NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2007 and 2006

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NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2007 and 2006

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, 2007 and 2006. 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 150 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 400 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-two specialties, and thirty-six 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, 2007 and 2006 was sound, with total assets of $408,063 and $398,928, and total liabilities of $211,271 and $211,150, respectively. Net assets, which represent the excess of the University's assets over its liabilities, totaled $196,792 and $187,778 at June 30, 2007 and 2006, respectively. 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. 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.

The Financial Statements

The University's financial statements include a statement of net assets at June 30, 2007 and 2006, 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.

(Dollars in thousands)

Statement of Net Assets

The statement of net assets presents the University's financial position at June 30, 2007 and 2006, and is summarized as follows. The summarized statement of net assets at June 30, 2005 is also presented for comparative purposes.

	June 30, 2007	June 30, 2006	June 30, 2005
Current assets	$ 74,315	$ 68,023	$ 67,342
Endowment investments	70,544	60,615	56,577
Capital assets, net	244,398	250,298	255,996
Other assets	18,806	19,992	21,005
Total assets	408,063	398,928	400,920
Current liabilities	36,038	31,386	32,358
Long term debt, noncurrent portion	165,364	169,965	171,955
Other liabilities	9,869	9,799	9,813
Total liabilities	211,271	211,150	214,126
Invested in capital assets, net of related debt	87,669	90,940	94,685
Restricted nonexpendable	37,933	34,865	33,548
Restricted expendable	24,831	19,760	17,817
Unrestricted	46,359	42,213	40,744
Total net assets	$ 196,792	$ 187,778	$ 186,794

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, 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. 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.

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, 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. 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.

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 $44,734 and $42,376 at June 30, 2007 and 2006, respectively. The University had $36,785 and $39,310 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2007 and 2006, respectively. The decrease in cash and cash equivalents and short term investments at June 30, 2007 as compared to June 30, 2006 of $2,525 principally relates to payment of grant and contract expenditures in advance of reimbursement from grantors.

Endowment investments include gifts from donors that are to be invested in perpetuity and the related income and appreciation. Only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments grew approximately 16.4% and 7.1% during fiscal years 2007 and 2006, respectively, reflecting growth from new gifts and realized expendable investment earnings in both years, and fair value increases at June 30, 2007 and 2006.

Capital assets increased 2.2% and 1.7% at cost during fiscal years 2007 and 2006, respectively, principally related to the University's facilities rehabilitation projects. 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. During fiscal year 2006, the renovations of Cullimore Hall and Eberhardt Hall, as well as extensive landscaping improvements, were completed.

Total long term debt at June 30, 2007 and 2006 totaled $169,427 and $171,991, 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 $3,271 and $3,745 during fiscal years 2007 and 2006, 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 decrease in 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 $8,139 and $3,260 during fiscal years 2007 and 2006, respectively, 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, 2007	June 30, 2006	June 30, 2005
Scholarships and fellowships	$ 5,607	$ 4,730	$ 4,226
Instructional and other	7,889	6,430	5,838
Debt service	4,169	3,820	3,806
Deferred financing costs	5,734	6,372	7,014
Outstanding purchase orders	3,229	2,299	3,200
Construction and capital programs	2,038	6,065	9,367
Subsequent fiscal year operations	5,685	7,338	—
	$ 34,351	$ 37,054	$ 33,451

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, 2007 and 2006 are as follows. The components of revenues for the fiscal year ended June 30, 2005 are also presented for comparative purposes:

	2007	2006	2005
Operating revenues:			
Student tuition and fees, net	$ 66,787	$ 58,752	$ 55,716
Federal, State, and other grants and contracts	64,064	56,524	57,409
Auxiliary enterprises, net	9,670	8,890	8,676
Other operating revenues	3,933	4,052	2,915
Total operating revenues	144,454	128,218	124,716
Nonoperating revenues:			
State appropriations	68,253	71,090	69,435
Gift and bequests, including capital, and additions to permanent endowments	7,329	5,474	5,114
Investment income	12,094	6,795	5,334
Other nonoperating revenues	1,403	1,534	2,163
Total nonoperating revenues	89,079	84,893	82,046
Total revenues	$ 233,533	$ 213,111	$ 206,762

(Dollars in thousands)

The components of expenses for the fiscal years ended June 30, 2007 and 2006 are as follows. The components of expenses for the fiscal year ended June 30, 2005 are also presented for comparative purposes:

	2007	**2006**	**2005**
Operating expenses:			
Instruction	$ 68,464	$ 64,341	$ 62,274
Research and programs	43,275	38,471	39,039
Public service	2,051	2,681	3,800
Academic support	17,845	17,958	18,546
Student services	12,756	11,048	10,524
Institutional support	27,628	25,540	24,712
Operation and maintenance of plant	14,666	15,810	14,289
Scholarships and fellowships	6,536	5,794	5,270
Depreciation and amortization	18,141	17,343	16,341
Auxiliary enterprises	5,776	5,265	5,195
Total operating expenses	217,138	204,251	199,990
Nonoperating expenses:			
Disposal of assets expense	122	30	2,082
Interest expense	7,259	7,846	7,785
Total nonoperating expenses	7,381	7,876	9,867
Total expenses	$ 224,519	$ 212,127	$ 209,857

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 $22,388, totaled $66,787 for fiscal year 2007, an increase of 13.7% over the fiscal year 2006 student tuition and fees, net of allowances of $20,394, of $58,752. The fiscal year 2007 increase is principally attributable to a 7.0% increase in tuition and fees as well as an increase in student enrollment. 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.

Auxiliary enterprises revenues, net of scholarship allowances of $2,343 and $2,261, increased 8.8% and 2.5% to $9,670 and $8,890 in fiscal years 2007 and 2006, respectively, principally due to increased residence hall charges.

(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,		
	2007	**2006**	**2005**
Direct appropriations for general operating purposes	$ 47,182	$ 51,512	$ 50,312
FICA and fringe benefits paid by the State for University employees	21,071	19,578	19,123
	$ 68,253	$ 71,090	$ 69,435

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. State appropriations remained relatively constant in fiscal year 2006.

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,		
	2007	**2006**	**2005**
Federal grants and contracts	$ 46,272	$ 38,265	$ 38,477
State grants and contracts	14,961	15,194	15,954
Other grants and contracts	2,831	3,065	2,978
	$ 64,064	$ 56,524	$ 57,409

Federal grants and contracts revenues increased 20.9% in fiscal year 2007, after remaining relatively constant in fiscal year 2006, principally related to increased activity in U.S. Departments of Army and Transportation grants and contracts. State grants and contracts revenues decreased 1.5% and 4.8% in fiscal years 2007 and 2006, respectively, principally due to a decrease in research grants as well as 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 2007 and 2006 totaled $2,606 and $3,993, respectively, and capital grants and gifts generated another $1,655 and $164, respectively, for the purchase of capital assets. Additions to permanent endowments were $3,068 and $1,317, in fiscal years 2007 and 2006, respectively.

Investment income includes interest and dividends income, realized net gain on the sale of investments, and net increase in the fair value of investments. 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. Net fiscal year 2006 investment income increased by $1,461 over fiscal year 2005 principally due to

(Continued)

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.

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 $105,601, $99,141, and $96,614 in fiscal years 2007, 2006 and 2005, respectively. The increases of 6.5% and 2.6% in fiscal years 2007 and 2006, respectively, are 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 increased 12.5% to $43,275 in fiscal year 2007 resulting from the increase in grant and contract activity and declined 1.5% to $38,471 in fiscal year 2006, primarily related to a decrease in noncapitalizable research expenditures offset by an increase in research salaries.

Public service expenses decreased 23.5% to $2,051 and 29.4% to $2,681 in fiscal years 2007 and 2006, respectively, as a result of a decrease in State contract training grants.

Operation and maintenance of plant expense decreased 7.2% to $14,666 in fiscal year 2007, primarily due to the decrease in small business incubator facility real estate tax expense. The increase of 10.6% in fiscal year 2006 was primarily due to increased utility costs, and real estate taxes on the University's small business incubator facility for the current and prior years due to the City of Newark's denial of an anticipated tax exemption.

Auxiliary enterprises expense increased 9.7% to $5,776 in fiscal year 2007, after remaining relatively stable in fiscal year 2006, principally due to increased operations and maintenance costs for residence halls.

During fiscal years 2007 and 2006, the University incurred debt-related interest costs of $7,259 and $7,872, of which $26 was capitalized in fiscal year 2006 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, 2007. While incoming enrollments are increasing overall, student enrollment in certain programs primarily related to computer science again decreased in fiscal year 2007. The strategic plan the University developed in fiscal year 2005 and implemented in fiscal years 2005 and 2006 resulted 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 affirmed its rating in 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 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 contracts with its labor unions expired at the end of fiscal year 2007. New contracts have been finalized with two unions. Negotiations for new contracts are in progress, and are anticipated to come to mutually favorable conclusions, with the other unions. The economic provisions of the expired contracts will continue to prevail until new contracts are finalized. The University's relations with its employees are good.

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 2007, generating operational savings totaling $5,685, which have been designated to support the University's fiscal year 2008 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.

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. NJIT 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.

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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, 2007 and 2006, 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, 2007 and 2006, 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

October 22, 2007

NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Net Assets

(Dollars in thousands)

at June 30,

		2007		2006
Assets				
Current assets:				
Cash and cash equivalents	$	32,753	$	35,342
Short term investments, at fair value		4,032		3,968
Grants and accounts receivable, net		30,482		21,896
Deposits held with trustees, at fair value		5,152		4,987
Other current assets		1,896		1,830
Total current assets		74,315		68,023
Noncurrent assets:				
Endowment investments, at fair value		70,544		60,615
Deposits held with trustees, at fair value		11,385		11,385
Other assets		7,421		8,607
Capital assets, net of accumulated depreciation of $207,979 and $192,189, respectively		244,398		250,298
Total noncurrent assets		333,748		330,905
Total assets	$	408,063	$	398,928
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	19,173	$	15,642
Long term debt, current portion		4,063		2,026
Deferred revenue		11,609		10,726
Due to affiliates		1,193		2,992
Total current liabilities		36,038		31,386
Noncurrent liabilities:				
Long term debt		165,364		169,965
Other noncurrent liabilities		8,197		8,102
U.S. government grants refundable		1,672		1,697
Total noncurrent liabilities		175,233		179,764
Total liabilities	$	211,271	$	211,150
Net Assets				
Invested in capital assets, net of related debt	$	87,669	$	90,940
Restricted for:				
Nonexpendable:				
Scholarships and fellowships		33,382		30,315
Instructional and other		4,551		4,550
Expendable:				
Scholarships and fellowships		15,819		11,127
Research and programs		1,305		1,373
Instructional and other		6,721		6,303
Loans		986		957
Unrestricted (see note 10)		46,359		42,213
Total net assets	$	196,792	$	187,778

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,

		2007		2006
Operating revenues:				
Student tuition and fees, net of scholarship allowances of $22,388 and $20,394, respectively	$	66,787	$	58,752
Federal grants and contracts		46,272		38,265
State grants and contracts		14,961		15,194
Other grants and contracts		2,831		3,065
Auxiliary enterprises, net of scholarship allowances of $2,343 and $2,261, respectively		9,670		8,890
Other operating revenues		3,933		4,052
Total operating revenues		144,454		128,218
Operating expenses:				
Instruction		68,464		64,341
Research and programs		43,275		38,471
Public service		2,051		2,681
Academic support		17,845		17,958
Student services		12,756		11,048
Institutional support		27,628		25,540
Operation and maintenance of plant		14,666		15,810
Scholarships and fellowships		6,536		5,794
Depreciation and amortization		18,141		17,343
Auxiliary enterprises		5,776		5,265
Total operating expenses		217,138		204,251
Operating loss		(72,684)		(76,033)
Nonoperating revenues (expenses):				
State appropriations		68,253		71,090
Gifts and bequests		2,606		3,993
Disposal of assets expense		(122)		(30)
Interest expense		(7,259)		(7,846)
Investment income		12,094		6,795
Other nonoperating revenues		1,403		1,534
Net nonoperating revenues		76,975		75,536
Income (loss) before other revenues		4,291		(497)
Other revenues:				
Capital grants and gifts		1,655		164
Additions to permanent endowments		3,068		1,317
Total other revenues		4,723		1,481
Increase in net assets		9,014		984
Net assets, beginning of year		187,778		186,794
Net assets, end of year	$	196,792	$	187,778

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,

	2007	2006
Cash flows from operating activities:		
Student tuition and fees	$ 65,810	$ 60,272
Grants and contracts	57,940	61,568
Payments for salaries and benefits	(124,138)	(121,799)
Payments to suppliers	(44,381)	(40,256)
Payments for scholarships and fellowships	(6,536)	(5,794)
Loans issued to students	(289)	(210)
Loans collected from students	386	424
Auxiliary enterprises	3,894	3,625
University programs	3,618	3,725
Affiliates	(1,799)	(531)
Other receipts (payments)	202	(6)
Net cash used by operating activities	(45,293)	(38,982)
Cash flows from noncapital financing activities:		
State appropriations	54,793	59,232
Gifts and bequests for other than capital purposes	2,106	1,852
Additions to permanent endowments	2,214	1,697
Other	915	964
Net cash provided by noncapital financing activities	60,028	63,745
Cash flows from capital financing activities:		
Capital grants and gifts	1,554	91
Purchase of capital assets	(10,441)	(13,361)
Principal paid on long term debt	(2,721)	(1,761)
Interest paid on long term debt	(7,955)	(7,795)
(Increase) decrease in deposits held with trustees	(210)	330
Net cash used by capital financing activities	(19,773)	(22,496)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	18,508	24,824
Interest and dividends on investments	4,383	3,587
Purchase of investments	(20,442)	(23,408)
Net cash provided by investing activities	2,449	5,003
Net (decrease) increase in cash and cash equivalents	(2,589)	7,270
Cash and cash equivalents, beginning of year	35,342	28,072
Cash and cash equivalents, end of year	$ 32,753	$ 35,342
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (72,684)	$ (76,033)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	18,141	17,343
Noncash operating expenses	14,137	14,019
Changes in assets and liabilities:		
Grants and accounts receivable	(8,331)	4,091
Other assets, current and noncurrent	141	(36)
Accounts payable and accrued liabilities	4,001	97
Deferred revenue	1,101	2,068
Due to affiliates	(1,799)	(531)
Net cash used by operating activities	$ (45,293)	$ (38,982)
Noncash transactions:		
State appropriations for fringe benefits	$ 13,253	$ 12,125
Gifts and bequests	1,022	2,071
Additions to permanent endowments	116	128
Investments	(214)	(304)

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 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 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 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. Hedge and other investment funds are carried at 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.

(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 entities:

	June 30, 2007	June 30, 2006
NJEDge.Net	$ 498	$ 1,141
New Jersey Manufacturing Extension Program, Inc.	—	924
Student organizations	691	923
Other organizations	4	4
	$ 1,193	$ 2,992

(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

(Continued)

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 ($21,071 and $19,578 in fiscal years 2007 and 2006, 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 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,			
	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	$ 429	$ 429	$ 429	$ 429
Money market funds	3,859	3,859	3,210	3,210
Repurchase agreements	2,047	2,047	17,215	17,215
Commercial paper	26,418	26,418	14,488	14,488
	32,753	32,753	35,342	35,342
Investments:				
Money market funds	3,387	3,387	2,494	2,494
Certificates of deposit	543	542	570	568
U.S. Treasury and agency obligations	7,187	7,102	6,945	6,829
Corporate equity securities	24,623	31,218	24,123	28,507
Corporate debt securities	866	849	804	788
Mutual equity funds	8,323	11,531	5,193	7,058
Mutual bond funds	15,741	15,070	15,033	14,261
Hedge and other investment funds	4,225	5,377	4,000	4,578
	64,895	75,076	59,162	65,083
Deposits held with trustees:				
Money market funds	7,364	7,364	11,062	11,062
U.S. Treasury and agency obligations	9,173	9,173	5,282	5,310
	16,537	16,537	16,344	16,372
Total cash and cash equivalents, investments, and deposits held with trustees	$ 114,185	$ 124,366	$ 110,848	$ 116,797

Cash and cash equivalents and endowment investments totaling $2,297 and $3,235 at cost ($2,674 and $3,416 at fair value) at June 30, 2007 and 2006, respectively, are held and administered by external trustees, while the remainder are held and administered by the University.

(Continued)

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 of cash and cash equivalents and U.S. government securities. Of the total deposits held at June 30, 2007 and 2006, $11,385 is required to be maintained in accordance with the mortgage bond indenture agreements.

Cash and cash equivalents have a bank balance of $36,287 and $37,921, including cash held by depositories of $577 and $543, at June 30, 2007 and 2006, respectively. Cash held by depositories of $200 are insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2007 and 2006; amounts in excess are uncollateralized. Repurchase agreements, commercial paper, investments, and deposits held with trustees are either insured or held by the University or its agent in the University's name. Money market and mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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 $3,055 in these funds over the next five fiscal years.

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, 2007 and 2006, 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.

(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, 2007 and 2006, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

		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	$ —	$ —	$ —
Repurchase agreements	2,047	2,047	—	—	—
Commercial paper	26,418	26,418	—	—	—
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 (weighted average maturity of 6.4 years)	15,070	—	—	15,070	—
Total fixed income investments	$ 75,811	$ 55,216	$ 3,238	$ 17,082	$ 275

		June 30, 2006			
		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**5 to 10**	**More Than 10**
Money market funds	$ 16,766	$ 16,766	$ —	$ —	$ —
Repurchase agreements	17,215	17,215	—	—	—
Commercial paper	14,488	14,488	—	—	—
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	$ 3,121	$ 15,953	$ 140

(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 investments are as follows:

	June 30,			
	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Money market funds (including cash and cash equivalents)	$ 3,180	$ 3,180	$ 1,966	$ 1,966
U.S. Treasury and agency obligations	840	840	—	—
Corporate equity securities	23,009	29,467	22,456	26,805
Mutual equity funds	7,077	10,023	3,949	5,683
Mutual bond funds	15,268	14,612	14,565	13,812
Hedge and other investment funds	4,195	5,346	4,000	4,578
Total endowment investment pool	$ 53,569	$ 63,468	$ 46,936	$ 52,844

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 283,496 and 269,470 pool units with a fair unit value of $223.88 and $196.10, at June 30, 2007 and 2006, respectively. For the years ended June 30, 2007 and 2006, the average return per pool unit was 15.72% and 8.17%, 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, 2007 and 2006 was 4.20% and 4.41%, respectively.

(Dollars in thousands)

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2007 and 2006 was as follows:

	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

	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

(Continued)

(Dollars in thousands)

4. Supplementary Statement of Net Assets Detail

	June 30, 2007	June 30, 2006
Grants and accounts receivable:		
Federal and State grants and accounts receivable	$ 21,486	$ 14,821
Student accounts receivable	7,165	5,129
Program services accounts receivable	1,482	1,669
Other grants and accounts receivable	585	664
Pledges receivable, current portion	701	865
Student loans receivable, current portion	370	355
Accrued interest receivable	572	277
	32,361	23,780
Less: allowance for doubtful accounts	1,879	1,884
	$ 30,482	$ 21,896
Other assets, noncurrent:		
Deferred financing costs	$ 5,264	$ 5,982
Student loans receivable	1,461	1,573
Other investments	500	500
Pledges receivable	179	521
Other	17	31
	$ 7,421	$ 8,607
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	$ 7,696	$ 5,420
Accrued interest expense	3,805	3,812
Accounts payable – construction	716	319
Accounts payable – other	6,383	5,340
Other noncurrent liabilities, current portion	573	751
	$ 19,173	$ 15,642

(Continued)

(Dollars in thousands)

5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2007 and 2006 was as follows:

	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	840	(1,605)	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	1,883	(1,966)	8,770	573
U.S. government grants refundable	1,697	27	(52)	1,672	—
Total noncurrent liabilities	$ 182,541	$ 2,756	$ (5,428)	$ 179,869	$ 4,636

	June 30, 2005	Additions	Reductions	June 30, 2006	Current Portion
Long term debt	$ 169,506	$ 56	$ (1,761)	$ 167,801	$ 1,836
Unamortized net premium	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

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

Included in annuity funds liability is unrealized gain of $132 and unrealized loss of $480 at June 30, 2007 and 2006, respectively.

(Dollars in thousands)

6. Long Term Debt

Long term debt is composed of:

	June 30, 2007	June 30, 2006
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)	21,325	22,000
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)	9,605	10,290
Capital Lease Obligations:		
Higher Education Capital Improvement Fund	19,663	20,313
Equipment Leasing Fund	326	636
Other	636	50
Other Long Term Debt:		
New Jersey Economic Development Authority note	2,916	3,057
	165,926	167,801
Unamortized net premium on obligations	3,501	4,190
	169,427	171,991
Less: current portion	4,063	2,026
Long term debt	$ 165,364	$ 169,965

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%.

(Continued)

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 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 noninterest bearing and payable monthly. Imputed interest expense totaled $98 and $101 in fiscal years 2007 and 2006, respectively.

(Dollars in thousands)

At June 30, 2007, deposits held with trustees included $1,425 for principal payments on revenue bonds due on July 1, 2007. 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
2008	$ 3,843	$ 7,860	$ 11,703
2009	5,627	7,716	13,343
2010	5,821	7,439	13,260
2011	5,948	7,152	13,100
2012	6,251	6,857	13,108
2013 to 2017	36,189	29,373	65,562
2018 to 2022	46,130	19,607	65,737
2023 to 2027	37,220	8,099	45,319
2028 to 2031	17,472	2,109	19,581
	$ 164,501	$ 96,212	$ 260,713

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, 2007, there were no outstanding borrowings against these agreements.

Deferred financing costs, net of accumulated amortization, associated with the University's long term debt totaled $5,734 and $6,372 at June 30, 2007 and 2006, respectively.

Interest charges incurred in fiscal years 2007 and 2006 totaled $7,259 and $7,872, respectively, of which $26 was capitalized as construction in progress in fiscal year 2006.

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, 2007 and 2006, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of $3,977 and $3,922, respectively, and unused sick time of $120 and $110, respectively. At June 30, 2007 and 2006, other noncurrent liabilities include $2,188 and $1,837, respectively, of unused sick time. In fiscal years 2007 and 2006, payments for unused sick time totaled $119 and $110, 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, 2007 and 2006 were $143 and $138, 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 each of the years ended June 30, 2007 and 2006 were $48.

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, 2007 and 2006, the University's contributions to ABP were $5,568 and $5,464, and employee contributions were $3,490 and $3,417, 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:

		2007		2006
Interest and dividends	$	4,409	$	3,622
Realized net gain on sale of investments		3,585		2,807
Net increase in the fair value of investments		4,100		366
Investment income	$	12,094	$	6,795

10. Designations of Unrestricted Net Assets

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

		June 30,		
		2007		2006
Scholarships and fellowships	$	5,607	$	4,730
Instructional and other		7,889		6,430
Debt service		4,169		3,820
Deferred financing costs		5,734		6,372
Outstanding purchase orders		3,229		2,299
Construction and capital programs		2,038		6,065
Subsequent fiscal year operations		5,685		7,338
Designated unrestricted net assets		34,351		37,054
Undesignated unrestricted net assets		12,008		5,159
Unrestricted net assets	$	46,359	$	42,213

11. Commitments and Contingencies

At June 30, 2007, open purchase orders totaled $14,826, primarily for research expenditures.

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