NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2008 and 2007

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NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2008 and 2007

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, 2008 and 2007. 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 130 research universities with national rankings and stature. While moving steadily to increasingly higher levels of excellence in educational performance, NJIT has become a research and development hub, participating in entrepreneurial development and building business partnerships through research and development initiatives. NJIT has evolved into an international presence, both in the scope of its educational programs, including on-site and distance learning offerings, attraction of international students to its programs, and through the reach of its educational, scientific, and technological influence at international forums and in international research projects.

NJIT is a public, student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. Approximately 390 full-time faculty members serve over 8,200 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 forty-nine specialties, and forty-three 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, 2008 and 2007 was sound, with total assets of $412,600 and $408,063, and total liabilities of $218,368 and $211,271, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled $194,232 and $196,792 at June 30, 2008 and 2007, respectively. 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. Net assets increased $9,014 in fiscal year 2007, primarily resulting from an increase in tuition and fees and Federal grants and contracts revenues, offset by increased instruction, student services, and research and programs expenses, increases in investment income and additions to permanent endowments, and a decrease in State appropriations.

(Dollars in thousands)

The Financial Statements

The University's financial statements include a statement of net assets at June 30, 2008 and 2007, 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, 2008 and 2007, and is summarized as follows. The summarized statement of net assets at June 30, 2006 is also presented for comparative purposes.

	June 30, 2008	June 30, 2007	June 30, 2006
Current assets	$ 73,930	$ 74,315	$ 68,023
Endowment investments	72,314	70,544	60,615
Capital assets, net	240,773	244,398	250,298
Other assets	25,583	18,806	19,992
Total assets	412,600	408,063	398,928
Current liabilities	37,868	36,038	31,386
Long term debt, noncurrent portion	169,849	165,364	169,965
Other liabilities	10,651	9,869	9,799
Total liabilities	218,368	211,271	211,150
Invested in capital assets, net of related debt	85,586	87,669	90,940
Restricted nonexpendable	42,866	37,937	34,869
Restricted expendable	20,256	24,471	19,400
Unrestricted	45,524	46,715	42,569
Total net assets	$ 194,232	$ 196,792	$ 187,778

Current assets consist principally of cash and cash equivalents, short term investments, grants and accounts receivable, and deposits held with trustees. Current assets at June 30, 2008 remained relatively constant as compared to June 30, 2007. The increase in current assets at June 30, 2007 as compared to June 30, 2006 of $6,292 relates principally to an increase in grants and accounts receivable, caused by an increase in grant and contract activities, partially offset by a decrease in cash and cash equivalents.

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, 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

(Continued)

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. The increase in current liabilities at June 30, 2007 as compared to June 30, 2006 of $4,652 principally results from an increase in accounts payable and accrued liabilities as a result of grant and contract activities and a faculty incentive separation program, an increase in deferred revenue resulting from an increase in advance payments from grants and contracts and an increase in the current portion of long term debt, partially offset by a decrease in due to affiliates.

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 $36,556 and $44,734 at June 30, 2008 and 2007, respectively. The University had $33,041 and $36,785 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2008 and 2007, respectively. The decrease in cash and cash equivalents and short term investments at June 30, 2008 as compared to June 30, 2007 of $3,744 is the direct result of an increase in noncurrent investments.

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 grew approximately 2.5% during fiscal year 2008, reflecting growth from new gifts and realized expendable investment earnings, partially offset by fair value decreases at June 30, 2008. Endowment investments grew approximately 16.4% during fiscal year 2007, reflecting growth from new gifts and realized expendable investment earnings, and fair value increases at June 30, 2007.

Capital assets increased 2.9% and 2.2% at cost during fiscal years 2008 and 2007, respectively, principally related to the University's facilities rehabilitation projects. 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. During fiscal year 2007, land was acquired and converted into a parking lot, and a renovation of the gym and an expansion of the School of Architecture were completed.

Total long term debt at June 30, 2008 and 2007 totaled $174,729 and $169,427, respectively. The increase of $5,302 is principally the result of debt incurred to provide funds for an enterprise resource planning system.

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 $2,083 and $3,271 during fiscal years 2008 and 2007, respectively, principally because depreciation expense was greater than the increase in capital assets resulting from the facilities rehabilitation program and 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 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 $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. Restricted net assets increased $8,139 during fiscal year 2007, principally due to increases in restricted nonexpendable and expendable net assets for scholarships and fellowships as a result of additions to permanent endowments and investment income and in restricted expendable net assets for instructional and other.

(Dollars in thousands)

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, 2008	June 30, 2007	June 30, 2006
Scholarships and fellowships	$ 5,829	$ 5,904	$ 5,027
Instructional and other	7,607	7,948	6,489
Debt service	4,182	4,169	3,820
Deferred financing costs	5,264	5,734	6,372
Outstanding purchase orders	2,375	3,229	2,299
Construction and capital programs	1,564	2,038	6,065
Subsequent fiscal year operations	5,000	5,685	7,338
	$ 31,821	$ 34,707	$ 37,410

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.

(Dollars in thousands)

The components of revenues for the fiscal years ended June 30, 2008 and 2007 are as follows. The components of revenues for the fiscal year ended June 30, 2006 are also presented for comparative purposes:

	2008	2007	2006
Operating revenues:			
Student tuition and fees, net	$ 71,518	$ 66,787	$ 58,752
Federal, State, and other grants and contracts	64,627	64,064	56,524
Auxiliary enterprises, net	9,799	9,670	8,890
Other operating revenues	3,677	3,933	4,052
Total operating revenues	149,621	144,454	128,218
Nonoperating revenues:			
State appropriations	71,117	68,253	71,090
Gifts and bequests, including capital, and additions to permanent endowments	10,072	7,329	5,474
Investment (loss) income	(751)	12,094	6,795
Other nonoperating revenues, net	1,391	1,281	1,504
Total nonoperating revenues	81,829	88,957	84,863
Total revenues	$ 231,450	$ 233,411	$ 213,081

The components of expenses for the fiscal years ended June 30, 2008 and 2007 are as follows. The components of expenses for the fiscal year ended June 30, 2006 are also presented for comparative purposes:

	2008	2007	2006
Operating expenses:			
Instruction	$ 69,018	$ 68,464	$ 64,341
Research and programs	42,956	43,275	38,471
Public service	2,540	2,051	2,681
Academic support	19,336	17,845	17,958
Student services	14,448	12,756	11,048
Institutional support	29,454	27,628	25,540
Operation and maintenance of plant	17,310	14,666	15,810
Scholarships and fellowships	6,875	6,536	5,794
Depreciation and amortization	18,387	18,141	17,343
Auxiliary enterprises	6,105	5,776	5,265
Total operating expenses	226,429	217,138	204,251
Nonoperating expenses:			
Interest expense	7,581	7,259	7,846
Total nonoperating expenses	7,581	7,259	7,846
Total expenses	$ 234,010	$ 224,397	$ 212,097

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(Dollars in thousands)

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 $25,035, totaled $71,518 for fiscal year 2008, an increase of 7.1% over the fiscal year 2007 student tuition and fees, net of allowances of $22,388, of $66,787, which had increased by 13.7% over the fiscal year 2006 student tuition and fees, net of allowances of $20,394, of $58,752. The fiscal year 2008 and 2007 increases are principally attributable to a 7.0% increase in tuition and fees as well as an increase in student enrollment in both years.

Auxiliary enterprises revenues, net of scholarship allowances of $2,411 and $2,343, increased 1.3% and 8.8% to $9,799 and $9,670 in fiscal years 2008 and 2007, 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,		
	2008	2007	2006
Direct appropriations for general operating purposes	$ 49,097	$ 47,182	$ 51,512
FICA and fringe benefits paid by the State for University employees	22,020	21,071	19,578
	$ 71,117	$ 68,253	$ 71,090

Even though State appropriations increased by $2,864, or 4.2%, in fiscal year 2008, they remained relatively constant as a percentage of the University's total expenses. The decrease in State appropriations in fiscal year 2007 was the result of a general reduction in funding for Higher Education in the State's fiscal year 2007 budget.

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,		
	2008	2007	2006
Federal grants and contracts	$ 45,617	$ 46,272	$ 38,265
State grants and contracts	15,516	14,961	15,194
Other grants and contracts	3,494	2,831	3,065
	$ 64,627	$ 64,064	$ 56,524

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. Federal grants and contracts revenues increased 20.9% in fiscal year 2007, principally related to increased activity in U.S. Departments of Army and Transportation grants and contracts. State grants and contracts revenues increased 3.7% in fiscal year 2008,

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principally due to an increase in student financial assistance grants, and decreased 1.5% in fiscal year 2007, principally due to a decrease in research grants and contract training grants. Other grants and contracts revenues increased 23.4% in fiscal year 2008, after remaining relatively constant in fiscal year 2007, principally related 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 2008 and 2007 totaled $4,808 and $2,606, respectively, and capital grants and gifts generated another $335 and $1,655, respectively, for the purchase of capital assets. Additions to permanent endowments were $4,929 and $3,068 in fiscal years 2008 and 2007, respectively.

Investment (loss) income includes interest and dividends, realized net gain on the sale of investments, and net increase (decrease) in the fair value of investments. 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 sale of investments, principally as a result of the poor market conditions experienced during fiscal year 2008. Net fiscal year 2007 investment income increased by $5,299 over fiscal year 2006 due to increases in the fair value of investments and interest and dividends, principally due to a higher interest rate environment than in fiscal year 2006, as well as an increase in realized gains on the sale of investments.

Instruction, academic support, student services, and scholarships and fellowships expenses are directly associated with the University's primary mission as an institution of higher education, and totaled $109,677, $105,601, and $99,141 in fiscal years 2008, 2007 and 2006, respectively. 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. The increase of 6.5% in fiscal year 2007 is primarily the result of increased compensation costs for faculty and academic staff, a faculty separation program, and higher expenditures for scholarships.

Research and programs expense remained relatively constant in fiscal year 2008 and increased 12.5% to $43,275 in fiscal year 2007, resulting from the increase in grant and contract activity.

Public service expenses 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, and decreased 23.5% to $2,051 in fiscal year 2007 as a result of a decrease in State contract training grants.

Operation and maintenance of plant expense increased 18.0% to $17,310 in fiscal year 2008, primarily due to higher utility costs and increased compensation expense and decreased 7.2% to $14,666 in fiscal year 2007, primarily due to the decrease in small business incubator facility real estate tax expense.

Auxiliary enterprises expense increased 5.7% to $6,105 and 9.7% to $5,776 in fiscal years 2008 and 2007, respectively, principally due to increased operation and maintenance costs for residence halls.

During fiscal years 2008 and 2007, the University incurred debt-related interest costs of $7,581 and $7,259, respectively.

Summary and Outlook

The University finds itself in a sound financial position at June 30, 2008. Overall enrollment increased for the fiscal 2008 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 contracts with its labor unions expired at the end of fiscal year 2007. New contracts have been finalized with four of the six unions representing employees at the University. Negotiations with the remaining unions are in progress, and are anticipated to come to mutually favorable conclusions. The economic provisions of the expired contracts, excluding annual increases, will continue to prevail until new contracts are finalized. The University's relations with its employees are good.

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, 2011 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 period subsequent to June 30, 2008, the University's investment portfolio has declined in value, due to the deteriorating economic outlook and severely strained financial conditions that have characterized this period. The 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 was caused by the decline in the overall market, and was not due to any specific investments.

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 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. Management's focus on cost controls and cash management resulted in a significant curtailment of spending during fiscal year 2008, generating operational savings totaling $5,000, which have been designated to support the University's fiscal year 2009 operations. 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.

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Independent Auditors' Report

The Board of Trustees
New Jersey Institute of Technology:

We have audited the accompanying basic financial statements of New Jersey Institute of Technology (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, 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 21, 2008

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 24,747	$ 32,753
Short term investments, at fair value	8,294	4,032
Grants and accounts receivable, net	26,911	30,482
Deposits held with trustees, at fair value	11,871	5,152
Other current assets	2,107	1,896
Total current assets	73,930	74,315
Noncurrent assets:		
Endowment investments, at fair value	72,314	70,544
Investments, at fair value	5,583	500
Deposits held with trustees, at fair value	13,290	11,385
Other assets	6,710	6,921
Capital assets, net of accumulated depreciation of $224,863 and $207,979, respectively	240,773	244,398
Total noncurrent assets	338,670	333,748
Total assets	$ 412,600	$ 408,063
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 18,834	$ 19,173
Long term debt, current portion	4,880	4,063
Deferred revenue	12,365	11,609
Due to affiliates	1,789	1,193
Total current liabilities	37,868	36,038
Noncurrent liabilities:		
Long term debt	169,849	165,364
Other noncurrent liabilities	8,995	8,197
U.S. government grants refundable	1,656	1,672
Total noncurrent liabilities	180,500	175,233
Total liabilities	$ 218,368	$ 211,271
Net Assets		
Invested in capital assets, net of related debt	$ 85,586	$ 87,669
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	35,542	31,439
Instructional and other	7,324	6,498
Expendable:		
Scholarships and fellowships	11,327	15,003
Research and programs	1,105	1,037
Instructional and other	6,815	7,445
Loans	1,009	986
Unrestricted (see note 10)	45,524	46,715
Total net assets	$ 194,232	$ 196,792

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,

	2008	2007
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $25,035 and $22,388, respectively	$ 71,518	$ 66,787
Federal grants and contracts	45,617	46,272
State grants and contracts	15,516	14,961
Other grants and contracts	3,494	2,831
Auxiliary enterprises, net of scholarship allowances of $2,411 and $2,343, respectively	9,799	9,670
Other operating revenues	3,677	3,933
Total operating revenues	149,621	144,454
Operating expenses:		
Instruction	69,018	68,464
Research and programs	42,956	43,275
Public service	2,540	2,051
Academic support	19,336	17,845
Student services	14,448	12,756
Institutional support	29,454	27,628
Operation and maintenance of plant	17,310	14,666
Scholarships and fellowships	6,875	6,536
Depreciation and amortization	18,387	18,141
Auxiliary enterprises	6,105	5,776
Total operating expenses	226,429	217,138
Operating loss	(76,808)	(72,684)
Nonoperating revenues (expenses):		
State appropriations	71,117	68,253
Gifts and bequests	4,808	2,606
Interest expense	(7,581)	(7,259)
Investment (loss) income	(751)	12,094
Other nonoperating revenues, net	1,391	1,281
Net nonoperating revenues	68,984	76,975
(Loss) income before other revenues	(7,824)	4,291
Other revenues:		
Capital grants and gifts	335	1,655
Additions to permanent endowments	4,929	3,068
Total other revenues	5,264	4,723
(Decrease) increase in net assets	(2,560)	9,014
Net assets, beginning of year	196,792	187,778
Net assets, end of year	$ 194,232	$ 196,792

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,

	2008	2007
Cash flows from operating activities:		
Student tuition and fees	$ 71,803	$ 65,810
Grants and contracts	68,265	57,940
Payments for salaries and benefits	(131,536)	(124,138)
Payments to suppliers	(49,138)	(44,381)
Payments for scholarships and fellowships	(6,875)	(6,536)
Loans issued to students	(485)	(289)
Loans collected from students	279	386
Auxiliary enterprises	3,888	3,894
University programs	3,749	3,618
Affiliates	596	(1,799)
Other receipts	164	202
Net cash used by operating activities	(39,290)	(45,293)
Cash flows from noncapital financing activities:		
State appropriations	56,687	54,793
Gifts and bequests for other than capital purposes	2,354	2,106
Additions to permanent endowments	3,929	2,079
Other	1,309	1,050
Net cash provided by noncapital financing activities	64,279	60,028
Cash flows from capital financing activities:		
Proceeds from capital debt	7,172	—
Capital grants and gifts	309	1,554
Purchase of capital assets	(12,209)	(10,441)
Principal paid on long term debt	(3,055)	(2,721)
Interest paid on long term debt	(7,899)	(7,955)
Increase in deposits held with trustees	(8,602)	(210)
Net cash used by capital financing activities	(24,284)	(19,773)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	45,654	18,508
Interest and dividends on investments	4,610	4,383
Purchase of investments	(58,975)	(20,442)
Net cash (used by) provided by investing activities	(8,711)	2,449
Net decrease in cash and cash equivalents	(8,006)	(2,589)
Cash and cash equivalents, beginning of year	32,753	35,342
Cash and cash equivalents, end of year	$ 24,747	$ 32,753
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (76,808)	$ (72,684)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	18,387	18,141
Noncash operating expenses	15,864	14,137
Changes in assets and liabilities:		
Grants and accounts receivable	3,624	(8,331)
Other assets, current and noncurrent	(409)	141
Accounts payable and accrued liabilities	(1,062)	4,001
Deferred revenue	518	1,101
Due to affiliates	596	(1,799)
Net cash used by operating activities	$ (39,290)	$ (45,293)
Noncash transactions:		
State appropriations for fringe benefits	$ 13,825	$ 13,253
Gifts and bequests for other than capital purposes	2,365	1,022
Additions to permanent endowments	1,000	989
New annuity agreements – marketable securities	422	—
Capital leases	1,470	—
Accounts payable purchases of capital assets	588	397

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

1. Organization and Summary of Significant Accounting Policies

New Jersey Institute of Technology (NJIT), a public research university, includes six collegiate units: Newark College of Engineering, College of Computing Sciences, New Jersey School of Architecture, 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 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.

(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

(Dollars in thousands)

(g) Due to Affiliates

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

	June 30, 2008	June 30, 2007
NJEDge.Net	$ 1,084	$ 498
Student organizations	701	691
Other organizations	4	4
	$ 1,789	$ 1,193

(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 State appropriations, 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 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 ($22,020 and $21,071 in fiscal years 2008 and 2007, 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 to conform with the current year's presentation.

(Dollars in thousands)

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,			
	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	$ 427	$ 427	$ 429	$ 429
Money market funds	21,676	21,676	3,859	3,859
Commercial paper	2,637	2,644	26,418	26,418
Repurchase agreements	—	—	2,047	2,047
	24,740	24,747	32,753	32,753
Investments:				
Money market funds	6,797	6,797	3,387	3,387
Commercial paper	1,228	1,243	—	—
Certificates of deposit	516	516	543	542
U.S. Treasury and agency obligations	12,335	12,415	7,187	7,102
Corporate equity securities	16,613	17,695	24,623	31,218
Corporate debt securities	823	793	866	849
Mutual equity funds	18,718	19,418	8,323	11,531
Mutual bond funds	14,026	13,199	15,741	15,070
Hedge and other investment funds	12,865	14,115	4,225	5,377
	83,921	86,191	64,895	75,076
Deposits held with trustees:				
Money market funds	16,677	16,677	7,364	7,364
U.S. Treasury and agency obligations	4,876	4,898	9,173	9,173
Mutual bond funds	3,586	3,586	—	—
	25,139	25,161	16,537	16,537
Total cash and cash equivalents, investments, and deposits held with trustees	$ 133,800	$ 136,099	$ 114,185	$ 124,366

Cash and cash equivalents have a bank balance of $27,682 and $36,287, including cash held by depositories of $601 and $577, at June 30, 2008 and 2007, respectively. Cash held by depositories of $200 are insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2008 and 2007; amounts in excess are uncollateralized. Repurchase agreements, commercial paper, investments, and deposits held

(Continued)

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 $2,376 at cost and cash and cash equivalents and endowment investments totaling $2,297 at cost ($2,495 and $2,674 at fair value) at June 30, 2008 and 2007, 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 $2,818 in these funds over the next four 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, 2008 and 2007, $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 each of the years ended June 30, 2008 and 2007, this equates to an effective 6.3% rate of return, the arbitrage rebate limit.

The University invests only 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. 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.

(Dollars in thousands)

At June 30, 2008 and 2007, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

		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 agency obligations	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	$ 84,444	$ 65,148	$ 17,806	$ 1,248	$ 242

		June 30, 2007			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	$ 14,610	$ 14,610	$ —	$ —	$ —
Commercial paper	26,418	26,418	—	—	—
Repurchase agreements	2,047	2,047	—	—	—
Certificates of deposit	542	527	15	—	—
U.S. Treasury and agency obligations	16,275	11,569	2,875	1,774	57
Corporate debt securities	849	45	348	238	218
Mutual bond funds	15,070	—	—	15,070	—
Total fixed income investments	$ 75,811	$ 55,216	$ 3,238	$ 17,082	$ 275

(Dollars in thousands)

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,			
	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 6,350	$ 6,350	$ 3,180	$ 3,180
U.S. Treasury and agency obligations	—	—	840	840
Corporate equity securities	16,071	17,137	23,009	29,467
Mutual equity funds	14,711	15,455	7,077	10,023
Mutual bond funds	12,324	11,566	15,268	14,612
Hedge and other investment funds	12,850	14,096	4,195	5,346
Total endowment investment pool	$ 62,306	$ 64,604	$ 53,569	$ 63,468

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, 2008 and 2007, the weighted average portfolio duration of fixed income securities included in the University's endowment investment pool was 4.4 years and 4.3 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 307,841 and 283,496 pool units with a fair unit value of $209.86 and $223.88 at June 30, 2008 and 2007, respectively. For the years ended June 30, 2008 and 2007, the average return per pool unit was (4.99%) and 15.72%, 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 rate for the years ended June 30, 2008 and 2007 was 4.25% and 4.20%, respectively.

(Continued)

(Dollars in thousands)

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2008 and 2007 was as follows:

	June 30, 2007	Additions	Retirements	Placed Into Service	June 30, 2008
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
	438,275	3,790	(1,035)	4,142	445,172
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
	207,979	17,917	(1,033)	—	224,863
	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
	$ 244,398	$ (3,623)	$ (2)	$ —	$ 240,773

	June 30, 2006	Additions	Retirements	Placed Into Service	June 30, 2007
Depreciable assets:					
Land improvements	$ 7,748	$ 620	$ —	$ —	$ 8,368
Buildings and building improvements	352,566	38	—	3,574	356,178
Equipment and other assets	70,886	4,677	(1,834)	—	73,729
	431,200	5,335	(1,834)	3,574	438,275
Accumulated depreciation:					
Land improvements	850	403	—	—	1,253
Buildings and building improvements	136,677	12,475	—	—	149,152
Equipment and other assets	54,662	4,624	(1,712)	—	57,574
	192,189	17,502	(1,712)	—	207,979
	239,011	(12,167)	(122)	3,574	230,296
Nondepreciable assets:					
Land	8,699	2,075	—	235	11,009
Construction in progress	2,588	4,314	—	(3,809)	3,093
	$ 250,298	$ (5,778)	$ (122)	$ —	$ 244,398

(Dollars in thousands)

4. Supplementary Statement of Net Assets Detail

	June 30, 2008	June 30, 2007
Grants and accounts receivable:		
Federal and State grants and accounts receivable	$ 19,051	$ 21,486
Student accounts receivable	6,532	7,165
Program services accounts receivable	1,489	1,482
Other grants and accounts receivable	924	585
Pledges receivable, current portion	664	701
Student loans receivable, current portion	280	370
Accrued interest receivable	103	572
	29,043	32,361
Less: allowance for doubtful accounts	2,132	1,879
	$ 26,911	$ 30,482
Other assets, noncurrent:		
Deferred financing costs	$ 4,607	$ 5,264
Student loans receivable	1,757	1,461
Pledges receivable	149	179
Other	197	17
	$ 6,710	$ 6,921
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	$ 8,097	$ 7,696
Accrued interest expense	3,772	3,805
Accounts payable – construction	1,304	716
Accounts payable – other	5,003	6,383
Other noncurrent liabilities, current portion	658	573
	$ 18,834	$ 19,173

(Dollars in thousands)

5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2008 and 2007 was as follows:

	June 30, 2007	Additions	Reductions	June 30, 2008	Current Portion
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	169,427	8,642	(3,340)	174,729	4,880
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	8,770	2,295	(1,412)	9,653	658
U.S. government grants refundable	1,672	23	(39)	1,656	—
Total noncurrent liabilities	$ 179,869	$ 10,960	$ (4,791)	$ 186,038	$ 5,538

	June 30, 2006	Additions	Reductions	June 30, 2007	Current Portion
Long term debt	$ 167,801	$ 846	$ (2,721)	$ 165,926	$ 3,778
Unamortized net premium	4,190	—	(689)	3,501	285
Total long term debt	171,991	846	(3,410)	169,427	4,063
Retirement incentive programs	2,429	213	(213)	2,429	71
Annuity funds liability	2,655	837	(1,602)	1,890	360
Insurance liability reserve	1,457	—	(1)	1,456	—
Compensated absences	1,947	480	(119)	2,308	120
Other	365	350	(28)	687	22
Total other noncurrent liabilities	8,853	1,880	(1,963)	8,770	573
U.S. government grants refundable	1,697	27	(52)	1,672	—
Total noncurrent liabilities	$ 182,541	$ 2,753	$ (5,425)	$ 179,869	$ 4,636

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

Included in annuity funds liability is unrealized net loss of $248 and unrealized net gain of $132 at June 30, 2008 and 2007, respectively.

(Continued)

(Dollars in thousands)

6. Long Term Debt

Long term debt is composed of:

	June 30, 2008	June 30, 2007
Revenue Bonds:		
2004 Series B issue:		
Serial bonds (interest rates between 2.00% to 5.25%, due on various dates through fiscal year 2026)	$ 73,530	$ 73,530
2001 Series G issue:		
Serial bonds (interest rates between 2.40% to 5.25%, due on various dates through fiscal year 2022)	20,625	21,325
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)	8,880	9,605
Capital Lease Obligations:		
Higher Education Capital Improvement Fund	18,985	19,663
Other	1,619	962
Other Long Term Debt:		
SunTrust Master Lease	7,172	—
New Jersey Economic Development Authority note	2,777	2,916
	171,513	165,926
Unamortized net premium on obligations	3,216	3,501
	174,729	169,427
Less: current portion	4,880	4,063
Long term debt	$ 169,849	$ 165,364

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. Principal payments will begin in fiscal year 2009.

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%.

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 $96 and $98 in fiscal years 2008 and 2007, respectively.

(Dollars in thousands)

At June 30, 2008, deposits held with trustees included $2,450 for principal payments on revenue bonds due on July 1, 2008. 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
2009	$ 6,851	$ 8,004	$ 14,855
2010	7,055	7,719	14,774
2011	7,234	7,380	14,614
2012	7,349	7,032	14,381
2013	7,700	6,675	14,375
2014 to 2018	40,396	27,739	68,135
2019 to 2023	48,433	17,332	65,765
2024 to 2028	30,730	6,408	37,138
2029 to 2031	13,315	1,284	14,599
	$ 169,063	$ 89,573	$ 258,636

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, 2008, there were no outstanding borrowings against these agreements.

Deferred financing costs associated with the University's long term debt totaled $5,264 and $5,734, net of accumulated amortization of $2,294 and $1,824, at June 30, 2008 and 2007, 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, 2008 and 2007, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of $4,140 and $3,977, respectively, and unused sick time of $122 and $120, respectively. At June 30, 2008 and 2007, other noncurrent liabilities include $2,415 and $2,188, respectively, of unused sick time. In fiscal years 2008 and 2007, payments for unused sick time totaled $122 and $119, 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.

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, 2008 and 2007 were $149 and $143, 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.

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, 2008 and 2007 were $49 and $48, respectively.

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, 2008 and 2007, the University's contributions to ABP were $5,776 and $5,568, and employee contributions were $3,610 and $3,490, 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.

(Dollars in thousands)

9. Investment (Loss) Income

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

	2008	2007
Interest and dividends	$ 3,573	$ 4,409
Realized net gain on sale of investments	3,310	3,585
Net (decrease) increase in the fair value of investments	(7,634)	4,100
Investment (loss) income	$ (751)	$ 12,094

10. Designations of Unrestricted Net Assets

The components of unrestricted net assets are as follows:

	June 30,	
	2008	2007
Designated unrestricted net assets:		
Scholarships and fellowships	$ 5,829	$ 5,904
Instructional and other	7,607	7,948
Debt service	4,182	4,169
Deferred financing costs	5,264	5,734
Outstanding purchase orders	2,375	3,229
Construction and capital programs	1,564	2,038
Subsequent fiscal year operations	5,000	5,685
	31,821	34,707
Undesignated unrestricted net assets	13,703	12,008
Unrestricted net assets	$ 45,524	$ 46,715

11. Commitments and Contingencies

At June 30, 2008, open purchase orders totaled $15,138, 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, 2011 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.