NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2006 and 2005

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NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2006 and 2005

Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of New Jersey Institute of Technology ("NJIT") and The Foundation at New Jersey Institute of Technology (the "Foundation") (collectively, the "University") at and for the years ended June 30, 2006 and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

NJIT is a public, student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of New Jersey (the "State"), and in service to both its local communities and the broader society of the State and the nation. Over 400 full-time faculty members serve the University's over 8,000 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 specialties, and thirty-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, 2006 and 2005 was sound, with total assets of $400,864 and $402,856, and total liabilities of $213,086 and $216,062, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled $187,778 and $186,794 at June 30, 2006 and 2005, respectively. Net assets increased $984 in fiscal year 2006, principally due to an increase in net non-operating revenues, primarily resulting from increased State appropriations, a reduction in disposal of assets expense, as well as increased investment income, partially offset by an increase in operating loss. Net assets decreased $3,095 in fiscal year 2005, principally due to an increase in operating loss, primarily resulting from higher operating costs and depreciation expense, partially offset by an increase in grants and contracts revenues.

The Financial Statements

The University's financial statements include a statement of net assets at June 30, 2006 and 2005, and statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. The financial statements are prepared in accordance with the accounting principles established by the Governmental

(Dollars in thousands)

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, 2006 and 2005, and is summarized as follows. The summarized statement of net assets at June 30, 2004 is also presented for comparative purposes.

	June 30, 2006	June 30, 2005	June 30, 2004
Current assets	$ 69,959	$ 69,278	$ 66,074
Endowment investments	60,615	56,577	52,713
Capital assets, net	250,298	255,996	246,567
Other assets	19,992	21,005	44,016
Total assets	400,864	402,856	409,370
Current liabilities	33,322	34,294	35,628
Long term debt, noncurrent portion	169,965	171,955	174,175
Other liabilities	9,799	9,813	9,678
Total liabilities	213,086	216,062	219,481
Invested in capital assets, net of related debt	90,940	94,685	83,560
Restricted	54,625	51,365	60,583
Unrestricted	42,213	40,744	45,746
Total net assets	$ 187,778	$ 186,794	$ 189,889

Current assets consist principally of cash and cash equivalents, short term investments, grants and accounts receivable, and deposits held with trustees. The increase in current assets at June 30, 2006 as compared to June 30, 2005 of $681 relates principally to increases in cash and cash equivalents, which was largely offset by decreases in short term investments and grants and accounts receivable, principally the result of collection of outstanding grants and accounts receivables. The increase in current assets at June 30, 2005 as compared to June 30, 2004 of $3,204 relates principally to increases in cash and cash equivalents and deposits held with trustees, which were largely offset by a decrease in short term investments, and an increase in grants and accounts receivable principally caused by an increase in grants and contracts revenues.

Current liabilities are comprised of accounts payable and accrued liabilities, the current portion of long term debt, deferred revenue, and amounts due to affiliates. The decrease in current liabilities at June 30, 2006 as compared to June 30, 2005 of $972 principally results from a reduction in accounts payable and accrued liabilities as a result of a decrease in accounts payable relating to construction projects and a decrease in due to affiliates, offset by an increase in deferred revenue resulting from an increase in advance payments from grants and contracts. The decrease in current liabilities at June 30, 2005 as compared to June 30, 2004 of $1,334 principally relates to a reduction in accounts payable and accrued liabilities as a result of a decrease in accounts payable relating to construction projects, offset by increases in all other current liabilities.

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 $44,312 and $40,666 at June 30, 2006 and 2005, respectively. The University had $39,310 and $34,553 in cash and cash equivalents and short term investments to fund current operations at June 30, 2006 and 2005, respectively. The increase in cash and cash equivalents and short term investments at June 30, 2006 as compared to June 30, 2005 of $4,757 principally relates to the collection of grants and accounts receivable noted above.

Endowment investments include gifts from donors that are to be invested in perpetuity and the related income and appreciation. Only the income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments grew approximately 7.1% and 7.3% during fiscal years 2006 and 2005, respectively, reflecting growth from new gifts and realized expendable investment earnings in both years, and fair value increases at June 30, 2006 and 2005.

Capital assets increased 1.7% and 4.8% at cost during fiscal years 2006 and 2005, respectively, principally related to the University's facilities rehabilitation projects. During fiscal year 2006, the renovations of Cullimore Hall and Eberhardt Hall, as well as extensive landscaping improvements, were completed. During fiscal year 2005, phase two of the Campus Center, which commenced in fiscal year 2004, was completed and inaugurated, as were extensive landscaping improvements.

Total long term debt at June 30, 2006 and 2005 totaled $171,991 and $173,884, 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 $3,745 during fiscal year 2006 principally because depreciation expense was greater than the increase in capital assets resulting from the facilities rehabilitation program and capital asset additions and the decrease in long term debt. Net assets invested in capital assets, net of related debt, increased $11,125 during fiscal year 2005 principally due to the increase in capital assets resulting from the facilities construction program and capital asset additions offset by depreciation expense.

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 $3,260 during fiscal year 2006, 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. Restricted net assets decreased $9,218 during fiscal year 2005, principally due to a decrease in restricted expendable net assets for capital projects as a result of expenditures related to a State grant, largely offset by increases in restricted nonexpendable and expendable net

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(Dollars in thousands)

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.

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, 2006	June 30, 2005	June 30, 2004
Scholarships and fellowships	$ 4,730	$ 4,226	$ 4,007
Instructional and other	6,430	5,838	7,145
Debt service	3,820	3,806	2,784
Deferred financing costs	6,372	7,014	7,418
Outstanding purchase orders	2,299	3,200	2,555
Construction and capital programs	6,065	9,367	15,113
Fiscal year 2007 operations	7,338	—	—
	$ 37,054	$ 33,451	$ 39,022

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.

The components of revenues for the fiscal years ended June 30, 2006 and 2005 are as follows. The components of revenues for the fiscal year ended June 30, 2004 are also presented for comparative purposes:

	2006	2005	2004
Operating revenues:			
Student tuition and fees, net	$ 58,752	$ 55,716	$ 55,613
Federal, State, and other grants and contracts	56,524	57,409	53,696
Auxiliary enterprises, net	8,890	8,676	8,351
Other operating revenues	4,052	2,915	2,092
Total operating revenues	128,218	124,716	119,752
Nonoperating revenues:			
State appropriations	71,090	69,435	67,044
Gift and bequests, including capital, and additions to permanent endowments	5,474	5,114	47,529
Investment income	6,795	5,334	6,733
Other nonoperating revenues	1,534	2,163	945
Total nonoperating revenues	84,893	82,046	122,251
Total revenues	$ 213,111	$ 206,762	$ 242,003

(Continued)

(Dollars in thousands)

The components of expenses for the fiscal years ended June 30, 2006 and 2005 are as follows. The components of expenses for the fiscal year ended June 30, 2004 are also presented for comparative purposes:

	2006	2005	2004
Operating expenses:			
Instruction	$ 64,341	$ 62,274	$ 58,477
Research and programs	38,471	39,039	40,515
Public service	2,681	3,800	3,401
Academic support	17,958	18,546	17,622
Student services	11,048	10,524	9,386
Institutional support	25,540	24,712	22,276
Operation and maintenance of plant	15,810	14,289	12,468
Scholarships and fellowships	5,794	5,270	5,392
Depreciation and amortization	17,343	16,341	15,075
Auxiliary enterprises	5,265	5,195	5,001
Total operating expenses	204,251	199,990	189,613
Nonoperating expenses:			
Disposal of assets expense	30	2,082	220
Interest expense	7,846	7,785	7,668
Total nonoperating expenses	7,876	9,867	7,888
Total expenses	$ 212,127	$ 209,857	$ 197,501

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

Student tuition and fees, net of scholarship allowances of $20,394, totaled $58,752 for fiscal year 2006, an increase of 5.4% over the fiscal year 2005 student tuition and fees, net of allowances of $19,460, of $55,716. The fiscal year 2006 increase is principally attributable to a 7.0% increase in tuition and fees, offset by a slight decrease in student enrollment. Student tuition and fees, net of scholarship allowances of $19,460, totaled $55,716 for fiscal year 2005, an increase of 0.2% over the fiscal year 2004 student tuition and fees, net of allowances of $17,265, of $55,613. The fiscal year 2005 increase is principally attributable to an 8.0% increase in tuition and fees, offset by a decrease in student enrollment, principally due to a greater level of state and national competition for computing sciences students, accelerated graduation rates, and an increase in scholarship allowances.

Auxiliary enterprises revenues, net of scholarship allowances of $2,261 and $2,175, increased 2.5% and 3.9% to $8,890 and $8,676 in fiscal years 2006 and 2005, respectively, principally due to increased residence hall charges.

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(Dollars in thousands)

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,		
	2006	**2005**	**2004**
Direct appropriations for general operating purposes	$ 51,512	$ 50,312	$ 48,790
FICA and fringe benefits paid by the State for University employees	19,578	19,123	18,254
	$ 71,090	$ 69,435	$ 67,044

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,		
	2006	**2005**	**2004**
Federal grants and contracts	$ 38,265	$ 38,477	$ 33,744
State grants and contracts	15,194	15,954	16,892
Other grants and contracts	3,065	2,978	3,060
	$ 56,524	$ 57,409	$ 53,696

Federal grants and contracts revenues remained relatively constant in fiscal year 2006, after increasing 14.0% in fiscal year 2005. State grants and contracts revenues decreased 4.8% and 5.6% in fiscal years 2006 and 2005, respectively, principally due to a decrease in contract training grants. Other grants and contracts revenues remained relatively constant in both fiscal years.

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 2006 and 2005 totaled $3,993 and $3,675, respectively, and capital grants and gifts generated another $164 and $314, respectively, for the purchase of capital assets. Additions to permanent endowments were $1,317 and $1,125, in fiscal years 2006 and 2005, respectively.

Investment income includes interest and dividends income, realized net gain on the sale of investments, and net increase (decrease) in the fair value of investments. Net fiscal year 2006 investment income increased by $1,461 over fiscal year 2005 principally due to increases in interest and dividends and the fair value of investments, principally due to higher cash and cash equivalent and short term investment balances as well as a higher interest rate environment than in fiscal year 2005, partially offset by a decrease in realized gains on the sale of investments. Net fiscal year 2005 investment income decreased by $1,399 over fiscal year 2004 principally due to a decrease in the fair value of investments, primarily the result of the instability in market conditions, partially offset by increases in interest and dividends and 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 $99,141, $96,614, and $90,877 in fiscal years 2006, 2005 and 2004, respectively. The increase of 2.6% in fiscal year 2006 is primarily the result of increased compensation costs for faculty and academic staff and higher expenditures for scholarships. The increase of 6.3% in fiscal year 2005 was primarily the result of increased compensation costs for faculty and academic staff and higher expenditures for student software and supplies.

Research and programs expense declined 1.5% to $38,471 in fiscal year 2006 and 3.6% to $39,039 in fiscal year 2005, primarily related to a decrease in noncapitalizable research expenditures offset by an increase in research salaries.

Public service expenses decreased 29.4% to $2,681 in fiscal year 2006, as a result of the decrease in State contract training grants.

Operation and maintenance of plant expense increased 10.6% to $15,810 in fiscal year 2006, primarily due to increased utility costs and current and prior year property taxes on the University's small business incubator facility, and 14.6% to 14,289 in fiscal year 2005, primarily due to increases in compensation costs and increased expenses associated with the new facilities placed into service in fiscal years 2003 through 2005.

Auxiliary enterprises expense remained relatively stable in fiscal year 2006, after increasing 3.9% to $5,195 in fiscal year 2005, principally due to increased operations and maintenance costs for residence halls.

During fiscal years 2006 and 2005, the University incurred debt-related interest costs of $7,872 and $7,952, of which $26 and $167, respectively, was capitalized in conjunction with the facilities construction program and will be amortized over the estimated useful lives of the associated capital assets.

Summary and Outlook

The University finds itself in a sound financial position at June 30, 2006. While incoming enrollments are increasing overall, student enrollment in certain programs primarily related to computer science again decreased in fiscal year 2006. The University anticipates that the strategic plan it developed in fiscal year 2005 and implemented in fiscal years 2005 and 2006 will result in an increase in both incoming and overall enrollment for the fiscal 2007 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 rating is based on the University's "modest enrollment growth despite some fluctuation in demand; consistently balanced operating results, including solid growth of research revenues; and high leverage, with moderate financial resources that should continue modest growth from fundraising and investment returns." Standard & Poor's rating reflects the University's "third-place position in the State funding hierarchy, coupled with the involvement of the school in the State's economic development as well as community outreach; niche as an engineering school and a research university; conservative fiscal management, demonstrated by a history of stable and balanced operating performance; and continued success in institutional development and fundraising efforts."

The University's relations with its employees are good. The University's contracts with its labor unions cover the period through fiscal year 2007.

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. Such steps include higher tuition and fees in order to generate greater student tuition and fees revenues, a more aggressive research and development program, and a more intensive fundraising initiative. The University believes that its efforts in these resource-generating activities will continue to be successful because of favorable circumstances that exist or can be made to exist. In the former category is the University's strategic plan to increase 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. In the latter category is the University's placement of emphasis on the hiring of new faculty members who have a stronger inclination to become involved in research activities in addition to their teaching responsibilities. Management is also focusing on cost control and cash management initiatives. During fiscal year 2006, the University significantly curtailed its spending in order to achieve operational savings, totaling $7,338, which have been designated to support the University's fiscal year 2007 operations.

In August 2006, the State's Senate President and Assembly Speaker announced the formation of a Legislative Task Force on Higher Education and the Economy, to examine if a merger of New Jersey's three public research universities into a top-tier school would encourage public and private investment in New Jersey's technology and research business sectors. The University was established as a body corporate and politic by The New Jersey Institute of Technology Act of 1996; accordingly, any such merger would require approval by the State legislature.

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

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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, 2006 and 2005, 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, 2006 and 2005, 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 8 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

September 1, 2006

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$ 35,342	$ 28,072
Short term investments, at fair value	3,968	6,481
Grants and accounts receivable, net	23,832	27,940
Deposits held with trustees, at fair value	4,987	5,196
Other current assets	1,830	1,589
Total current assets	69,959	69,278
Noncurrent assets:		
Endowment investments, at fair value	60,615	56,577
Deposits held with trustees, at fair value	11,385	11,450
Other assets	8,607	9,555
Capital assets, net of accumulated depreciation of $192,189 and $179,269, respectively	250,298	255,996
Total noncurrent assets	330,905	333,578
Total assets	$ 400,864	$ 402,856
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,642	$ 17,964
Long term debt, current portion	2,026	1,929
Deferred revenue	12,662	10,878
Due to affiliates	2,992	3,523
Total current liabilities	33,322	34,294
Noncurrent liabilities:		
Long term debt	169,965	171,955
Other noncurrent liabilities	8,102	8,085
U.S. government grants refundable	1,697	1,728
Total noncurrent liabilities	179,764	181,768
Total liabilities	$ 213,086	$ 216,062
Net Assets		
Invested in capital assets, net of related debt	$ 90,940	$ 94,685
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	30,315	29,020
Instructional and other	4,550	4,528
Expendable:		
Scholarships and fellowships	11,127	9,434
Research and programs	1,373	1,528
Instructional and other	6,303	5,918
Loans	957	937
Unrestricted (see note 10)	42,213	40,744
Total net assets	$ 187,778	$ 186,794

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,

		2006		2005
Operating revenues:				
Student tuition and fees, net of scholarship allowances of $20,394 and $19,460, respectively	$	58,752	$	55,716
Federal grants and contracts		38,265		38,477
State grants and contracts		15,194		15,954
Other grants and contracts		3,065		2,978
Auxiliary enterprises, net of scholarship allowances of $2,261 and $2,175, respectively		8,890		8,676
Other operating revenues		4,052		2,915
Total operating revenues		128,218		124,716
Operating expenses:				
Instruction		64,341		62,274
Research and programs		38,471		39,039
Public service		2,681		3,800
Academic support		17,958		18,546
Student services		11,048		10,524
Institutional support		25,540		24,712
Operation and maintenance of plant		15,810		14,289
Scholarships and fellowships		5,794		5,270
Depreciation and amortization		17,343		16,341
Auxiliary enterprises		5,265		5,195
Total operating expenses		204,251		199,990
Operating loss		(76,033)		(75,274)
Nonoperating revenues (expenses):				
State appropriations		71,090		69,435
Gifts and bequests		3,993		3,675
Disposal of assets expense		(30)		(2,082)
Interest expense		(7,846)		(7,785)
Investment income		6,795		5,334
Other nonoperating revenues		1,534		2,163
Net nonoperating revenues		75,536		70,740
Loss before other revenues		(497)		(4,534)
Other revenues:				
Capital grants and gifts		164		314
Additions to permanent endowments		1,317		1,125
Total other revenues		1,481		1,439
Increase (decrease) in net assets		984		(3,095)
Net assets, beginning of year		186,794		189,889
Net assets, end of year	$	187,778	$	186,794

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,

	2006	2005
Operating activities:		
Student tuition and fees	$ 60,272	$ 55,205
Grants and contracts	61,568	56,205
Payments for salaries and benefits	(121,799)	(115,375)
Payments to suppliers	(40,256)	(44,819)
Payments for scholarships and fellowships	(5,794)	(5,270)
Loans issued to students	(210)	(543)
Loans collected from students	424	335
Auxiliary enterprises	3,625	3,481
University programs	3,725	2,916
Affiliates	(531)	1,247
Other payments	(6)	(75)
Net cash used by operating activities	(38,982)	(46,693)
Noncapital financing activities:		
State appropriations	59,232	57,551
Gifts and bequests for other than capital purposes	1,852	2,130
Additions to permanent endowments	1,697	923
Other	964	636
Net cash provided by noncapital financing activities	63,745	61,240
Capital financing activities:		
Capital grants and gifts	91	22,705
Purchase of capital assets	(13,361)	(31,525)
Principal paid on long term debt	(1,761)	(1,692)
Interest paid on long term debt	(7,795)	(6,256)
Deposits held with trustees	330	(1,460)
Net cash used by capital financing activities	(22,496)	(18,228)
Investing activities:		
Proceeds from sales and maturities of investments	24,824	31,542
Interest and dividends on investments	3,587	2,423
Purchase of investments	(23,408)	(27,767)
Net cash provided by investing activities	5,003	6,198
Net increase in cash and cash equivalents	7,270	2,517
Cash and cash equivalents, beginning of year	28,072	25,555
Cash and cash equivalents, end of year	$ 35,342	$ 28,072
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (76,033)	$ (75,274)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	17,343	16,341
Noncash operating expenses	14,019	12,819
Changes in assets and liabilities:		
Grants and accounts receivable	4,091	(2,234)
Other assets, current and noncurrent	(36)	(383)
Accounts payable and accrued liabilities	97	350
Deferred revenue	2,068	441
Due to affiliates	(531)	1,247
Net cash used by operating activities	$ (38,982)	$ (46,693)
Noncash transactions:		
State appropriations for fringe benefits	$ 12,125	$ 11,607
Gifts and bequests	2,071	1,564
Interest expense	—	1,034
Additions to permanent endowments	128	37
Interest and dividends on investments	(1)	36
Investments	(304)	(199)

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.

The 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 academic 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 The Foundation at New Jersey Institute of Technology, University Heights, Newark, New Jersey 07102, Attention: University Advancement Office.

Pursuant to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *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 *Governmental Accounting Standards*. All significant transactions between NJIT and the Foundation have been eliminated.

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

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

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

(d) Investments and Deposits Held with Trustees

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

(e) Deferred Financing Costs

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

(f) Capital Assets

Capital assets are carried at cost or, 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 nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

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

(Dollars in thousands)

(g) Due to Affiliates

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

	June 30, 2006	June 30, 2005
NJEDge.Net	$ 1,141	$ 1,855
New Jersey Manufacturing Extension Program, Inc.	924	793
Student organizations	923	871
Other organizations	4	4
	$ 2,992	$ 3,523

(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 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.

(Continued)

(i) Classification of Revenue

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

(j) Revenue Recognition

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

Investment income, 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 ($19,578 and $19,123 in fiscal years 2006 and 2005, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

(n) Tax Status

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

(Dollars in thousands)

(o) Reclassifications

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

(2) Cash and Cash Equivalents, Investments, and Deposits Held with Trustees

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

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

	June 30,			
	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	$ 429	$ 429	$ 905	$ 905
Money market funds	3,210	3,210	3,184	3,184
Repurchase agreements	31,703	31,703	23,983	23,983
	35,342	35,342	28,072	28,072
Investments:				
Money market funds	2,494	2,494	2,988	2,988
Certificates of deposit	570	568	596	594
U.S. Treasury and agency obligations	6,945	6,829	9,440	9,548
Corporate equity securities	24,123	28,507	22,127	26,888
Corporate debt securities	804	788	1,087	1,133
Mutual equity funds	5,193	7,058	2,862	4,082
Mutual bond funds	15,033	14,261	14,371	14,265
Hedge funds	4,000	4,578	4,000	4,060
	59,162	65,083	57,471	63,558
Deposits held with trustees:				
Money market funds	11,062	11,062	9,269	9,269
U.S. Treasury and agency obligations	5,282	5,310	7,401	7,377
	16,344	16,372	16,670	16,646
Total cash and cash equivalents investments, and deposits held with trustees	$ 110,848	$ 116,797	$ 102,213	$ 108,276

Cash and cash equivalents and endowment investments totaling $3,235 and $3,157 at cost ($3,416 and $3,646 at fair value) at June 30, 2006 and 2005, respectively, are held and administered by external trustees, while the remainder are held and administered by NJIT.

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”) (see note 6). The funds consist principally of cash and cash equivalents and U.S. government securities. Of the total deposits held at June 30, 2006, $11,385 is required to be maintained in accordance with the mortgage bond indenture agreements.

Cash and cash equivalents, which have a bank balance of $37,912 and $30,738 at June 30, 2006 and 2005, respectively, are insured up to Federal Deposit Insurance Corporation (”FDIC”) coverage limits, but amounts in excess are uncollateralized. Investments and deposits held with trustees are either insured, registered, or held by the University or its agent in the University’s name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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, 2006 and 2005, 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, but no more than 50% of the University’s fixed income investments may be invested in mortgage-backed securities at any one time. 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.

(Continued)

(Dollars in thousands)

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, 2006, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More Than 10**
Money market funds	$ 16,766	$ 16,766	$ —	$ —	$ —
Repurchase agreements	31,703	31,703	—	—	—
Certificates of deposit	568	527	41	—	—
U.S. Treasury and agency obligations	12,139	7,955	2,693	1,458	33
Corporate debt securities	788	60	387	234	107
Mutual bond funds (weighted average maturity of 5.8 years)	14,261	—	14,261	—	—
Total fixed income investments	$ 76,225	$ 57,011	$ 17,382	$ 1,692	$ 140

At June 30, 2005, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees had the following maturities:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More Than 10**
Money market funds	$ 15,441	$ 15,441	$ —	$ —	$ —
Repurchase agreements	23,983	23,983	—	—	—
Certificates of deposit	594	529	65	—	—
U.S. Treasury and agency obligations	16,925	13,861	1,020	1,955	89
Corporate debt securities	1,133	283	299	338	213
Mutual bond funds (weighted average maturity of 6.5 years)	14,265	—	—	14,265	—
Total fixed income investments	$ 72,341	$ 54,097	$ 1,384	$ 16,558	$ 302

(Dollars in thousands)

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

	June 30,			
	2006		2005	
	Cost	**Fair value**	**Cost**	**Fair value**
Money market funds (including cash and cash equivalents)	$ 1,966	$ 1,966	$ 2,586	$ 2,586
Corporate equity securities	22,456	26,805	19,825	24,207
Mutual equity funds	3,949	5,683	2,426	3,534
Mutual bond funds	14,565	13,812	13,866	13,800
Hedge funds	4,000	4,578	4,000	4,060
Total endowment investment pool	$ 46,936	$ 52,844	$ 42,703	$ 48,187

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 269,470 and 261,809 pool units at June 30, 2006 and 2005, with a fair unit value of $196.10 and $184.05, respectively. For the years ended June 30, 2006 and 2005, the average return per unit was 8.17% and 8.14%, respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the market value per unit. The spending rate for the years ended June 30, 2006 and 2005 was 4.41% and 4.30%, respectively.

(Dollars in thousands)

(3) Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2006 and 2005 was as follows:

	June 30, 2005	Additions	Retirements	Placed Into Service	June 30, 2006
Depreciable assets:					
Land improvements	$ 5,191	$ —	$ —	$ 2,557	$ 7,748
Buildings and building improvements	333,370	—	—	19,196	352,566
Equipment and other assets	71,583	2,241	(3,811)	873	70,886
	410,144	2,241	(3,811)	22,626	431,200
Accumulated depreciation:					
Land improvements	526	324	—	—	850
Buildings and building improvements	124,687	11,990	—	—	136,677
Equipment and other assets	54,056	4,387	(3,781)	—	54,662
	179,269	16,701	(3,781)	—	192,189
	230,875	(14,460)	(30)	22,626	239,011
Nondepreciable assets:					
Land	8,699	—	—	—	8,699
Construction in progress	16,422	8,792	—	(22,626)	2,588
	$ 255,996	$ (5,668)	$ (30)	$ —	$ 250,298

	June 30, 2004	Additions	Retirements	Placed Into Service	June 30, 2005
Depreciable assets:					
Land improvements	$ 1,904	$ —	$ —	$ 3,287	$ 5,191
Buildings and building improvements	317,214	—	(6,513)	22,669	333,370
Equipment and other assets	67,150	3,339	(942)	2,036	71,583
	386,268	3,339	(7,455)	27,992	410,144
Accumulated depreciation:					
Land improvements	349	177	—	—	526
Buildings and building improvements	117,798	11,320	(4,431)	—	124,687
Equipment and other assets	50,558	4,440	(942)	—	54,056
	168,705	15,937	(5,373)	—	179,269
	217,563	(12,598)	(2,082)	27,992	230,875
Nondepreciable assets:					
Land	8,699	—	—	—	8,699
Construction in progress	20,305	24,109	—	(27,992)	16,422
	$ 246,567	$ 11,511	$ (2,082)	$ —	$ 255,996

(Continued)

(Dollars in thousands)

(4) Supplementary Statement of Net Assets Detail

	June 30, 2006	June 30, 2005
Grants and accounts receivable:		
Federal and State grants and accounts receivable	$ 14,821	$ 18,674
Student accounts receivable	7,065	7,059
Program services accounts receivable	1,669	2,310
Other grants and accounts receivable	664	462
Pledges receivable, current portion	865	724
Student loans receivable, current portion	355	325
Accrued interest receivable	277	229
	25,716	29,783
Less: allowance for doubtful accounts	1,884	1,843
	$ 23,832	$ 27,940
Other assets, noncurrent:		
Deferred financing costs	$ 5,982	$ 6,589
Student loans receivable	1,573	1,817
Other investments	500	500
Pledges receivable	521	567
Other	31	82
	$ 8,607	$ 9,555
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	$ 5,420	$ 6,740
Accrued interest expense	3,812	3,547
Accounts payable – construction	319	2,729
Accounts payable – other	5,340	3,929
Other noncurrent liabilities, current portion	751	1,019
	$ 15,642	$ 17,964

(Continued)

(Dollars in thousands)

(5) Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2006 and 2005 was as follows:

	June 30, 2005	Additions	Reductions	June 30, 2006	Current Portion
Long term debt	$ 169,506	$ 56	$ (1,761)	$ 167,801	$ 1,836
Unamortized premium (discounts)	4,378	—	(188)	4,190	190
Total long term debt	173,884	56	(1,949)	171,991	2,026
Retirement incentive programs	2,804	149	(524)	2,429	68
Annuity funds liability	2,911	789	(1,045)	2,655	562
Insurance liability reserve	1,464	1	(8)	1,457	—
Compensated absences	1,570	487	(110)	1,947	110
Other	355	35	(25)	365	11
Total other noncurrent liabilities	9,104	1,461	(1,712)	8,853	751
U.S. government grants refundable	1,728	22	(53)	1,697	—
Total noncurrent liabilities	$ 184,716	$ 1,539	$ (3,714)	$ 182,541	$ 2,777

	June 30, 2004	Additions	Reductions	June 30, 2005	Current Portion
Long term debt	$ 171,198	$ —	$ (1,692)	$ 169,506	$ 1,741
Unamortized premium (discounts)	4,564	—	(186)	4,378	188
Total long term debt	175,762	—	(1,878)	173,884	1,929
Retirement incentive programs	3,075	496	(767)	2,804	397
Annuity funds liability	2,946	762	(797)	2,911	549
Insurance liability reserve	1,492	—	(28)	1,464	—
Compensated absences	1,461	175	(66)	1,570	67
Other	362	69	(76)	355	6
Total other noncurrent liabilities	9,336	1,502	(1,734)	9,104	1,019
U.S. government grants refundable	1,713	83	(68)	1,728	—
Total noncurrent liabilities	$ 186,811	$ 1,585	$ (3,680)	$ 184,716	$ 2,948

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

Included in annuity funds liability is unrealized (loss) of $(480) and unrealized gain of $414 at June 30, 2006 and 2005, respectively.

(Dollars in thousands)

(6) Long Term Debt

Long term debt is composed of:

		June 30,		
		2006		**2005**
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)		22,000		22,655
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)		10,290		10,935
Capital Lease Obligations:				
Higher Education Capital Improvement Fund		20,313		20,313
Equipment Leasing Fund		636		931
Other		50		21
Other Long Term Debt:				
New Jersey Economic Development Authority note		3,057		3,196
		167,801		169,506
Unamortized premium (discounts) on obligations		4,190		4,378
		171,991		173,884
Less: current portion		2,026		1,929
Long term debt	$	169,965	$	171,955

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.

(Continued)

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. Principal payments will begin in fiscal year 2007. The HECIF debt matures in fiscal year 2025.

The Equipment Leasing Fund ("ELF") obligation was issued by NJEFA to provide funds to finance certain equipment at the State's public institutions of higher education. The University is responsible for one fourth of its allocated debt service payments and related program expenses. The ELF debt matures in fiscal year 2008.

The New Jersey Economic Development Authority ("NJEDA") note, which matures in fiscal year 2028, is non-interest bearing and payable monthly. Imputed interest expense totaled $101 and $103 in fiscal years 2006 and 2005, respectively.

(Continued)

(Dollars in thousands)

At June 30, 2006, deposits held with trustees included $1,360 for principal payments on revenue bonds due on July 1, 2006. 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
2007	$ 2,550	$ 7,973	$ 10,523
2008	3,620	7,852	11,472
2009	5,403	7,708	13,111
2010	5,665	7,442	13,107
2011	5,945	7,162	13,107
2012 to 2016	34,497	31,093	65,590
2017 to 2021	43,913	21,821	65,734
2022 to 2026	43,376	10,251	53,627
2027 to 2031	21,472	3,116	24,588
	$ 166,441	$ 104,418	$ 270,859

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, 2006, there were no outstanding borrowings against these agreements.

Deferred financing costs, net of accumulated amortization, associated with the University's long term debt totaled $6,372 and $7,014 at June 30, 2006 and 2005, respectively.

Interest charges incurred in fiscal years 2006 and 2005 totaled $7,872 and $7,952, respectively, of which $26 and $167, respectively, was capitalized as construction in progress.

(7) Compensated Absences

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

At June 30, 2006 and 2005, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of $3,922 and $3,896, respectively, and unused sick time of $110 and $67, respectively. At June 30, 2006 and 2005, other noncurrent liabilities include $1,837 and $1,503, respectively, of unused sick time. In fiscal years 2006 and 2005, payments for unused sick time totaled $110 and $66, 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. The

University is considered to be a State employer for pension contribution purposes, and 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, 2006 and 2005 were $138 and $116, 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, 2006 and 2005 were $48 and $44, 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, 2006 and 2005, the University's contributions to ABP were $5,464 and $5,189, and employee contributions were $3,417 and $3,240, 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 Income

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

		2006		2005
Interest and dividends	$	3,622	$	2,230
Realized net gain on sale of investments		2,807		3,215
Net increase (decrease) in the fair value of investments		366		(111)
Investment income	$	6,795	$	5,334

(10) Designations of Unrestricted Net Assets

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

		June 30,		
		2006		2005
Scholarships and fellowships	$	4,730	$	4,226
Instructional and other		6,430		5,838
Debt service		3,820		3,806
Deferred financing costs		6,372		7,014
Outstanding purchase orders		2,299		3,200
Construction and capital programs		6,065		9,367
Fiscal year 2007 operations		7,338		—
Designated unrestricted net assets		37,054		33,451
Undesignated unrestricted net assets		5,159		7,293
Unrestricted net assets	$	42,213	$	40,744

(11) Commitments and Contingencies

Commitments at June 30, 2006 totaled $18,304, primarily representing open purchase orders for research expenditures.

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