



NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2010 and 2009

Table of Contents

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	10
Financial Statements:	
Statement of Net Assets at June 30, 2010 and 2009	11
Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2010 and 2009	12
Statement of Cash Flows for the years ended June 30, 2010 and 2009	13
Notes to Financial Statements:	
1. Organization and Summary of Significant Accounting Policies	14
2. Cash and Cash Equivalents, Investments, and Deposits Held with Trustees	18
3. Capital Assets	22
4. Supplementary Statement of Net Assets Detail	23
5. Noncurrent Liabilities	24
6. Long Term Debt	25
7. Compensated Absences	27
8. Retirement Programs	27
9. Investment Income (Loss)	29
10. Designations of Unrestricted Net Assets	29
11. Commitments and Contingencies	29

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of New Jersey Institute of Technology (NJIT) and Foundation at New Jersey Institute of Technology (the Foundation) (collectively, the University) at and for the years ended June 30, 2010 and 2009. 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 tier national research universities. 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. In fiscal year 2010, approximately 400 full-time faculty members served nearly 8,850 students. NJIT offers a diverse range of degree programs in an array of engineering and technology disciplines, computer and information science, architecture, applied sciences, management, statistics and actuarial science, including Ph.D. programs in nineteen professional areas, masters programs in fifty-six specialties, and forty-five baccalaureate degree programs. NJIT 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.

Established pursuant to an 1881 New Jersey statute, NJIT was formally recognized as a body corporate and politic by The New Jersey Institute of Technology Act of 1995. The Foundation is a separately incorporated 501(c)(3) resource development organization that encourages private philanthropy on behalf of NJIT.

Financial Highlights

The University's financial position at June 30, 2010 and 2009 was sound, with total assets of \$393,884 and \$392,850, and total liabilities of \$201,785 and \$212,593, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled \$192,099 and \$180,257 at June 30, 2010 and 2009, respectively. Net assets increased \$11,842 in fiscal year 2010, principally resulting from investment income, additions to permanent endowments, and gifts and bequests. Net assets decreased \$13,975 in fiscal year 2009, principally resulting from investment losses including decreases in the fair value of investments at June 30, 2009 and realized net loss on the sale of investments.

The Financial Statements

The University's financial statements include a statement of net assets at June 30, 2010 and 2009, 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 U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), as well as with the pronouncements of the Financial

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

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, 2010 and 2009, and is summarized as follows. The summarized statement of net assets at June 30, 2008 is also presented for comparative purposes.

	June 30,		
	2010	2009	2008
Current assets	\$ 65,359	\$ 67,212	\$ 73,930
Endowment investments	64,527	57,742	72,314
Capital assets, net	237,583	235,547	240,773
Other assets	26,415	32,349	25,583
Total assets	393,884	392,850	412,600
Current liabilities	35,647	39,061	37,868
Long term debt, noncurrent portion	155,696	162,874	169,849
Other liabilities	10,442	10,658	10,651
Total liabilities	201,785	212,593	218,368
Invested in capital assets, net of related debt	90,761	81,527	85,586
Restricted nonexpendable	44,809	41,015	42,866
Restricted expendable	12,605	10,730	20,256
Unrestricted	43,924	46,985	45,524
Total net assets	\$ 192,099	\$ 180,257	\$ 194,232

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 at June 30, 2010 as compared to June 30, 2009 of \$1,853 relates principally to decreases in short term investments and other current assets, partially offset by an increase in deposits held with trustees. The decrease in current assets at June 30, 2009 as compared to June 30, 2008 of \$6,718 relates principally to decreases in cash and cash equivalents, short term investments, and deposits held with trustees, partially offset by an increase in grants and accounts receivable.

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 decrease in current liabilities at June 30, 2010 as compared to June 30, 2009 of \$3,414 principally results from a decrease in accounts payable and accrued liabilities, due to the timing of payment of invoices, partially offset by increases in current portion of long term debt and deferred revenue, the latter resulting from an increase in advance payments from grants and contracts and students. The increase in current liabilities at June 30, 2009 as compared to June 30, 2008 of \$1,193 principally results from increases in accounts payable and accrued liabilities, due to the increase in grants and contracts activities, and the current portion of long term debt, offset by a decrease in deferred revenue, resulting from a decrease in advance payments from grants and contracts and students.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

Excluding deposits held with trustees, which can only be used for debt service and facilities construction, and the current portion of long term debt, current assets exceeded current liabilities by \$25,640 and \$24,163 at June 30, 2010 and 2009, respectively. The University had \$15,081 and \$16,623 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2010 and 2009, respectively. The decrease in cash and cash equivalents and short term investments at June 30, 2010 as compared to June 30, 2009 of \$1,542 principally relates to payment of grant and contract expenditures in advance of reimbursement from grantors and the final payment for the purchase of land and a building, partially offset by a decreased operating loss resulting from the University's resource generating and cost cutting activities.

Endowment investments include gifts from donors that are to be invested in perpetuity, unrestricted funds designated by management as quasi-endowment, and the related income and appreciation. Only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments increased approximately 11.8% during fiscal year 2010, reflecting realized investment gains and fair value increases at June 30, 2010, as well as growth from new gifts. Endowment investments decreased approximately 20.2% during fiscal year 2009, reflecting realized investment losses and fair value decreases at June 30, 2009, partially offset by growth from new gifts.

Capital assets increased 3.9% and 2.7% at cost during fiscal years 2010 and 2009, respectively, principally related to the University's facilities rehabilitation projects. The fiscal year 2010 increase is the result of the purchase of land and a building, implementation costs associated with an enterprise resource planning system, commencement of construction of an indoor athletic and recreation facility, the start of an American Recovery and Reinvestment Act of 2009 (ARRA) funded energy efficiency/renewable energy update to Oak Residence Hall, and campus facilities renovations. The fiscal year 2009 increase is the result of completion of a solar telescope, implementation costs associated with the enterprise resource planning system, renovations of various labs, and heating, ventilation and air conditioning upgrades.

Total long term debt at June 30, 2010 and 2009 totaled \$162,890 and \$169,863, respectively.

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 \$9,234 during fiscal year 2010, principally related to the increase in capital assets discussed above and the repayment of long term debt, partially offset by depreciation expense. Net assets invested in capital assets, net of related debt, decreased \$4,059 during fiscal year 2009, principally because depreciation expense was greater than the increase in capital assets resulting from the facilities rehabilitation program, capital asset additions, and the increase in net assets invested in capital assets resulting from the repayment of long term debt.

Restricted net assets represents the original value of additions to the University's endowment, the remainder of life income and annuity funds, gifts that are restricted to use for specific purposes by the donor, capital 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 \$5,669 during fiscal year 2010, primarily due to additions to permanent endowments, realized investment gains, and the net increase in the fair value of investments at June 30, 2010. Restricted net assets decreased \$11,377 during fiscal year 2009,

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

primarily due to realized investment losses and the decrease in the fair value of investments at June 30, 2009, partially offset by additions to permanent endowments. At June 30, 2010 and 2009, \$4,038 and \$4,123 were transferred from restricted nonexpendable net assets—scholarships and fellowships, and \$290 and \$445 were transferred from restricted nonexpendable net assets—instructional and other, respectively, to the corresponding restricted expendable net assets to temporarily fund deficits resulting from the fiscal year 2009 investment loss caused by the poor market conditions that were then existent.

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 in order to set them aside for the following specified purposes:

	June 30,		
	2010	2009	2008
Scholarships and fellowships	\$ 5,172	\$ 4,808	\$ 5,829
Instructional and other	6,360	6,375	7,607
Debt service	4,579	4,842	4,182
Deferred financing costs	4,592	4,937	5,264
Outstanding purchase orders	2,320	2,408	2,375
Construction and capital programs	9,555	8,987	1,564
Subsequent fiscal year operations	—	—	5,000
	<u>\$ 32,578</u>	<u>\$ 32,357</u>	<u>\$ 31,821</u>

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 nonoperating revenues and expenses of the University.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

The components of revenues for the fiscal years ended June 30, 2010 and 2009 are as follows. The components of revenues for the fiscal year ended June 30, 2008 are also presented for comparative purposes:

	2010	2009	2008
Operating revenues:			
Student tuition and fees, net	\$ 80,760	\$ 79,272	\$ 71,518
Federal, State, and other grants and contracts	72,575	70,180	64,627
Auxiliary enterprises, net	9,900	9,994	9,799
Other operating revenues	3,601	3,434	3,677
Total operating revenues	166,836	162,880	149,621
Nonoperating and other revenues:			
State appropriations	67,913	68,477	71,117
Gifts and bequests, including capital, and additions to permanent endowments	7,043	7,233	10,072
Investment income (loss)	6,503	(13,125)	(751)
Other nonoperating revenues, net	1,754	1,419	1,391
Total nonoperating and other revenues	83,213	64,004	81,829
Total revenues	\$ 250,049	\$ 226,884	\$ 231,450

The components of expenses for the fiscal years ended June 30, 2010 and 2009 are as follows. The components of expenses for the fiscal year ended June 30, 2008 are also presented for comparative purposes:

	2010	2009	2008
Operating expenses:			
Instruction	\$ 71,145	\$ 70,874	\$ 69,018
Research and programs	42,336	45,126	42,956
Public service	2,564	2,447	2,540
Academic support	17,788	17,805	19,336
Student services	15,533	15,557	14,448
Institutional support	31,384	32,006	29,454
Operation and maintenance of plant	15,677	16,354	17,310
Scholarships and fellowships	9,698	7,775	6,875
Depreciation and amortization	17,231	18,373	18,387
Auxiliary enterprises	7,391	6,934	6,105
Total operating expenses	230,747	233,251	226,429
Nonoperating expenses:			
Interest expense	7,460	7,608	7,581
Total nonoperating expenses	7,460	7,608	7,581
Total expenses	\$ 238,207	\$ 240,859	\$ 234,010

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

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

Student tuition and fees, net of scholarship allowances of \$34,170, totaled \$80,760 for fiscal year 2010, an increase of 1.9% over the fiscal year 2009 student tuition and fees, net of scholarship allowances of \$27,847, of \$79,272, which had increased by 10.8% over the fiscal year 2008 student tuition and fees, net of scholarship allowances of \$25,035, of \$71,518. The increases are principally attributable to 3.0% and 10.0% increases in tuition and fees in fiscal years 2010 and 2009, respectively, as well as an increase in student enrollment in both years.

Auxiliary enterprises revenues, net of scholarship allowances of \$3,215 and \$2,486 in fiscal years 2010 and 2009, respectively, remained relatively constant in fiscal year 2010 at \$9,900, and increased 2.0% to \$9,994 in fiscal year 2009, principally due to increased residence hall charges.

In accordance with GASB requirements, State appropriations are reported as nonoperating revenues despite the fact that their purpose is to fund operating activities. The components of State appropriations are as follows:

	Fiscal Year Ended June 30,		
	2010	2009	2008
Direct appropriations for general operating purposes	\$ 39,472	\$ 43,958	\$ 49,097
FICA and fringe benefits paid by the State for University employees	25,432	24,519	22,020
State Fiscal Stabilization Fund	3,009	—	—
	<u>\$ 67,913</u>	<u>\$ 68,477</u>	<u>\$ 71,117</u>

The decreases in State appropriations in fiscal years 2010 and 2009 were the result of a general reduction in funding for Higher Education in the State's fiscal years 2010 and 2009 budgets. During fiscal year 2010, the University received \$3,009 from the ARRA funded State Fiscal Stabilization Fund.

Federal, State, and other grants and contracts revenues, which include facilities and administrative costs recovery, primarily fund the University's research and development activities and student financial aid programs, and are comprised of the following:

	Fiscal Year Ended June 30,		
	2010	2009	2008
Federal grants and contracts, including ARRA awards of \$3,280 in fiscal year 2010	\$ 52,971	\$ 49,107	\$ 45,617
State grants and contracts	16,044	17,601	15,516
Other grants and contracts	3,560	3,472	3,494
	<u>\$ 72,575</u>	<u>\$ 70,180</u>	<u>\$ 64,627</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

Federal grants and contracts revenues increased 7.9% in fiscal year 2010 due to an increase in student financial assistance grants, partially offset by a decrease in research grants and contracts. Federal grants and contracts revenues increased 7.7% in fiscal year 2009 due to an increase in research and student financial assistance grants. State grants and contracts revenues decreased 8.8% in fiscal year 2010, due to a decrease in research grants and contracts partially offset by an increase in student financial assistance grants, and increased 13.4% in fiscal year 2009, principally due to increases in research grants and student financial assistance grants. Other grants and contracts revenues increased 2.5% in fiscal year 2010 after remaining relatively constant in fiscal year 2009.

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 2010 and 2009 totaled \$2,933 and \$4,135, respectively. Capital grants and gifts generated another \$811 and \$381, respectively, for the acquisition of capital assets, including an ARRA award of \$687 in fiscal year 2010. Additions to permanent endowments were \$3,299 and \$2,717 in fiscal years 2010 and 2009, respectively.

Investment income (loss) includes interest and dividends, realized net gain (loss) on the sale of investments, and net increase (decrease) in the fair value of investments. Net fiscal year 2010 investment income increased by \$19,628 over fiscal year 2009 due to an increase in the fair value of investments at June 30, 2010 and realized net gain on the sale of investments, partially offset by a decrease in interest and dividends, while fiscal year 2009 investment income decreased by \$12,374 over fiscal year 2008 due to a decline in the fair value of investments at June 30, 2009, realized net loss on the sale of investments, and a decrease in interest and dividends.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$114,164, \$112,011, and \$109,677 in fiscal years 2010, 2009, and 2008, respectively. The increase of 1.9% in fiscal year 2010 is primarily the result of increased scholarships and fellowships expense. The increase of 2.1% in fiscal year 2009 is primarily the result of increased compensation costs for faculty and student services staff as well as increased scholarships and fellowships expense, partially offset by a reduction in academic support expenses due to the capitalization of salaries and wages in connection with the implementation of an enterprise resource planning system and a reduction in student software and supplies.

Research and programs expense decreased 6.2% to \$42,336 in fiscal year 2010 as a result of the decrease in Federal and State research grants and contracts and increased 5.1% to \$45,126 in fiscal year 2009 resulting from the increase in grants and contracts activity.

Public service expenses remained relatively constant in fiscal years 2010 and 2009.

Institutional support decreased 1.9% to \$31,384 in fiscal year 2010, primarily due to decreases in credit card fees, the responsibility for which was transferred to those students using credit cards, and in the allowance for doubtful student accounts. Institutional support increased 8.7% to \$32,006 in fiscal year 2009, primarily due to an increase in the allowance for doubtful student accounts as well as increased legal affairs and marketing expenses.

Operation and maintenance of plant expense decreased 4.1% to \$15,677 in fiscal year 2010, primarily due to a decrease in utility costs due a more favorable electricity supply contract and energy conservation measures and an increased allocation of operations and maintenance expense to residence halls, partially offset by an increase in repair services and consulting contracts. Operation and maintenance of plant expense decreased 5.5% to \$16,354 in fiscal year 2009, primarily due to increased utility costs being more than offset by an increased

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

allocation of operations and maintenance expense to residence halls and a decrease in property insurance expense.

Auxiliary enterprises expense increased 6.6% to \$7,391 and 13.6% to \$6,934 in fiscal years 2010 and 2009, respectively, principally due to increased operation and maintenance costs for residence halls.

During fiscal years 2010 and 2009, the University incurred debt-related interest costs of \$7,489 and \$7,735, respectively, of which \$29 and \$127, respectively, was capitalized and will be amortized over the estimated useful lives of the associated capital assets.

Summary and Outlook

The University finds itself in a sound financial position at June 30, 2010. Overall enrollment increased for the fiscal 2010 academic year. The University continues to pursue its strategy to capitalize on the results of its research and development activities by licensing agreements and other commercial affiliations. The University's fundraising activities are successful, and have generated a significant endowment.

Moody's Investors Service upgraded its rating on the University's debt to A1 in fiscal year 2010, stating, "The stable outlook reflects Moody's expectation that NJIT will maintain its stable student market position, maintain balanced to breakeven operating performance in light of state appropriation cuts, and continue to have comfortable debt service coverage, despite a relatively high amount of debt relative to liquidity." Standard & Poor's affirmed its A+ rating in fiscal year 2010, noting "The stable outlook expects enrollment and demand to remain stable, continued positive cash operating performance, and no additional debt. Standard & Poor's expects that management will continue to manage the challenges of the current economic climate and that financial resources will remain constant with the rating relative to operations and debt."

The University's relations with its employees are good. Union contracts are in place with three of the seven labor unions representing employees on campus. Negotiations are close to concluding with two of the unions with open contracts, are ongoing with another, and are about to commence with yet another. It is anticipated that all negotiations will come to mutually favorable conclusions.

The University's endowment is prudently managed, with a broad-based asset allocation. A group of managers, each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments, including timber, to implement the investment strategy have, to date, been reasonably effective given the overall market conditions.

As part of its long range plan, the University expects that its activities will continue to 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. As a result of the State's economic condition over the past several fiscal years, management has taken steps to increase the funding available from other sources and to reduce expenses. Such steps include increased enrollment, expense reduction initiatives, a more aggressive research and development

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2010 and 2009

program, a more intensive fundraising program, and increases in tuition and fees. The University believes that its efforts in these resource generating and cost cutting activities will continue to be successful because of favorable circumstances that exist or can be made to exist. Included in the University's strategic plan is an increase in student enrollment, which includes a greater emphasis on expanded outreach programs, increased scholarships for desirable students, and the establishment of new programs and extension sites. The University places 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.

All in all, the University's management is of the opinion that the University's financial condition is sound.



KPMG LLP
New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078-2778

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, as of and for the years ended June 30, 2010 and 2009, 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 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 University'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 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 as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 9 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.

KPMG LLP

October 15, 2010

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,273	\$ 12,329
Short term investments	2,808	4,294
Grants and accounts receivable, net	37,272	37,329
Deposits held with trustees	11,266	10,977
Other current assets	<u>1,740</u>	<u>2,283</u>
Total current assets	<u>65,359</u>	<u>67,212</u>
Noncurrent assets:		
Endowment investments	64,527	57,742
Investments	7,724	8,085
Deposits held with trustees	11,385	17,257
Other assets	7,306	7,007
Capital assets, net of accumulated depreciation of \$259,039 and \$242,599, respectively	<u>237,583</u>	<u>235,547</u>
Total noncurrent assets	<u>328,525</u>	<u>325,638</u>
Total assets	\$ <u>393,884</u>	\$ <u>392,850</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,406	\$ 21,216
Long term debt, current portion	7,194	6,989
Deferred revenue	9,022	8,828
Due to affiliates	<u>2,025</u>	<u>2,028</u>
Total current liabilities	<u>35,647</u>	<u>39,061</u>
Noncurrent liabilities:		
Long term debt	155,696	162,874
Other noncurrent liabilities	8,729	8,973
U.S. government grants refundable	<u>1,713</u>	<u>1,685</u>
Total noncurrent liabilities	<u>166,138</u>	<u>173,532</u>
Total liabilities	\$ <u>201,785</u>	\$ <u>212,593</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 90,761	\$ 81,527
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	36,042	32,736
Instructional and other	8,767	8,279
Expendable:		
Scholarships and fellowships	4,856	3,781
Instructional and other	5,976	5,139
Research and programs	749	788
Loans	1,024	1,022
Unrestricted (see note 10)	<u>43,924</u>	<u>46,985</u>
Total net assets	\$ <u><u>192,099</u></u>	\$ <u><u>180,257</u></u>

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,

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$34,170 and \$27,847, respectively	\$ 80,760	\$ 79,272
Federal grants and contracts	52,971	49,107
State grants and contracts	16,044	17,601
Other grants and contracts	3,560	3,472
Auxiliary enterprises, net of scholarship allowances of \$3,215 and \$2,486, respectively	9,900	9,994
Other operating revenues	<u>3,601</u>	<u>3,434</u>
Total operating revenues	<u>166,836</u>	<u>162,880</u>
Operating expenses:		
Instruction	71,145	70,874
Research and programs	42,336	45,126
Public service	2,564	2,447
Academic support	17,788	17,805
Student services	15,533	15,557
Institutional support	31,384	32,006
Operation and maintenance of plant	15,677	16,354
Scholarships and fellowships	9,698	7,775
Depreciation and amortization	17,231	18,373
Auxiliary enterprises	<u>7,391</u>	<u>6,934</u>
Total operating expenses	<u>230,747</u>	<u>233,251</u>
Operating loss	<u>(63,911)</u>	<u>(70,371)</u>
Nonoperating revenues (expenses):		
State appropriations	67,913	68,477
Gifts and bequests	2,933	4,135
Interest expense	(7,460)	(7,608)
Investment income (loss)	6,503	(13,125)
Other nonoperating revenues, net	<u>1,754</u>	<u>1,419</u>
Net nonoperating revenues	<u>71,643</u>	<u>53,298</u>
Income (loss) before other revenues	<u>7,732</u>	<u>(17,073)</u>
Other revenues:		
Capital grants and gifts	811	381
Additions to permanent endowments	<u>3,299</u>	<u>2,717</u>
Total other revenues	<u>4,110</u>	<u>3,098</u>
Increase (decrease) in net assets	11,842	(13,975)
Net assets, beginning of year	<u>180,257</u>	<u>194,232</u>
Net assets, end of year	<u>\$ 192,099</u>	<u>\$ 180,257</u>

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,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 81,108	\$ 77,745
Grants and contracts	70,959	58,081
Payments for salaries and benefits	(134,316)	(134,773)
Payments to suppliers	(47,716)	(46,465)
Payments for scholarships and fellowships	(9,698)	(7,775)
Loans issued to students	(79)	(493)
Loans collected from students	281	204
Auxiliary enterprises	2,482	3,038
University programs	3,080	3,626
Affiliates	(3)	239
Other (payments) receipts	(1,875)	1,899
Net cash used by operating activities	<u>(35,777)</u>	<u>(44,674)</u>
Cash flows from noncapital financing activities:		
State appropriations	54,381	52,104
Gifts and bequests for other than capital purposes	1,954	2,337
Additions to permanent endowments	3,057	3,912
Other receipts	1,285	1,013
Net cash provided by noncapital financing activities	<u>60,677</u>	<u>59,366</u>
Cash flows from capital financing activities:		
Capital grants and gifts	136	262
Purchase of capital assets	(18,508)	(13,395)
Principal paid on long term debt	(6,845)	(4,764)
Interest paid on long term debt	(7,833)	(8,053)
Deposits with trustees	(12,024)	(16,109)
Withdrawals from trustees	17,712	12,967
Net cash used by capital financing activities	<u>(27,362)</u>	<u>(29,092)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	30,644	46,143
Interest and dividends on investments	1,839	2,385
Purchase of investments	(30,077)	(46,546)
Net cash provided by investing activities	<u>2,406</u>	<u>1,982</u>
Net decrease in cash and cash equivalents	<u>(56)</u>	<u>(12,418)</u>
Cash and cash equivalents, beginning of year	<u>12,329</u>	<u>24,747</u>
Cash and cash equivalents, end of year	\$ <u>12,273</u>	\$ <u>12,329</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (63,911)	\$ (70,371)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	17,231	18,373
Noncash operating expenses	16,018	16,370
Changes in assets and liabilities:		
Grants and accounts receivable	(1,413)	(8,438)
Other assets, current and noncurrent	167	(467)
Accounts payable and accrued liabilities	(3,970)	2,824
Deferred revenue	104	(3,204)
Due to affiliates	(3)	239
Net cash used by operating activities	\$ <u>(35,777)</u>	\$ <u>(44,674)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 15,611	\$ 14,731
Gifts and bequests for other than capital purposes	457	1,660
Additions to permanent endowments	190	33
New annuity agreements – marketable securities	229	—
Capital leases	25	22
Capital assets	361	719

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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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, College of Computing Sciences, College of Architecture and Design, College of Science and Liberal Arts, School of Management, and 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 1995 established NJIT as a body corporate and politic and determined that the exercise of NJIT's powers was a public and essential government function. NJIT has its origins in the 1881 New Jersey statutes.

Foundation at New Jersey Institute of Technology (the Foundation) is a component unit of NJIT. The Foundation raises and manages funds to support the further development and growth of programs at 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 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, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, NJIT, which is financially dependent on the State of New Jersey (the State), is considered to be a component unit of the State for its 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 U.S. generally accepted accounting principles as promulgated by the GASB. 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.

Effective July 1, 2008, the University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires the classification of certain intangible assets, including internally-generated assets, as capital assets.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

(b) Use of Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

(c) Cash and Cash Equivalents

The University considers money market funds, investments with original maturities of three months or less, and investments in sweep accounts with original maturities of twelve months or less to be cash equivalents, except for those included in endowment investments and deposits held with trustees. Investments in sweep accounts with original maturities greater than twelve months are classified as noncurrent assets, even though their purpose is to be used for operating activities.

(d) Investments and Deposits Held with Trustees

Investments in marketable equity securities, debt instruments, and mutual funds are carried at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

(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, in the case of gifts, fair value at date of donation. Expenditures for replacements are capitalized, and the replaced items are retired. Expenses resulting from disposal of property are included in other nonoperating revenues, net. 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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

(g) Due to Affiliates

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

	June 30,	
	2010	2009
NJEDge.Net	\$ 1,094	\$ 1,250
Student organizations	880	774
Other organizations	51	4
	\$ 2,025	\$ 2,028

(h) Classification of Net Assets

The University classifies its resources into three net asset categories:

- Invested in capital assets, net of related debt, contains 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 realized 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, capital 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 student tuition and fees, gifts and bequests, and investment income, and are spent to meet the objectives of the University.

The University's policy is to first utilize available restricted, and then unrestricted, resources in the conduct of its operations.

(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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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

Student tuition and fees revenues are recognized in the period earned. Student tuition and fees collected in advance of the fiscal year are recorded as deferred revenue in the statement of net assets.

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, 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.

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 (\$25,432 and \$24,519 in fiscal years 2010 and 2009, 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 115(a)(2) 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 in the statement of cash flows to conform with the current year's presentation.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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

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

	June 30,			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	\$ 405	\$ 405	\$ 431	\$ 431
Money market funds	11,868	11,868	11,048	11,048
Commercial paper	—	—	849	850
	12,273	12,273	12,328	12,329
Investments:				
Money market funds	3,017	3,017	4,993	4,993
Certificate of deposit	500	500	500	500
U.S. Treasury and government agency bonds	11,067	11,273	12,024	12,167
Corporate equity securities	11,957	12,125	16,532	15,049
Corporate debt securities	785	816	824	774
Mutual equity funds	20,949	16,561	21,021	15,111
Mutual bond funds	8,406	9,047	8,669	9,003
Hedge and other investment funds	22,049	21,720	13,773	12,524
	78,730	75,059	78,336	70,121
Deposits held with trustees:				
Money market funds	15,037	15,037	19,630	19,630
U.S. Treasury and government agency bonds	4,872	4,879	4,933	4,939
Mutual bond funds	2,684	2,735	3,717	3,665
	22,593	22,651	28,280	28,234
Total cash and cash equivalents, investments, and deposits held with trustees	\$ 113,596	\$ 109,983	\$ 118,944	\$ 110,684

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

Cash and cash equivalents have a bank balance of \$16,668 and \$13,934, including cash held by depositories of \$444 and \$427, at June 30, 2010 and 2009, respectively. Cash held by depositories of \$279 and \$262 at June 30, 2010 and 2009, respectively, and \$250 of the certificate of deposit at June 30, 2010 and 2009 are insured by the Federal Deposit Insurance Corporation (FDIC); amounts in excess are uncollateralized. Commercial paper, investments, and deposits held with trustees are either insured or held by the University or its agent in the University's name. Money market and mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Endowment investments totaling \$1,979 and \$1,886 at fair value (\$1,960 and \$2,050 at cost) at June 30, 2010 and 2009, respectively, are held and administered by external trustees, while the remainder are held and administered by the University.

Hedge and other investment funds are comprised of market neutral funds and private equity, real estate, and timber funds. The University is committed to invest an additional \$1,601 in these funds over the next three fiscal years.

Deposits held with trustees represent restricted funds held by Wachovia Bank N.A. (the Trustee) under terms of the 2001 Series G and H and 2004 Series B agreements with the New Jersey Educational Facilities Authority (NJEFA) and by SunTrust Bank under terms of the SunTrust Master Lease (see note 6). The funds consist of money market funds, U.S. government securities, and short term mutual bond funds. Of the total deposits held at June 30, 2010 and 2009, \$11,385 is required to be maintained in accordance with the mortgage bond indenture agreements.

The University, NJEFA, the Trustee, and Credit Suisse First Boston International (CSFBI) have entered into an agreement for the investment of a portion of the University's debt service reserve for the 2004 Series B Bonds. Under this agreement, the University is committed to purchase up to \$4,100 per year of U.S. Treasury securities at maturity value from CSFBI through fiscal year 2024. For these commitments, CSFBI has guaranteed the University an annual payment of \$257. For the years ended June 30, 2010 and 2009, this equates to an effective 6.3% rate of return, the arbitrage rebate limit.

The University invests in investment grade bonds rated at least BBB (or equivalent) at the time of purchase and in repurchase agreements rated at least A1 (or equivalent) at the time of purchase. The University may also invest in below investment grade bonds to serve as equity substitutes within the overall allocation for equities. There is no limitation placed on the ownership of U.S. Treasury or government agency bonds. The endowment investment policy establishes as an objective that the aggregate fixed income portfolio have an average rating of A or better.

The University limits its investments to 5% of the securities of any one company and 15% of the securities of any one industry, in order to achieve a prudent level of portfolio diversification.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

At June 30, 2010 and 2009, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

Investment Type	Fair Value	June 30, 2010			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 29,922	\$ 29,922	\$ —	\$ —	\$ —
Certificate of deposit	500	500	—	—	—
U.S. Treasury and government agency bonds	16,152	11,554	2,089	2,470	39
Corporate debt securities	816	78	252	193	293
Mutual bond funds	11,782	51	9,094	2,637	—
Total fixed income investments	\$ 59,172	\$ 42,105	\$ 11,435	\$ 5,300	\$ 332

Investment Type	Fair Value	June 30, 2009			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 35,671	\$ 35,671	\$ —	\$ —	\$ —
Commercial paper	850	850	—	—	—
Certificate of deposit	500	500	—	—	—
U.S. Treasury and government agency bonds	17,106	11,322	4,389	1,358	37
Corporate debt securities	774	—	275	267	232
Mutual bond funds	12,668	45	10,286	2,337	—
Total fixed income investments	\$ 67,569	\$ 48,388	\$ 14,950	\$ 3,962	\$ 269

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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 and the Foundation's Board of Overseers.

A portion of the University's endowment investments are held in an endowment investment pool. The cost and fair value of the pooled investments are as follows:

	June 30,			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 2,634	\$ 2,634	\$ 3,739	\$ 3,739
Corporate equity securities	11,455	11,610	16,027	14,568
Mutual equity funds	17,738	14,060	17,453	12,688
Mutual bond funds	6,839	7,474	7,138	7,578
Hedge and other investment funds	22,049	21,720	13,773	12,524
Total endowment investment pool	\$ 60,715	\$ 57,498	\$ 58,130	\$ 51,097

In order to limit the risks associated with changes in interest rates, the University's endowment investment policy calls for a weighted average portfolio duration of not more than seven and one-half years for fixed income securities. At June 30, 2010 and 2009, the weighted average portfolio duration of fixed income securities included in the University's endowment investment pool was 5.3 years and 4.1 years, respectively.

Endowment investment 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 319,826 and 312,959 pool units with a fair unit value of \$179.78 and \$163.27 at June 30, 2010 and 2009, respectively. For the years ended June 30, 2010 and 2009, the average return per pool unit was 11.0% and (21.0%), respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the market value per pool unit. The spending rates for the years ended June 30, 2010 and 2009 were 4.8% and 5.0%, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2010 and 2009 was as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Placed Into Service</u>	<u>June 30, 2010</u>
Depreciable assets:					
Land improvements	\$ 8,368	\$ —	\$ —	\$ —	\$ 8,368
Buildings and building improvements	364,738	4,824	—	2,509	372,071
Equipment and other assets	82,351	1,731	(447)	8,235	91,870
	<u>455,457</u>	<u>6,555</u>	<u>(447)</u>	<u>10,744</u>	<u>472,309</u>
Accumulated depreciation:					
Land improvements	2,090	418	—	—	2,508
Buildings and building improvements	174,390	12,301	—	—	186,691
Equipment and other assets	66,119	4,167	(446)	—	69,840
	<u>242,599</u>	<u>16,886</u>	<u>(446)</u>	<u>—</u>	<u>259,039</u>
	212,858	(10,331)	(1)	10,744	213,270
Nondepreciable assets:					
Land	14,370	3,500	—	—	17,870
Construction in progress	8,319	8,868	—	(10,744)	6,443
	<u>\$ 235,547</u>	<u>\$ 2,037</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ 237,583</u>
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Placed Into Service</u>	<u>June 30, 2009</u>
Depreciable assets:					
Land improvements	\$ 8,368	\$ —	\$ —	\$ —	\$ 8,368
Buildings and building improvements	359,973	—	—	4,765	364,738
Equipment and other assets	76,831	2,927	(316)	2,909	82,351
	<u>445,172</u>	<u>2,927</u>	<u>(316)</u>	<u>7,674</u>	<u>455,457</u>
Accumulated depreciation:					
Land improvements	1,671	419	—	—	2,090
Buildings and building improvements	161,740	12,650	—	—	174,390
Equipment and other assets	61,452	4,976	(309)	—	66,119
	<u>224,863</u>	<u>18,045</u>	<u>(309)</u>	<u>—</u>	<u>242,599</u>
	220,309	(15,118)	(7)	7,674	212,858
Nondepreciable assets:					
Land	14,370	—	—	—	14,370
Construction in progress	6,094	9,899	—	(7,674)	8,319
	<u>\$ 240,773</u>	<u>\$ (5,219)</u>	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ 235,547</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

Included in construction in progress at June 30, 2010 and 2009 are costs of \$3,517 and \$6,970, respectively, associated with the implementation of an enterprise resource planning system, of which \$1,541 and \$2,860 were costs internally generated in fiscal years 2010 and 2009, respectively.

In fiscal year 2010, the University completed the purchase of land and a building for \$8,290. Interest of \$212 and \$188 earned on the University's escrow deposit is included in investment income (loss) in fiscal years 2010 and 2009, respectively.

4. Supplementary Statement of Net Assets Detail

	June 30,	
	2010	2009
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 29,413	\$ 30,624
Student accounts receivable	6,896	7,020
Program services accounts receivable	1,570	1,092
Other grants and accounts receivable	1,710	1,672
Pledges receivable, current portion	462	462
Student loans receivable, current portion	255	200
Accrued interest receivable	88	90
	40,394	41,160
Less: allowance for doubtful accounts	3,122	3,831
	\$ 37,272	\$ 37,329
Other assets, noncurrent:		
Deferred financing costs	\$ 4,228	\$ 4,074
Student loans receivable	1,869	2,126
Pledges receivable	898	388
Other	311	419
	\$ 7,306	\$ 7,007
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 6,630	\$ 8,742
Accrued interest expense	3,625	3,750
Accounts payable – construction	721	586
Accounts payable – other	5,686	7,455
Other noncurrent liabilities, current portion	744	683
	\$ 17,406	\$ 21,216

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2010 and 2009 was as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Current Portion</u>
Long term debt	\$ 166,771	\$ 25	\$ (6,845)	\$ 159,951	\$ 7,009
Unamortized net premium	3,092	—	(153)	2,939	185
Total long term debt	<u>169,863</u>	<u>25</u>	<u>(6,998)</u>	<u>162,890</u>	<u>7,194</u>
Retirement incentive programs	2,365	16	(37)	2,344	45
Annuity funds liability	2,541	760	(724)	2,577	492
Insurance liability reserve	1,449	—	—	1,449	—
Compensated absences	2,805	—	(187)	2,618	190
Other	496	38	(49)	485	17
Total other noncurrent liabilities	<u>9,656</u>	<u>814</u>	<u>(997)</u>	<u>9,473</u>	<u>744</u>
U.S. government grants refundable	1,685	30	(2)	1,713	—
Total noncurrent liabilities	<u>\$ 181,204</u>	<u>\$ 869</u>	<u>\$ (7,997)</u>	<u>\$ 174,076</u>	<u>\$ 7,938</u>

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
Long term debt	\$ 171,513	\$ 22	\$ (4,764)	\$ 166,771	\$ 6,836
Unamortized net premium	3,216	—	(124)	3,092	153
Total long term debt	<u>174,729</u>	<u>22</u>	<u>(4,888)</u>	<u>169,863</u>	<u>6,989</u>
Retirement incentive programs	2,378	18	(31)	2,365	37
Annuity funds liability	2,780	1,297	(1,536)	2,541	496
Insurance liability reserve	1,451	—	(2)	1,449	—
Compensated absences	2,537	401	(133)	2,805	133
Other	507	56	(67)	496	17
Total other noncurrent liabilities	<u>9,653</u>	<u>1,772</u>	<u>(1,769)</u>	<u>9,656</u>	<u>683</u>
U.S. government grants refundable	1,656	32	(3)	1,685	—
Total noncurrent liabilities	<u>\$ 186,038</u>	<u>\$ 1,826</u>	<u>\$ (6,660)</u>	<u>\$ 181,204</u>	<u>\$ 7,672</u>

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

Included in annuity funds liability is a net increase of \$450 and a net decrease of \$1,000 in the fair value of investments at June 30, 2010 and 2009, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

6. Long Term Debt

Long term debt is composed of:

	June 30,	
	2010	2009
Revenue Bonds:		
2004 Series B issue:		
Serial bonds (interest rates between 2.00% to 5.25%, due on various dates through fiscal year 2026)	\$ 69,590	\$ 72,570
2001 Series G issue:		
Serial bonds (interest rates between 2.40% to 5.25%, due on various dates through fiscal year 2022)	19,160	19,905
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)	7,290	8,110
Capital Lease Obligations:		
Higher Education Capital Improvement Fund	17,512	18,267
Other	685	1,127
Other Long Term Debt:		
SunTrust Master Lease	5,292	6,230
New Jersey Economic Development Authority note	2,497	2,637
	159,951	166,771
Unamortized net premium on obligations	2,939	3,092
	162,890	169,863
Less: current portion	7,194	6,989
Long term debt	\$ 155,696	\$ 162,874

The 2004 Series B Bonds were issued by NJEFA pursuant to an agreement with the University for the purpose of refunding two prior issues of revenue bonds. 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 2004 Series B Bonds maturing on or prior to July 1, 2013 are not subject to redemption prior to maturity. The 2004 Series B Bonds maturing on or after July 1, 2014 are subject to redemption prior to maturity on or after January 1, 2014 at a price of 100%.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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.

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.

The Higher Education Capital Improvement Fund (HECIF) obligation was issued by NJEFA to provide funds for certain construction and facilities improvements at the State's public institutions of higher education. The University is responsible for one third of its allocated debt service payments and related program expenses. The HECIF debt bears an effective interest rate of 4.31% and matures in fiscal year 2025.

The SunTrust Master Lease was entered into to provide funds for the hardware, software, and implementation costs of an enterprise resource planning system. The SunTrust debt bears an effective interest rate of 3.43% and matures in fiscal year 2015.

The New Jersey Economic Development Authority (NJEDA) note, which matures in fiscal year 2028, is noninterest bearing and payable monthly. Imputed interest expense totaled \$91 and \$93 in fiscal years 2010 and 2009, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

At June 30, 2010, deposits held with trustees included \$4,770 for principal payments on revenue bonds due on July 1, 2010. 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
2011	\$ 7,249	\$ 7,382	\$ 14,631
2012	7,357	7,032	14,389
2013	7,700	6,675	14,375
2014	8,086	6,294	14,380
2015	8,480	5,899	14,379
2016 to 2020	41,792	23,864	65,656
2021 to 2025	49,230	12,398	61,628
2026 to 2030	20,642	4,087	24,729
2031	4,645	221	4,866
	\$ 155,181	\$ 73,852	\$ 229,033

The University has credit agreements with two banks permitting it to borrow up to \$6,000 in total, at the London Interbank Offered Rate (LIBOR) plus 1.0% and at LIBOR plus 1.4% (1.3% and 1.7% at June 30, 2010, respectively) at the time of utilization. At June 30, 2010, there were no outstanding borrowings against these agreements.

Deferred financing costs associated with the University's long term debt totaled \$4,592 and \$4,937, net of accumulated amortization of \$2,967 and \$2,622, at June 30, 2010 and 2009, respectively.

Interest charges incurred in fiscal years 2010 and 2009 totaled \$7,489 and \$7,735 respectively, of which \$29 and \$127 was capitalized as construction in progress in fiscal years 2010 and 2009, respectively.

7. Compensated Absences

Eligible employees accrue vacation leave based upon time employed with a maximum accumulation at June 30 of 10 to 50 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, 2010 and 2009, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$4,879 and \$4,821, respectively, and unused sick time of \$190 and \$133, respectively. At June 30, 2010 and 2009, other noncurrent liabilities include \$2,428 and \$2,672, respectively, of unused sick time. In fiscal years 2010 and 2009, payments for unused sick time totaled \$187 and \$133, respectively.

8. Retirement Programs

Eligible full-time employees and certain part-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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

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.

By statute, the University's employees are considered to be State employees for purposes of pension contribution and postemployment benefits. Accordingly, the University bears none of the normal costs of its employees' participation, all of which are borne by the State. However, the University is responsible for retirement incentive program contributions to PERS and TPAF.

PERS is a defined benefit retirement program which provides coverage, including post-retirement health care, to substantially all full-time employees and certain part-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 retirement incentive program contributions to PERS for the years ended June 30, 2010 and 2009 were \$161 and \$155, respectively.

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 retirement incentive program contributions to TPAF for the years ended June 30, 2010 and 2009 were \$51 and \$50, 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.

ABP is a defined contribution retirement program for eligible full-time employees, providing retirement, disability, and death benefits for professionals and faculty members. Membership is mandatory for such employees. 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, 2010 and 2009, the University's contributions to ABP were \$6,122 and \$6,317, 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2010 and 2009

9. Investment Income (Loss)

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

	2010	2009
Interest and dividends	\$ 1,778	\$ 2,450
Realized net gain (loss) on sale of investments	528	(6,016)
Net increase (decrease) in the fair value of investments	4,197	(9,559)
Investment income (loss)	\$ 6,503	\$ (13,125)

At June 30, 2010 and 2009, \$4,038 and \$4,123 were transferred from restricted nonexpendable net assets—scholarships and fellowships, and \$290 and \$445 were transferred from restricted nonexpendable net assets—instructional and other, respectively, to the corresponding restricted expendable net assets to temporarily fund deficits resulting from the fiscal year 2009 investment loss caused by the poor market conditions that were then existent.

10. Designations of Unrestricted Net Assets

The components of unrestricted net assets are as follows:

	June 30,	
	2010	2009
Designated unrestricted net assets:		
Scholarships and fellowships	\$ 5,172	\$ 4,808
Instructional and other	6,360	6,375
Debt service	4,579	4,842
Deferred financing costs	4,592	4,937
Outstanding purchase orders	2,320	2,408
Construction and capital programs	9,555	8,987
	32,578	32,357
Undesignated unrestricted net assets	11,346	14,628
Unrestricted net assets	\$ 43,924	\$ 46,985

11. Commitments and Contingencies

At June 30, 2010, open purchase orders totaled \$19,343, primarily for 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.