



NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2009 and 2008

Table of Contents

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	10
Financial Statements:	
Statement of Net Assets at June 30, 2009 and 2008	11
Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2009 and 2008	12
Statement of Cash Flows for the years ended June 30, 2009 and 2008	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 Loss	29
10. Designations of Unrestricted Net Assets	29
11. Commitments and Contingencies	30

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

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, 2009 and 2008. 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 2009, approximately 400 full-time faculty members served nearly 8,400 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-four 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 1996. 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, 2009 and 2008 was sound, with total assets of \$392,850 and \$412,600, and total liabilities of \$212,593 and \$218,368, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled \$180,257 and \$194,232 at June 30, 2009 and 2008, respectively. 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. Net assets decreased \$2,560 in fiscal year 2008 principally resulting from increases in operation and maintenance of plant expense, primarily due to higher utilities costs, institutional support, student services, academic support and instruction expenses, and an investment loss resulting from a decrease in the fair value of investments at June 30, 2008, all of which more than offset increases in tuition and fees revenues, State appropriations, gifts and bequests, and additions to permanent endowments.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

The Financial Statements

The University's financial statements include a statement of net assets at June 30, 2009 and 2008, 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 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, 2009 and 2008, and is summarized as follows. The summarized statement of net assets at June 30, 2007 is also presented for comparative purposes.

	June 30,		
	2009	2008	2007
Current assets	\$ 67,212	\$ 73,930	\$ 74,315
Endowment investments	57,742	72,314	70,544
Capital assets, net	235,547	240,773	244,398
Other assets	32,349	25,583	18,806
Total assets	<u>392,850</u>	<u>412,600</u>	<u>408,063</u>
Current liabilities	39,061	37,868	36,038
Long term debt, noncurrent portion	162,874	169,849	165,364
Other liabilities	10,658	10,651	9,869
Total liabilities	<u>212,593</u>	<u>218,368</u>	<u>211,271</u>
Invested in capital assets, net of related debt	81,527	85,586	87,669
Restricted nonexpendable	41,015	42,866	37,937
Restricted expendable	10,730	20,256	24,471
Unrestricted	46,985	45,524	46,715
Total net assets	<u>\$ 180,257</u>	<u>\$ 194,232</u>	<u>\$ 196,792</u>

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, 2009 as compared to June 30, 2008 of \$6,718 relates principally to a decrease in cash and cash equivalents, short term investments, and deposits held with trustees, partially offset by an increase in grants and accounts receivable. Current assets at June 30, 2008 remained relatively constant as compared to June 30, 2007.

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 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 current portion of long term debt, offset by a decrease in deferred

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

revenue, resulting from a decrease in advance payments from grants and contracts and students. The increase in current liabilities at June 30, 2008 as compared to June 30, 2007 of \$1,830 principally results from increases in current portion of long term debt, as a result of debt incurred to provide funds for the hardware, software, and implementation costs of an enterprise resource planning system, deferred revenue, resulting from an increase in advance payments from grants and contracts, and due to affiliates, offset by a decrease in accounts payable and accrued expenses.

Excluding deposits held with trustees, which can only be used for debt service and facilities construction, and deferred revenue, which is associated with certain specific activities, current assets exceeded current liabilities by \$26,002 and \$36,556 at June 30, 2009 and 2008, respectively. The University had \$16,623 and \$33,041 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2009 and 2008, respectively. The decrease in cash and cash equivalents and short term investments at June 30, 2009 as compared to June 30, 2008 of \$16,418 principally relates to payment of grant and contract expenditures in advance of reimbursement from grantors, the decrease in deferred revenue, and a deposit for the purchase of land and a building, partially offset by increased student tuition and fees revenues.

Endowment investments include gifts from donors that are to be invested in perpetuity and the related income and appreciation, and unrestricted funds designated by management as quasi-endowment. Only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. 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. Endowment investments grew approximately 2.5% during fiscal year 2008, reflecting growth from new gifts and realized investment gains, partially offset by fair value decreases at June 30, 2008.

Capital assets increased 2.7% and 2.9% at cost during fiscal years 2009 and 2008, respectively, principally related to the University's facilities rehabilitation projects. The fiscal year 2009 increase is the result of completion of a solar telescope, implementation costs associated with an enterprise resource planning system, renovations of various labs, and heating, ventilation and air conditioning upgrades. During fiscal year 2008, land was acquired for future use as a parking facility, renovations of the Campus Center cafeteria and various labs were completed, and hardware, software, and implementation costs associated with an enterprise resource planning system and fabricated equipment relating to a solar telescope were acquired.

Total long term debt at June 30, 2009 and 2008 totaled \$169,863 and \$174,729, 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, decreased \$4,059 and \$2,083 during fiscal years 2009 and 2008, respectively, 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 and 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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

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 decreased \$11,377 during fiscal year 2009. At June 30, 2009, \$4,123 and \$445 of the net decrease in the fair value of investments was reflected in restricted nonexpendable net assets for scholarships and fellowships and instructional and other, respectively. The decrease in restricted nonexpendable and expendable net assets was principally due to realized investment losses and the decrease in the fair value of investments at June 30, 2009, caused by the poor market conditions experienced during fiscal year 2009, partially offset by additions to permanent endowments. Restricted net assets increased \$714 during fiscal year 2008, principally due to an increase in nonexpendable net assets for scholarships and fellowships and instructional and other as a result of additions to permanent endowments, offset by decreases in expendable net assets for scholarships and fellowships and instructional and other as a result of the decrease in the fair value of investments, caused by the poor market conditions experienced during fiscal year 2008.

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 to be used for the stated specified purposes:

	June 30,		
	2009	2008	2007
Scholarships and fellowships	\$ 4,808	\$ 5,829	\$ 5,904
Instructional and other	6,375	7,607	7,948
Debt service	4,842	4,182	4,169
Deferred financing costs	4,937	5,264	5,734
Outstanding purchase orders	2,408	2,375	3,229
Construction and capital programs	8,987	1,564	2,038
Subsequent fiscal year operations	—	5,000	5,685
	<u>\$ 32,357</u>	<u>\$ 31,821</u>	<u>\$ 34,707</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, 2009 and 2008

The components of revenues for the fiscal years ended June 30, 2009 and 2008 are as follows. The components of revenues for the fiscal year ended June 30, 2007 are also presented for comparative purposes:

	2009	2008	2007
Operating revenues:			
Student tuition and fees, net	\$ 79,272	\$ 71,518	\$ 66,787
Federal, State, and other grants and contracts	70,180	64,627	64,064
Auxiliary enterprises, net	9,994	9,799	9,670
Other operating revenues	3,434	3,677	3,933
Total operating revenues	162,880	149,621	144,454
Nonoperating revenues:			
State appropriations	68,477	71,117	68,253
Gifts and bequests, including capital, and additions to permanent endowments	7,233	10,072	7,329
Investment (loss) income	(13,125)	(751)	12,094
Other nonoperating revenues, net	1,419	1,391	1,281
Total nonoperating revenues	64,004	81,829	88,957
Total revenues	\$ 226,884	\$ 231,450	\$ 233,411

The components of expenses for the fiscal years ended June 30, 2009 and 2008 are as follows. The components of expenses for the fiscal year ended June 30, 2007 are also presented for comparative purposes:

	2009	2008	2007
Operating expenses:			
Instruction	\$ 70,874	\$ 69,018	\$ 68,464
Research and programs	45,126	42,956	43,275
Public service	2,447	2,540	2,051
Academic support	17,805	19,336	17,845
Student services	15,557	14,448	12,756
Institutional support	32,006	29,454	27,628
Operation and maintenance of plant	16,354	17,310	14,666
Scholarships and fellowships	7,775	6,875	6,536
Depreciation and amortization	18,373	18,387	18,141
Auxiliary enterprises	6,934	6,105	5,776
Total operating expenses	233,251	226,429	217,138
Nonoperating expenses:			
Interest expense	7,608	7,581	7,259
Total nonoperating expenses	7,608	7,581	7,259
Total expenses	\$ 240,859	\$ 234,010	\$ 224,397

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

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 \$27,847, totaled \$79,272 for fiscal year 2009, an increase of 10.8% over the fiscal year 2008 student tuition and fees, net of scholarship allowances of \$25,035, of \$71,518, which had increased by 7.1% over the fiscal year 2007 student tuition and fees, net of scholarship allowances of \$22,388, of \$66,787. The increases are principally attributable to a 10.0% and 7.0% increase in tuition and fees in fiscal years 2009 and 2008, respectively, as well as an increase in student enrollment in both years.

Auxiliary enterprises revenues, net of scholarship allowances of \$2,486 and \$2,411, increased 2.0% and 1.3% to \$9,994 and \$9,799 in fiscal years 2009 and 2008, respectively, 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,		
	2009	2008	2007
Direct appropriations for general operating purposes	\$ 43,958	\$ 49,097	\$ 47,182
FICA and fringe benefits paid by the State for University employees	24,519	22,020	21,071
	<u>\$ 68,477</u>	<u>\$ 71,117</u>	<u>\$ 68,253</u>

The decrease in State appropriations in fiscal year 2009 was the result of a general reduction in funding for Higher Education in the State's fiscal year 2009 budget. Even though State appropriations increased by \$2,684 in fiscal year 2008, they remained relatively constant as a percentage of the University's total expenses.

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,		
	2009	2008	2007
Federal grants and contracts	\$ 49,107	\$ 45,617	\$ 46,272
State grants and contracts	17,601	15,516	14,961
Other grants and contracts	3,472	3,494	2,831
	<u>\$ 70,180</u>	<u>\$ 64,627</u>	<u>\$ 64,064</u>

Federal grants and contracts revenues increased 7.7% in fiscal year 2009 due to an increase in research and student financial assistance grants. Federal grants and contracts revenues decreased 1.4% in fiscal year 2008 due to a decrease in research grants, partially offset by an increase in student financial assistance grants. State grants

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

and contracts revenues increased 13.4% in fiscal year 2009, principally due to increases in research grants and student financial assistance grants, and increased 3.7% in fiscal year 2008, principally due to an increase in student financial assistance grants. Other grants and contract revenues remained relatively constant in fiscal year 2009, after increasing 23.4% in fiscal year 2008, due to increased private training grants and contracts.

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 2009 and 2008 totaled \$4,135 and \$4,808, respectively, and capital grants and gifts generated another \$381 and \$335, respectively, for the purchase of capital assets. Additions to permanent endowments were \$2,717 and \$4,929 in fiscal years 2009 and 2008, respectively.

Investment (loss) income includes interest and dividends, realized net (loss) gain on the sale of investments, and net (decrease) increase in the fair value of investments. Net 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 decreases in interest and dividends, while net fiscal year 2008 investment income decreased by \$12,845 over fiscal year 2007 due to a decline in the fair value of investments at June 30, 2008, and decreases in interest and dividends and realized net gain on the sale of investments. The decreases in both fiscal years are primarily attributable to the poor market conditions that were then existent.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$112,011, \$109,677, and \$105,601 in fiscal years 2009, 2008, and 2007, respectively. 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. The increase of 3.9% in fiscal year 2008 is primarily the result of increased compensation costs for faculty and academic staff and higher expenditures for student software and supplies.

Research and programs expense increased 5.1% to \$45,126, after remaining relatively constant in fiscal year 2008, resulting from the increase in grants and contracts activity.

Public service expenses remained relatively constant in fiscal year 2009, and increased 23.8% to \$2,540 in fiscal year 2008 as a result of an increase in expenses associated with the operation of the University's small business incubator.

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. During 2009, institutional support salary and wages remained relatively constant with 2008 as a result of the capitalization of salaries and wages in connection with the implementation of an enterprise resource planning system.

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 allocation of operations and maintenance expense to residence halls and a decrease in property insurance expense, and increased 18.0% to \$17,310 in fiscal year 2008, primarily due to higher utility costs and increased compensation expense.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2009 and 2008

Auxiliary enterprises expense increased 13.6% to \$6,934 and 5.7% to \$6,105 in fiscal years 2009 and 2008, respectively, principally due to increased operation and maintenance costs for residence halls.

During fiscal year 2009, the University incurred debt-related interest costs of \$7,735, of which \$127 was capitalized and will be amortized over the estimated useful life of the associated capital assets. During fiscal year 2008, the University incurred debt-related interest costs of \$7,581.

Summary and Outlook

The University finds itself in a sound financial position at June 30, 2009. Overall enrollment increased for the fiscal 2009 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.

The University's debt is rated A2 by Moody's Investors Service and A+ by Standard & Poor's. Moody's affirmed its rating in fiscal year 2007, citing the University's stable market position with healthy student demand, its relatively consistent matriculation levels, its status as a relatively selective institution, and its diversified revenue stream, and stating, "The stable outlook reflects Moody's expectation that NJIT will sustain continued growth in net tuition revenue leading to comfortable debt service coverage." Standard & Poor's affirmed its rating in fiscal year 2008.

The University's relations with its employees are good. Contracts are in place with all labor unions except one. Negotiations with the remaining union resulted in an interim memorandum of agreement governing certain financial and other terms for fiscal years 2009 and 2008. Negotiations for a final agreement are in progress, and are anticipated to come to a mutually favorable conclusion.

In May 2008, the University entered into an agreement for the purchase of land and a building (the property). The purchase price, equal to the fair market value of the property as determined by independent appraisers, is \$8,290. Closing is expected to occur on or about June 30, 2010, but may be delayed until June 30, 2012 at the option of the seller. In August 2008, the University deposited 50% of the purchase price with an escrow agent. The future value of the escrow deposit, calculated at the rate of 5% compounded daily, will be credited against the purchase price at the time of closing.

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. The decline in the value of the University's investments at June 30, 2009 was caused by the decline in the overall market.

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 conditions 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, 2009 and 2008

program, a more intensive fundraising program, and higher 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

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, 2009 and 2008, 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, 2009 and 2008, 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 20, 2009

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,329	\$ 24,747
Short term investments, at fair value	4,294	8,294
Grants and accounts receivable, net	37,329	26,911
Deposits held with trustees, at fair value	10,977	11,871
Other current assets	<u>2,283</u>	<u>2,107</u>
Total current assets	<u>67,212</u>	<u>73,930</u>
Noncurrent assets:		
Endowment investments, at fair value	57,742	72,314
Investments, at fair value	8,085	5,583
Deposits held with trustees, at fair value	17,257	13,290
Other assets	7,007	6,710
Capital assets, net of accumulated depreciation of \$242,599 and \$224,863, respectively	<u>235,547</u>	<u>240,773</u>
Total noncurrent assets	<u>325,638</u>	<u>338,670</u>
Total assets	\$ <u>392,850</u>	\$ <u>412,600</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,216	\$ 18,834
Long term debt, current portion	6,989	4,880
Deferred revenue	8,828	12,365
Due to affiliates	<u>2,028</u>	<u>1,789</u>
Total current liabilities	<u>39,061</u>	<u>37,868</u>
Noncurrent liabilities:		
Long term debt	162,874	169,849
Other noncurrent liabilities	8,973	8,995
U.S. government grants refundable	<u>1,685</u>	<u>1,656</u>
Total noncurrent liabilities	<u>173,532</u>	<u>180,500</u>
Total liabilities	\$ <u>212,593</u>	\$ <u>218,368</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 81,527	\$ 85,586
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	32,736	35,542
Instructional and other	8,279	7,324
Expendable:		
Scholarships and fellowships	3,781	11,327
Research and programs	788	1,105
Instructional and other	5,139	6,815
Loans	1,022	1,009
Unrestricted (see note 10)	<u>46,985</u>	<u>45,524</u>
Total net assets	\$ <u><u>180,257</u></u>	\$ <u><u>194,232</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,

	2009	2008
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$27,847 and \$25,035, respectively	\$ 79,272	\$ 71,518
Federal grants and contracts	49,107	45,617
State grants and contracts	17,601	15,516
Other grants and contracts	3,472	3,494
Auxiliary enterprises, net of scholarship allowances of \$2,486 and \$2,411, respectively	9,994	9,799
Other operating revenues	3,434	3,677
Total operating revenues	162,880	149,621
Operating expenses:		
Instruction	70,874	69,018
Research and programs	45,126	42,956
Public service	2,447	2,540
Academic support	17,805	19,336
Student services	15,557	14,448
Institutional support	32,006	29,454
Operation and maintenance of plant	16,354	17,310
Scholarships and fellowships	7,775	6,875
Depreciation and amortization	18,373	18,387
Auxiliary enterprises	6,934	6,105
Total operating expenses	233,251	226,429
Operating loss	(70,371)	(76,808)
Nonoperating revenues (expenses):		
State appropriations	68,477	71,117
Gifts and bequests	4,135	4,808
Interest expense	(7,608)	(7,581)
Investment loss	(13,125)	(751)
Other nonoperating revenues, net	1,419	1,391
Net nonoperating revenues	53,298	68,984
Loss before other revenues	(17,073)	(7,824)
Other revenues:		
Capital grants and gifts	381	335
Additions to permanent endowments	2,717	4,929
Total other revenues	3,098	5,264
Decrease in net assets	(13,975)	(2,560)
Net assets, beginning of year	194,232	196,792
Net assets, end of year	\$ 180,257	\$ 194,232

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>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 77,745	\$ 71,803
Grants and contracts	58,081	68,265
Payments for salaries and benefits	(134,773)	(131,536)
Payments to suppliers	(46,465)	(49,138)
Payments for scholarships and fellowships	(7,775)	(6,875)
Loans issued to students	(493)	(485)
Loans collected from students	204	279
Auxiliary enterprises	3,038	3,888
University programs	3,626	3,749
Affiliates	239	596
Other receipts	1,899	164
Net cash used by operating activities	<u>(44,674)</u>	<u>(39,290)</u>
Cash flows from noncapital financing activities:		
State appropriations	52,104	56,687
Gifts and bequests for other than capital purposes	2,337	2,354
Additions to permanent endowments	3,912	3,929
Other receipts	1,013	1,309
Net cash provided by noncapital financing activities	<u>59,366</u>	<u>64,279</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	—	7,172
Capital grants and gifts	262	309
Purchase of capital assets	(13,395)	(12,209)
Principal paid on long term debt	(4,764)	(3,055)
Interest paid on long term debt	(8,053)	(7,899)
Increase in deposits held with trustees	(3,142)	(8,602)
Net cash used by capital financing activities	<u>(29,092)</u>	<u>(24,284)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	46,143	45,654
Interest and dividends on investments	2,385	4,610
Purchase of investments	(46,546)	(58,975)
Net cash provided by (used by) investing activities	<u>1,982</u>	<u>(8,711)</u>
Net decrease in cash and cash equivalents	<u>(12,418)</u>	<u>(8,006)</u>
Cash and cash equivalents, beginning of year	<u>24,747</u>	<u>32,753</u>
Cash and cash equivalents, end of year	\$ <u>12,329</u>	\$ <u>24,747</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (70,371)	\$ (76,808)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	18,373	18,387
Noncash operating expenses	16,370	15,864
Changes in assets and liabilities:		
Grants and accounts receivable	(8,438)	3,624
Other assets, current and noncurrent	(467)	(409)
Accounts payable and accrued liabilities	2,824	(1,062)
Deferred revenue	(3,204)	518
Due to affiliates	239	596
Net cash used by operating activities	\$ <u>(44,674)</u>	\$ <u>(39,290)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 14,731	\$ 13,825
Gifts and bequests for other than capital purposes	1,660	2,365
Additions to permanent endowments	33	1,828
New annuity agreements – marketable securities	—	422
Capital leases	22	1,470
Capital assets	719	588

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, 2009 and 2008

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 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. 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, 2009 and 2008

(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 those deposits held with trustees that are not expected to be expended within the succeeding fiscal year. 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, 2009 and 2008

(g) Due to Affiliates

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

	June 30,	
	2009	2008
NJEDge.Net	\$ 1,250	\$ 1,084
Student organizations	774	701
Other organizations	4	4
	\$ 2,028	\$ 1,789

(h) Classification of Net Assets

The University classifies its resources into three net asset categories:

- 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 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

(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

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 (\$24,519 and \$22,020 in fiscal years 2009 and 2008, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

(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.

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,			
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	\$ 431	\$ 431	\$ 427	\$ 427
Money market funds	11,048	11,048	21,676	21,676
Commercial paper	849	850	2,637	2,644
	12,328	12,329	24,740	24,747
Investments:				
Money market funds	4,993	4,993	6,797	6,797
Commercial paper	—	—	1,228	1,243
Certificates of deposit	500	500	516	516
U.S. Treasury and government agency bonds	12,024	12,167	12,335	12,415
Corporate equity securities	16,532	15,049	16,613	17,695
Corporate debt securities	824	774	823	793
Mutual equity funds	21,021	15,111	18,718	19,418
Mutual bond funds	8,669	9,003	14,026	13,199
Hedge and other investment funds	13,773	12,524	12,865	14,115
	78,336	70,121	83,921	86,191
Deposits held with trustees:				
Money market funds	19,630	19,630	16,677	16,677
U.S. Treasury and government agency bonds	4,933	4,939	4,876	4,898
Mutual bond funds	3,717	3,665	3,586	3,586
	28,280	28,234	25,139	25,161
Total cash and cash equivalents, investments, and deposits held with trustees	\$ 118,944	\$ 110,684	\$ 133,800	\$ 136,099

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

Cash and cash equivalents have a bank balance of \$13,934 and \$27,682, including cash held by depositories of \$427 and \$601, at June 30, 2009 and 2008, respectively. Cash held by depositories and certificates of deposit of \$500 and \$400 are insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2009 and 2008, respectively; 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 \$1,886 and \$2,495 at fair value (\$2,050 and \$2,376 at cost) at June 30, 2009 and 2008, 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 \$1,877 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, 2009 and 2008, \$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, 2009 and 2008, 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, 2009 and 2008

At June 30, 2009 and 2008, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

		June 30, 2009			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 35,671	\$ 35,671	\$ —	\$ —	\$ —
Commercial paper	850	850	—	—	—
Certificates 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	<u>\$ 67,569</u>	<u>\$ 48,388</u>	<u>\$ 14,950</u>	<u>\$ 3,962</u>	<u>\$ 269</u>

		June 30, 2008			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 45,150	\$ 45,150	\$ —	\$ —	\$ —
Commercial paper	3,887	3,887	—	—	—
Certificates of deposit	516	516	—	—	—
U.S. Treasury and government agency bonds	17,313	15,350	1,750	178	35
Corporate debt securities	793	126	221	239	207
Mutual bond funds	16,785	119	15,835	831	—
Total fixed income investments	<u>\$ 84,444</u>	<u>\$ 65,148</u>	<u>\$ 17,806</u>	<u>\$ 1,248</u>	<u>\$ 242</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

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,			
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 3,739	\$ 3,739	\$ 6,350	\$ 6,350
Corporate equity securities	16,027	14,568	16,071	17,137
Mutual equity funds	17,453	12,688	14,711	15,455
Mutual bond funds	7,138	7,578	12,324	11,566
Hedge and other investment funds	13,773	12,524	12,850	14,096
Total endowment investment pool	\$ 58,130	\$ 51,097	\$ 62,306	\$ 64,604

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, 2009 and 2008, the weighted average portfolio duration of fixed income securities included in the University's endowment investment pool was 4.1 years and 4.4 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 312,959 and 307,841 pool units with a fair unit value of \$163.27 and \$209.86 at June 30, 2009 and 2008, respectively. For the years ended June 30, 2009 and 2008, the average return per pool unit was (21.0%) and (5.0%), 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, 2009 and 2008 were 5.0% and 4.3%, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2009 and 2008 was as follows:

	<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>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Placed Into Service</u>	<u>June 30, 2008</u>
Depreciable assets:					
Land improvements	\$ 8,368	\$ —	\$ —	\$ —	\$ 8,368
Buildings and building improvements	356,178	—	—	3,795	359,973
Equipment and other assets	73,729	3,790	(1,035)	347	76,831
	<u>438,275</u>	<u>3,790</u>	<u>(1,035)</u>	<u>4,142</u>	<u>445,172</u>
Accumulated depreciation:					
Land improvements	1,253	418	—	—	1,671
Buildings and building improvements	149,152	12,588	—	—	161,740
Equipment and other assets	57,574	4,911	(1,033)	—	61,452
	<u>207,979</u>	<u>17,917</u>	<u>(1,033)</u>	<u>—</u>	<u>224,863</u>
	230,296	(14,127)	(2)	4,142	220,309
Nondepreciable assets:					
Land	11,009	3,361	—	—	14,370
Construction in progress	3,093	7,143	—	(4,142)	6,094
	<u>\$ 244,398</u>	<u>\$ (3,623)</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ 240,773</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

Included in construction in progress at June 30, 2009 and 2008 are costs of \$6,970 and \$1,352, respectively, associated with the implementation of an enterprise resource planning system, of which \$2,860 were costs internally generated in fiscal year 2009.

4. Supplementary Statement of Net Assets Detail

	June 30,	
	2009	2008
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 30,624	\$ 19,051
Student accounts receivable	7,020	6,532
Program services accounts receivable	1,092	1,489
Other grants and accounts receivable	1,672	924
Pledges receivable, current portion	462	664
Student loans receivable, current portion	200	280
Accrued interest receivable	90	103
	41,160	29,043
Less: allowance for doubtful accounts	3,831	2,132
	\$ 37,329	\$ 26,911
Other assets, noncurrent:		
Deferred financing costs	\$ 4,074	\$ 4,607
Student loans receivable	2,126	1,757
Pledges receivable	388	149
Other	419	197
	\$ 7,007	\$ 6,710
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 8,742	\$ 8,097
Accrued interest expense	3,750	3,772
Accounts payable – construction	586	1,304
Accounts payable – other	7,455	5,003
Other noncurrent liabilities, current portion	683	658
	\$ 21,216	\$ 18,834

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2009 and 2008 was as follows:

	<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>

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Current Portion</u>
Long term debt	\$ 165,926	\$ 8,642	\$ (3,055)	\$ 171,513	\$ 4,756
Unamortized net premium	3,501	—	(285)	3,216	124
Total long term debt	<u>169,427</u>	<u>8,642</u>	<u>(3,340)</u>	<u>174,729</u>	<u>4,880</u>
Retirement incentive programs	2,429	20	(71)	2,378	31
Annuity funds liability	1,890	1,622	(732)	2,780	483
Insurance liability reserve	1,456	—	(5)	1,451	—
Compensated absences	2,308	351	(122)	2,537	122
Other	687	302	(482)	507	22
Total other noncurrent liabilities	<u>8,770</u>	<u>2,295</u>	<u>(1,412)</u>	<u>9,653</u>	<u>658</u>
U.S. government grants refundable	1,672	23	(39)	1,656	—
Total noncurrent liabilities	<u>\$ 179,869</u>	<u>\$ 10,960</u>	<u>\$ (4,791)</u>	<u>\$ 186,038</u>	<u>\$ 5,538</u>

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

Included in annuity funds liability is net decrease in the fair value of investments of \$1,000 and \$248 at June 30, 2009 and 2008, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

6. Long Term Debt

Long term debt is composed of:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Revenue Bonds:		
2004 Series B issue:		
Serial bonds (interest rates between 2.00% to 5.25%, due on various dates through fiscal year 2026)	\$ 72,570	\$ 73,530
2001 Series G issue:		
Serial bonds (interest rates between 2.40% to 5.25%, due on various dates through fiscal year 2022)	19,905	20,625
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)	8,110	8,880
Capital Lease Obligations:		
Higher Education Capital Improvement Fund	18,267	18,985
Other	1,127	1,619
Other Long Term Debt:		
SunTrust Master Lease	6,230	7,172
New Jersey Economic Development Authority note	2,637	2,777
	<u>166,771</u>	<u>171,513</u>
Unamortized net premium on obligations	<u>3,092</u>	<u>3,216</u>
	169,863	174,729
Less: current portion	<u>6,989</u>	<u>4,880</u>
Long term debt	<u>\$ 162,874</u>	<u>\$ 169,849</u>

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, 2009 and 2008

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 \$93 and \$96 in fiscal years 2009 and 2008, respectively.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

At June 30, 2009, deposits held with trustees included \$4,545 for principal payments on revenue bonds due on July 1, 2009. 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:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2010	\$ 7,061	\$	7,720	\$	14,781
2011	7,241		7,381		14,622
2012	7,349		7,032		14,381
2013	7,700		6,675		14,375
2014	8,086		6,294		14,380
2015 to 2019	41,066		25,823		66,889
2020 to 2024	50,848		14,899		65,747
2025 to 2029	23,795		5,094		28,889
2030 to 2031	9,080		652		9,732
	<u>\$ 162,226</u>	\$	<u>81,570</u>	\$	<u>243,796</u>

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, 2009, there were no outstanding borrowings against these agreements.

Deferred financing costs associated with the University's long term debt totaled \$4,937 and \$5,264, net of accumulated amortization of \$2,622 and \$2,294, at June 30, 2009 and 2008, respectively.

Interest charges incurred in fiscal years 2009 and 2008 totaled \$7,735 and \$7,581, respectively, of which \$127 was capitalized as construction in progress in fiscal year 2009.

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, 2009 and 2008, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$4,821 and \$4,140, respectively, and unused sick time of \$133 and \$122, respectively. At June 30, 2009 and 2008, other noncurrent liabilities include \$2,672 and \$2,415, respectively, of unused sick time. In fiscal years 2009 and 2008, payments for unused sick time totaled \$133 and \$122, 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 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

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, 2009 and 2008 were \$155 and \$149, 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, 2009 and 2008 were \$50 and \$49, 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, 2009 and 2008, the University's contributions to ABP were \$6,317 and \$5,776, 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, 2009 and 2008

9. Investment Loss

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

	2009	2008
Interest and dividends	\$ 2,450	\$ 3,573
Realized net (loss) gain on sale of investments	(6,016)	3,310
Net decrease in the fair value of investments	(9,559)	(7,634)
Investment loss	\$ (13,125)	\$ (751)

At June 30, 2009, \$4,123 and \$445 of the net decrease in the fair value of investments was reflected in restricted nonexpendable net assets for scholarships and fellowships and instructional and other, respectively.

10. Designations of Unrestricted Net Assets

The components of unrestricted net assets are as follows:

	June 30,	
	2009	2008
Designated unrestricted net assets:		
Scholarships and fellowships	\$ 4,808	\$ 5,829
Instructional and other	6,375	7,607
Debt service	4,842	4,182
Deferred financing costs	4,937	5,264
Outstanding purchase orders	2,408	2,375
Construction and capital programs	8,987	1,564
Subsequent fiscal year operations	—	5,000
	32,357	31,821
Undesignated unrestricted net assets	14,628	13,703
Unrestricted net assets	\$ 46,985	\$ 45,524

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2009 and 2008

11. Commitments and Contingencies

At June 30, 2009, open purchase orders totaled \$11,243, primarily for research expenditures.

In May 2008, the University entered into an agreement for the purchase of land and a building (the property). The purchase price, equal to the fair market value of the property as determined by independent appraisers, is \$8,290. Closing is expected to occur on or about June 30, 2010, but may be delayed until June 30, 2012 at the option of the seller. In August 2008, the University deposited 50% of the purchase price with an escrow agent. The future value of the escrow deposit, calculated at the rate of 5% compounded daily, will be credited against the purchase price at the time of closing.

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.