and mutual funds are carried at fair value, based on quoted market prices.

(e) Deferred Financing Costs

Deferred financing costs are included in other current assets and other assets, and are amortized over the life of the related long term debt.

(f) Capital Assets

Capital assets are carried at cost, or fair value at date of donation in the case of gifts. Expenditures for replacements are capitalized, and the replaced items are retired. Expenses resulting from disposal of property are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	20 to 40 years
Equipment and other assets	3 to 10 years

(g) Due to Affiliates

Due to affiliates consists of amounts the University is holding as agent for the following affiliated entities:

	June 30, 2003	June 30, 2002
Student organizations	$ 759	$ 675
New Jersey Manufacturing Extension Program, Inc.	(51)	453
NJEDge.Net	46	240
Council for Higher Education in Newark	1	(228)
Other affiliates	7	8
	$ 762	$ 1,148

(h) Classification of Net Assets

The University classifies its resources into three net asset categories:

- Net assets invested in capital assets, net of related debt, contain the land, buildings, equipment, furnishings, and other facilities of the University and the indebtedness incurred to finance their acquisition and construction. Title to capital assets acquired through research grants and contracts remains with the University at the conclusion of the grant or contract period with the permission of the grantor.

- Restricted nonexpendable net assets are comprised of endowment, life income and annuity funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income and appreciation be utilized.

  Life income and annuity funds consist of annuity and unitrust funds which are given to the University to be invested with the stipulation that the University pay an agreed-upon sum to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of the agreement, the remaining funds either become part of the University's endowment or are used for the purpose designated by the donor.

  Restricted expendable net assets include gifts that are restricted to use for specific purposes by the donor, grants and contracts, appropriations, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the purposes specified by the donor.

- Unrestricted net assets are derived principally from State appropriations, student tuition and fees, gifts and bequests, and investment income, and are spent to meet the objectives of the University.

(i) Classification of Revenue

Operating revenues are those that result from the provision of services related to the University's principal purposes of instruction and research, and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the University's principal purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other revenues arise from nonexchange transactions which provide funding for acquisitions of capital assets and additions to permanent endowments.

(j) Revenue Recognition

Grants and contracts revenues are recognized when the related expenditures are incurred. The unexpended portion of advance grant payments is recorded as deferred revenue in the statement of net assets.

Investment income (loss), which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, for which they are based on average cost.

(Continued)

Gifts and bequests are recorded upon their donation to the University. Pledges, other than endowment, are recognized as gift income and recorded at their present value. Additions to permanent endowments are recognized upon their receipt.

(k) Facilities and Administrative Costs Recovery

Facilities and administrative costs are recovered at rates specified under the various grants and contracts or at a predetermined rate negotiated with the U.S. Department of Health and Human Services, the University's cognizant federal agency, and are recorded as grants and contracts revenues.

(l) Auxiliary Activities

Auxiliary activities consist primarily of residence hall and parking operations.

(m) Fringe Benefits Paid by the State

Certain fringe benefits for the University's employees are paid by the State. Such amounts ($17,165 and $15,660 in fiscal years 2003 and 2002, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

(n) Tax Status

NJIT and the Foundation have received determination letters from the Internal Revenue Service stating that they are organizations as described in Sections 501(c)(1) and 501(c)(3), respectively, of the Internal Revenue Code (the "Code") and, therefore, are exempt from Federal income taxes under Section 501(a) of the Code.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

2. Cash and Cash Equivalents, Investments, and Deposits Held with Trustees

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments or guidelines established by NJIT's Board of Trustees or the Foundation's Board of Overseers, as appropriate.

Cash and cash equivalents and endowment investments totaling $3,316 and $3,594 at cost ($2,945 and $3,201 at fair value) at June 30, 2003 and 2002, respectively, are held and administered by external trustees, while the remainder are held and administered by NJIT.

(Continued)

(Dollars in thousands)

The cost and fair value of cash and cash equivalents, investments, and deposits held with trustees are as follows:

	June 30, 2003		June 30, 2002	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	$ 596	$ 596	$ 660	$ 660
Money market funds	8,258	8,258	8,113	8,113
Repurchase agreements	8,095	8,095	10,853	10,853
	16,949	16,949	19,626	19,626
Investments:				
Money market funds	3,521	3,521	5,429	5,429
Repurchase agreements	149	149	609	609
Certificates of deposit	500	500	500	500
U.S. Treasury and agency obligations	3,050	3,276	15,814	16,022
Corporate equity securities	20,794	21,920	19,406	17,036
Corporate debt securities	4,108	4,142	4,664	4,868
Mutual funds	17,105	17,202	1,178	1,020
	49,227	50,710	47,600	45,484
Deposits held with trustees:				
Money market funds	12,900	12,900	44,462	44,462
U.S. Treasury and agency obligations	7,345	7,364	10,968	10,896
	20,245	20,264	55,430	55,358
Total cash and cash equivalents, investments, and deposits held with trustees	$ 86,421	$ 87,923	$ 122,656	$ 120,468

Deposits held with trustees represent restricted funds held by Wachovia Bank N.A. (the “Trustee”) under terms of the 1994 Series A, 1995 Series E, and 2001 Series G and H agreements with the New Jersey Educational Facilities Authority (“NJEFA”) (see note 6). The funds consist principally of cash and cash equivalents and U.S. government securities. Of the total deposits held at June 30, 2003, $12,713 is required to be maintained in accordance with the mortgage bond indenture agreements.

The University, NJEFA, the Trustee, and Credit Suisse Financial Products (“CSFP”) have entered into an agreement for the investment of the University’s debt service reserve for the 1994 Series A Bonds. Under this agreement, the University is committed to purchase U.S. Treasury Securities at maturity value from CSFP up to the amount required to be held in the debt service reserve fund on an annual basis. The annual funding requirement approximates $4,100 per year through fiscal year 2024. For these commitments, CSFP has guaranteed the University an annual payment of $257. For each of the years ended June 30, 2003 and 2002, this equates to an effective 6.3% rate of return, the arbitrage rebate limit.

(Dollars in thousands)

The University's endowment investment pool is included in the cash and cash equivalents and investments presented above. The cost and fair value of the pooled funds are as follows:

	June 30, 2003		June 30, 2002	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market funds (including cash and cash equivalents)	$ 1,430	$ 1,430	$ 4,881	$ 4,881
Repurchase agreements	149	149	609	609
U.S. Treasury and agency obligations	—	—	7,947	8,036
Mutual funds	16,021	16,241	—	—
Corporate equity securities	18,105	19,561	16,929	14,933
Corporate debt securities	—	—	3,972	4,129
Total endowment investment pool	$ 35,705	$ 37,381	$ 34,338	$ 32,588

Pool units are assigned to new gifts based upon the value of the pool at the end of the quarter in which the gifts are received. There were 246,774 and 227,493 pool units at June 30, 2003 and 2002, with a fair unit value of $151.48 and $143.25, respectively. For the years ended June 30, 2003 and 2002, the average return per unit was 7.85% and (6.34%), respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the market value per unit (3.73% and 3.79% for the years ended June 30, 2003 and 2002, respectively).

Cash and cash equivalents, which have a bank balance of $19,059 and $24,511 at June 30, 2003 and 2002, respectively, are uncollateralized. The University categorizes its investments and deposits held with trustees to give an indication of the level of risk assumed. The three categories of credit risk are (1) insured or registered, or securities held by the University or its agent in the University's name, (2) uninsured and unregistered, with securities held by a party other than the University or its agent, but in the University's name, and (3) uninsured and unregistered securities held by a party other than the University or its agent, and not in the University's name. All of the University's investments fall into the first category of credit risk except for money market and mutual funds, which are noncategorized investments because they are not evidenced by securities that exist in physical or book entry form.

(Dollars in thousands)

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2003 and 2002 was as follows:

	June 30, 2002	Additions	Retirements	Placed into service	June 30, 2003
Depreciable assets:					
Land improvements	$ 478	$ —	$ —	$ 1,426	$ 1,904
Buildings and building improvements	238,701	14	—	17,305	256,020
Equipment and other assets	64,582	3,914	(2,416)	—	66,080
	303,761	3,928	(2,416)	18,731	324,004
Less: accumulated depreciation	148,957	13,561	(2,416)	—	160,102
	154,804	(9,633)	—	18,731	163,902
Non-depreciable assets:					
Land	8,699	—	—	—	8,699
Construction in progress	25,222	49,724	(255)	(18,731)	55,960
	$ 188,725	$ 40,091	$ (255)	$ —	$ 228,561

	June 30, 2001	Additions	Retirements	Placed into service	June 30, 2002
Depreciable assets:					
Land improvements	$ 478	$ —	$ —	$ —	$ 478
Buildings and building improvements	217,450	5,750	(442)	15,943	238,701
Equipment and other assets	61,442	6,027	(2,887)	—	64,582
	279,370	11,777	(3,329)	15,943	303,761
Less: accumulated depreciation	137,983	12,995	(2,021)	—	148,957
	141,387	(1,218)	(1,308)	15,943	154,804
Non-depreciable assets:					
Land	7,472	1,227	—	—	8,699
Construction in progress	18,290	22,875	—	(15,943)	25,222
	$ 167,149	$ 22,884	$ (1,308)	$ —	$ 188,725

(Dollars in thousands)

4. Supplementary Statement of Net Assets Detail

	June 30, 2003	June 30, 2002
Grants and Accounts Receivable		
Federal and State grants and accounts receivable	$ 20,641	$ 18,436
Student accounts receivable	6,275	5,943
Program services accounts receivable	2,128	2,681
Other grants and accounts receivable	849	873
Pledges receivable, current portion	391	667
Student loans receivable, current portion	355	674
Accrued interest receivable	195	450
	30,834	29,724
Less: allowance for doubtful accounts	1,714	1,535
	$ 29,120	$ 28,189
Other Assets, Noncurrent		
Deferred financing costs	$ 1,702	$ 1,804
Student loans receivable	1,480	1,474
Other investments	500	500
Pledges receivable	110	104
Other	28	34
	$ 3,820	$ 3,916
Accounts Payable and Accrued Liabilities		
Salaries and fringe benefits	$ 5,058	$ 4,872
Accrued interest expense	4,163	4,235
Accounts payable - construction	6,086	3,194
Accounts payable - other	4,061	2,684
Other noncurrent liabilities, current portion	938	1,689
	$ 20,306	$ 16,674

(Dollars in thousands)

5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2003 and 2002 was as follows:

	June 30, 2002	Additions	Reductions	June 30, 2003	Current portion
Long term debt	$ 162,411	$ —	$ (3,209)	$ 159,202	$ 3,564
Less: unamortized discounts	(3,142)	—	173	(2,969)	(168)
Total long term debt	159,269	—	(3,036)	156,233	3,396
Retirement incentive program	4,834	684	(1,125)	4,393	408
Annuity funds liability	2,142	1,286	(566)	2,862	450
Insurance liability reserve	1,500	—	(4)	1,496	—
Compensated absences	1,354	145	(178)	1,321	80
Other	377	45	(63)	359	—
Total other noncurrent liabilities	10,207	2,160	(1,936)	10,431	938
U.S. government grants refundable	1,565	88	(1)	1,652	—
Total noncurrent liabilities	$ 171,041	$ 2,248	$ (4,973)	$ 168,316	$ 4,334

	June 30, 2001	Additions	Reductions	June 30, 2002	Current portion
Long term debt	$ 87,676	$ 76,644	$ (1,909)	$ 162,411	$ 3,209
Less: unamortized discounts	(3,241)	(71)	170	(3,142)	(169)
Total long term debt	84,435	76,573	(1,739)	159,269	3,040
Retirement incentive program	3,626	2,433	(1,225)	4,834	1,023
Annuity funds liability	2,305	358	(521)	2,142	435
Insurance liability reserve	1,245	269	(14)	1,500	—
Compensated absences	1,183	257	(86)	1,354	218
Other	748	54	(425)	377	13
Total other noncurrent liabilities	9,107	3,371	(2,271)	10,207	1,689
U.S. government grants refundable	1,487	78	—	1,565	—
Total noncurrent liabilities	$ 95,029	$ 80,022	$ (4,010)	$ 171,041	$ 4,729

The current portion of other noncurrent liabilities is included in accounts payable and accrued liabilities.

Included in annuity funds liability is unrealized gain (loss) of $210 and ($238) at June 30, 2003 and 2002, respectively.

(Dollars in thousands)

6. Long Term Debt

Long term debt at June 30, 2003 and 2002 was as follows:

	June 30, 2003	June 30, 2002
Revenue Bonds:		
A. 1994 Series A issue:		
Serial bonds (interest rates between 5.65% to 5.95%, due on various dates through fiscal year 2010)	$ 9,620	$ 10,715
Term bonds (interest rate at 6.00%, final maturity in fiscal year 2025)	39,845	39,845
B. 1995 Series E issue:		
Serial bonds (interest rates between 5.25% to 5.38%, due on various dates through fiscal year 2014)	10,060	10,735
Term bonds (interest rate at 5.38%, final maturity in fiscal year 2026)	20,645	20,645
C. 2001 Series G issue:		
Serial bonds (interest rates between 2.40% to 5.25%, due on various dates through fiscal year 2022)	23,910	24,410
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2027)	16,710	16,710
Term bonds (interest rate at 4.75%, final maturity in fiscal year 2032)	21,215	21,215
2001 Series H issue:		
Term bonds (interest rate at 6.05%, final maturity in fiscal year 2017)	12,120	12,570
Other Long Term Debt:		
D. New Jersey Economic Development Authority note payable	3,477	3,617
E. Equipment Leasing Fund	1,480	1,739
F. GE Capital Preferred Asset Corporation obligation	120	210
	159,202	162,411
Less: unamortized discounts on obligations	(2,969)	(3,142)
	156,233	159,269
Less: current portion	3,396	3,040
Long term debt	$ 152,837	$ 156,229

(Continued)

(Dollars in thousands)

A. The 1994 Series A Bonds were issued by NJEFA pursuant to an agreement with the University for the purpose of advance refunding certain previously issued revenue bonds. Government obligations were purchased and deposited with a trustee under an irrevocable escrow deposit agreement, effectively creating an in-substance defeasance. The agreement with NJEFA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The University's mortgage obligation to NJEFA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the 1994 Series A Bonds are not subject to redemption prior to July 1, 2004, and are redeemable thereafter as follows:

Date	Price (%)
July 1, 2004 to June 30, 2005	102.0
July 1, 2005 to June 30, 2006	101.0
July 1, 2006 and thereafter	100.0

The Series A Term Bonds mature annually from fiscal years 2011 through 2025.

B. The 1995 Series E Bonds were issued by NJEFA pursuant to an agreement with the University to provide funds to finance a portion of the costs of constructing, upgrading, rehabilitating, and expanding certain educational facilities. The agreement with NJEFA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The University's mortgage obligation to NJEFA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the 1995 Series E Bonds are not subject to redemption prior to July 1, 2005, and are redeemable thereafter as follows:

Date	Price (%)
July 1, 2005 to June 30, 2006	101.0
July 1, 2006 to June 30, 2007	100.5
July 1, 2007 and thereafter	100.0

The Series E Term Bonds mature annually from fiscal years 2015 through 2026.

C. The 2001 Series G Bonds and the 2001 Series H Bonds were issued by NJEFA pursuant to an agreement with the University to provide funds to finance a portion of the costs of constructing, upgrading, rehabilitating, and expanding certain educational and small business incubator facilities, respectively. The agreement with NJEFA requires the pledging of certain revenues to meet the sinking fund requirements of the issues. The University's mortgage obligations to NJEFA are collateralized by certain land, buildings and building improvements, and equipment.

(Continued)

(Dollars in thousands)

Except for extraordinary optional redemption as described in the debt agreement, the 2001 Series G Bonds are not subject to redemption prior to July 1, 2011, and are redeemable thereafter at a price of 100%. The 2001 Series H Bonds are not subject to optional redemption, except for extraordinary optional redemption as described in the debt agreement.

The 5.00% and 4.75% 2001 Series G Term Bonds mature annually from fiscal years 2023 through 2027 and 2028 through 2032, respectively. The 2001 Series H Term Bonds mature annually through fiscal year 2017.

D. The University's note payable agreement with the New Jersey Economic Development Authority, which matures in fiscal year 2028, is non-interest bearing and payable monthly.

E. In fiscal year 2002, NJEFA established the Equipment Leasing Fund ("ELF") by selling revenue bonds as a financing mechanism for certain equipment at the State's public institutions of higher education. The University was allocated $6,954 of the ELF funds, for which it is responsible for 25% of the debt service payments and related program expenses. The ELF debt matures in fiscal year 2008.

F. The University's lease agreement with the GE Capital Preferred Asset Corporation involved the installation of energy lighting improvements. At the end of the lease in fiscal year 2005, title to the installed equipment will transfer to the University.

At June 30, 2003, deposits held with trustees included $3,060 for principal payments on revenue bonds due on July 1, 2003. Payments due on long term debt, including mandatory sinking fund payments on the revenue bonds, are as follows for the fiscal years ending June 30:

	Principal	Interest	Total
2004	$ 3,714	$ 8,185	$ 11,899
2005	3,811	8,004	11,815
2006	3,970	7,816	11,786
2007	4,170	7,616	11,786
2008	4,381	7,402	11,783
2009 to 2013	23,735	33,521	57,256
2014 to 2018	30,990	26,350	57,340
2019 to 2023	40,620	16,882	57,502
2024 to 2028	27,436	6,520	33,956
2029 to 2031	13,315	1,284	14,599
	$ 156,142	$ 123,580	$ 279,722

The University has credit agreements with two banks permitting it to borrow up to $6,000 in total, at market-based interest rates at the time of utilization. At June 30, 2003, there were no outstanding borrowings against these agreements.

Deferred financing costs, net of accumulated amortization, associated with the University's long term debt totaled $1,779 and $1,869 at June 30, 2003 and 2002, respectively.

Interest charges incurred in fiscal years 2003 and 2002 totaled $8,538 and $8,358, respectively, of which $1,929 and $1,337, respectively, was capitalized as construction in progress.

7. Compensated Absences

Eligible employees accrue vacation leave based upon time employed with a maximum accumulation of 15 to 25 days. In addition, eligible employees who retire are paid 50% of their unused sick time up to a maximum of $15 per employee.

At June 30, 2003 and 2002, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of $3,145 and $3,037, respectively, and unused sick time of $80 and $218, respectively. At June 30, 2003 and 2002, other noncurrent liabilities include $1,241 and $1,136, respectively, of unused sick time. In fiscal years 2003 and 2002, payments for unused sick time totaled $178 and $86, respectively.

8. Retirement Programs

Full-time employees of the University participate in one of four retirement systems – the Public Employees' Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS"), the Teachers' Pension and Annuity Fund ("TPAF"), or the Alternate Benefits Program ("ABP"). PERS, PFRS, and TPAF are cost-sharing, multiple-employer plans administered by the State of New Jersey. ABP is administered by a separate board of trustees. All employees, except certain part-time employees, participate in one of these plans.

PERS is a defined benefit retirement program which provides coverage, including post-retirement health care, to substantially all full-time employees of the State or public agencies who are not members of another State-administered retirement system. Membership is mandatory for such employees. Vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. Members are eligible for retirement at age 60, with a benefit generally determined to be 1/55th of the average of the three highest years of compensation for each year of service credit. The current employee contribution rate is 3% of base salary. The University's contributions to PERS for the years ended June 30, 2003 and 2002, were $103 and $98, respectively.

PFRS is a defined benefit retirement program which provides coverage, including post-retirement health care, to substantially all permanent, full-time police officers and firemen in the State. Membership is mandatory for such employees. Vesting occurs after 10 years of service. The employee contribution rate is 8.5% of base salary. A member may retire at age 55 with a benefit equal to two percent of final compensation for each year of creditable service up to 30 years, plus one percent for each year in excess of 30 years. The University's contributions to PFRS for the years ended June 30, 2003 and 2002, were $39 and $37, respectively.

(Dollars in thousands)

TPAF is a defined benefit retirement program which provides coverage, including post-retirement health care, to substantially all full-time public school teachers of the State. The University no longer enrolls new employees in TPAF. Vesting occurs after 10 years of credited service for pension benefits and 25 years for post-retirement health care coverage. The employee contribution rate is 3% of base salary. Members are eligible for retirement at age 60, with a benefit generally determined to be 1/55th of the average of the three highest years of compensation for each year of service credit. The University's contributions to TPAF for the years ended June 30, 2003 and 2002, were $42 and $41, respectively.

ABP is a defined contribution retirement program for eligible employees, providing retirement, disability, and death benefits for professionals and faculty members electing to participate. Vesting occurs after one year of service. The employee contribution rate is 5% of base salary, and the employer contribution rate is 8% of base salary. Benefits are determined by the amount of individual accumulations and the retirement income option selected. For the years ended June 30, 2003 and 2002, the University's contributions to ABP were $4,797 and $4,502, and employee contributions were $2,992 and $2,825, respectively.

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 Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

9. Investment Income (Loss)

Investment income (loss) was comprised of the following for the fiscal years ended June 30:

		2003		2002
Interest and dividends	$	2,834	$	3,529
Net increase (decrease) in the fair value of investments		3,480		(850)
Realized loss on sale of investments		(1,677)		(2,397)
		4,637		282
Less: interest income capitalized		476		1,212
Investment income (loss)	$	4,161	$	(930)

Interest income capitalized is netted against interest expense in the statement of revenues, expenses, and changes in net assets.

(Dollars in thousands)

10. Designations of Unrestricted Net Assets

Unrestricted net assets are designated for the following specific purposes by the University:

	June 30, 2003	June 30, 2002
Scholarships and fellowships	$ 3,244	$ 1,725
Instructional and other	3,567	254
Research and programs	—	1,588
Outstanding purchase orders	2,906	2,964
Debt service	4,352	—
Facilities projects, other than construction	—	6,000
Construction of new facilities	—	3,598
Designated unrestricted net assets	14,069	16,129
Undesignated unrestricted net assets	4,180	10,583
Unrestricted net assets	$ 18,249	$ 26,712

11. Commitments and Contingencies

Commitments at June 30, 2003 totaled $29,221, primarily representing open purchase orders for construction and research expenditures.

In the normal course of business, the University is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the University's financial position.