KPMG

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

June 30, 2003 and 2002

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Introduction

The following discussion and analysis provides an overview of the financial position and activities of New Jersey City University (the University) for the years ended June 30, 2003 and 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow this section.

Financial Highlights

The University's financial position at June 30, 2003 and 2002 includes assets of $192.2 million and $133.3 million and liabilities of $116.5 million and $66.6 million, respectively. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased $9.0 million in fiscal 2003 to $75.7 million at June 30, 2003. Changes in net assets represent the operating activity of the University, resulting from revenues and expenses, and are summarized for the years ended June 30, 2003 and 2002 as follows:

		2003	2002
		(In millions)	
Total operating revenues	$	57.2	50.3
Total operating expenses		90.8	91.8
Operating loss		(33.6)	(41.5)
Nonoperating revenues (expenses)		42.4	42.7
Capital grants and gifts		0.2	2.2
Increase in net assets		9.0	3.4
Net assets – beginning of year		66.7	63.3
Net assets – end of year	$	75.7	66.7

The increase in net assets of $9.0 million for fiscal 2003 was primarily attributable to student revenue combined with staff vacancies and other cost cutting initiatives implemented in response to a deferral of $1.4 million in the 2003 State of New Jersey's appropriation and an additional $3.9 million cut proposed by the State administration for 2004. For fiscal year 2002, the increase in net assets of $3.4 million was primarily attributable to a capital grant from the State Equipment Leasing Fund (ELF) of $1.9 million which was recorded as revenue, while the related expenditures were capitalized, as well as cost savings initiatives implemented in response to a cut of $2.3 million in the State appropriation.

Student enrollment increased during the year with growth in the graduate, continuing education and summer programs. Undergraduate enrollment increased slightly from 5,996 in the 2001/02 academic year to 6,070 in 2002/03. Graduate enrollment increased 7.5% from 1,730 in 2001/02 to 1,860 in 2002/03, resulting in increased revenue from tuition. Summer program enrollment increased 3.6% from 3,070 in 2001/02 to 3,181 in 2002/03.

Using the Financial Statements

The University's financial report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. One of these pronouncements, GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities requiring that financial statements be presented on a basis to focus on the University as a whole. Previously, financial statements focused on the accountability of individual fund groups rather that on the University as a whole.

Significant changes to the financial statements adopted in 2002 are as follows:

- Revenues and expenses are now categorized as either operating or nonoperating. Previously, a measure of operations was not presented. Significant recurring sources of the University's revenues, including state appropriations, gifts, and investment income (loss) are considered nonoperating, as defined by GASB Statement No. 34. For the years ended June 30, 2003 and 2002, nonoperating revenues, which primarily represent appropriations and investment income, totaled $44.7 million and $45.5 million, respectively, and nonoperating expenses, which primarily represent interest expense, totaled $2.3 million and $2.8 million, respectively.
- Scholarships and waivers applied to student accounts are now shown as a reduction of tuition and fee revenues. Previously, all scholarships and waivers were presented as expenditures. For the years ended June 30, 2003 and 2002, scholarships and waivers applied to student accounts totaled $13.1 million and $11.1 million, respectively.
- Depreciation expense on capital assets is now provided for in the Statement of Revenues, Expenses, and Changes in Net Assets, and an allowance for depreciation is reported in the Statement of Net Assets. Depreciation expense for the years ended June 30, 2003 and 2002 was $5.3 million and $4.9 million, respectively. Previously, depreciation was not reported. The University has adopted a strategy of funding depreciation within its budget process.

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Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. A summary comparison of the University's assets, liabilities, and net assets at June 30, 2003 and 2002 is as follows:

		2003	2002
		(In millions)	
Current assets	$	19.8	20.3
Noncurrent assets:			
Capital assets		93.6	77.6
Other assets		78.8	35.4
Total assets		192.2	133.3
Current liabilities		16.6	13.1
Noncurrent liabilities		99.9	53.5
Total liabilities		116.5	66.6
Net assets	$	75.7	66.7

Current assets consist primarily of cash, short term investments including the State Cash Management Fund, deposits held with the bond trustees, and student and grant receivables. Total current assets decreased $0.5 million to $19.8 million at June 30, 2003 due primarily to shifting $10 million in fixed income investments from short to longer term maturities.

Current liabilities consist primarily of trade accounts payable, accrued benefits, deferred revenue, and the current portion of bond obligations. Total current liabilities increased $3.5 million to $16.6 million at June 30, 2003 due primarily to increased vendor payables resulting from major capital construction projects that were in process.

The University's current ratio of assets to liabilities decreased from 1.5 at June 30, 2002 to 1.2 at June 30, 2003 due primarily to the change in investment policy discussed above.

The ratio of unrestricted financial resources to operations is a key indicator of financial strength and flexibility to cover operating expenses without relying on generating additional resources. The University's unrestricted financial resource ratio increased from 15.9% at June 30, 2002 to 25.5% at June 30, 2003, which is above the median of 11.6% for A3 rated public universities per Moody's Investors Service.

Capital and Debt Activities

One of the critical factors in continuing the quality of the University's academic and community programs is the development and renewal of its capital assets. The University continues to implement its long-range plan to renovate older facilities, balanced with new construction, acquisition of adjacent properties and development of the surrounding community.

Capital additions totaling $21.5 million in fiscal year 2003 consisted primarily of replacement, renovation, and new construction of academic and administrative facilities, as well as investments in equipment, including information technology. Major construction projects included the new 59,000 square foot Visual Arts Building, the University Academy Charter High School and Business Incubator, parking facility improvements, as well as various department renovations.

Construction-in-progress of $25.7 million at June 30, 2003 was primarily comprised of expenditures on the Visual Arts Building and the Charter High School. Construction-in-progress of $9.8 million at June 30, 2002 was primarily comprised of expenditures on the Visual Arts Building.

Current year capital asset additions were funded with tax-exempt debt, grants, and gifts, as well as funds from current operations. In May 2003, the University issued $50.2 million in Series 2003A&B revenue bonds through the Educational Facilities Authority (EFA) to finance the new Arts & Sciences Tower, the Charter High School, the Business Incubator, the Student Union Building Renovation, and other projects including improvements to the fire sprinkler system, parking facilities, and various renovations. With the Series 2003 bonds, the University issued variable rate debt and entered into an interest rate swap transaction for the first time, to take advantage of a favorable interest rate climate and to diversify its debt portfolio. The University also deposited $2.2 million in funds to refund its outstanding Series 1993H revenue bonds.

With regard to future capital needs beyond the projects underway, the University is engaged in an ongoing facilities planning process to assure that it has an appropriate and well-maintained campus. Approximately $90 million in additional facilities projects have been identified to meet the needs of the University including a performing arts center, additional student housing, transportation facilities expansion, development of the west side campus, and Science Center renovation and expansion, among other projects. Funding for these projects could come from the State of New Jersey, additional EFA bond issues, and/or private fundraising and grants. A new State of NJ capital bond issue is being planned that may provide some funding for these projects.

Moody's Investors Service and Standard & Poor's Ratings Services have assigned debt ratings of "A3" and "A-", respectively, to the University. Bonds that are rated "A" are considered upper-medium-grade obligations. Factors providing security to principle and interest are considered adequate, while the resources to absorb future financial challenges are not as strong as Aaa or Aa rated institutions.

Bonds payable totaled $93.8 million at June 30, 2003. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was 23.0% at June 30, 2003, which is better than the median of 14.3% for A3 rated public universities per Moody's Investors Service. Additionally, the University's ratio of debt to total capitalization was 57.0%, which is an indication of capacity to support additional debt.

(Continued)

Net Assets

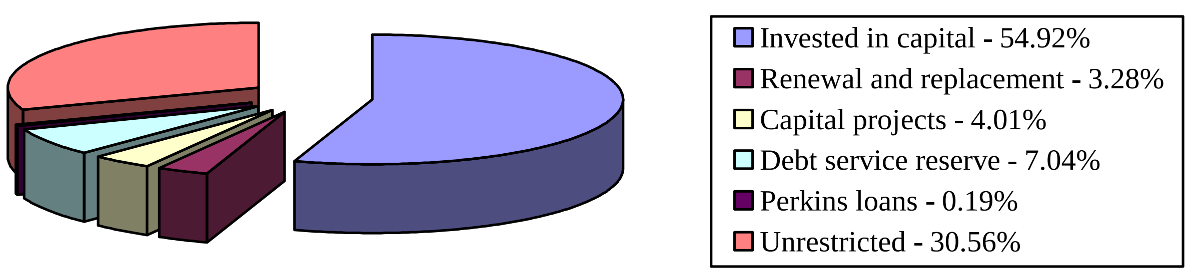
Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2003 and 2002 are summarized as follows:

		2003	2002
		(In millions)	
Invested in capital assets, net	$	41.6	39.6
Restricted:			
Expendable		11.0	12.4
Unrestricted		23.1	14.7
Total net assets	$	75.7	66.7

Investment in capital assets, net of related debt of $41.6 million at June 30, 2003 represents the University's capital assets net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted expendable net assets of $11.0 million at June 30, 2003 are subject to externally imposed restrictions governing their use including debt service and other bond covenant requirements, and capital grant funds. The University's unrestricted net assets of $23.1 million at June 30, 2003 are not subject to externally imposed stipulations and are designated for operational use, as well as capital projects.

Net Assets by Category



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenue, Expenses, and Changes in Net Assets presents the University's results of operations. A summarization of this statement for the years ended June 30, 2003 and 2002 are as follows:

		2003	2002
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	$	35.4	31.4
Grants and contracts		21.0	18.4
Other		0.8	0.5
Total operating revenues		57.2	50.3
Instruction		34.3	33.6
Research and programs		0.2	1.2
Public service and enterprise development		0.5	0.5
Academic support		9.4	8.4
Student services		10.2	10.3
Institutional support		15.5	17.7
Operation and maintenance of plant		10.3	10.6
Auxiliary enterprise		2.3	2.1
Student aid		2.8	2.5
Depreciation		5.3	4.9
Total operating expenses		90.8	91.8
Operating loss		(33.6)	(41.5)
Nonoperating revenues (expenses):			
State of New Jersey appropriations		30.9	32.0
State of New Jersey fringe benefits		12.9	12.5
Investment income		0.9	1.0
Interest expense		(1.8)	(2.7)
Loss on disposal of capital assets		(0.2)	(0.1)
Other		(0.3)	—
Nonoperating revenues, net		42.4	42.7
Capital grants and gifts		0.2	2.2
Increase in net assets		9.0	3.4
Net assets, beginning of year		66.7	63.3
Net assets, end of year	$	75.7	66.7

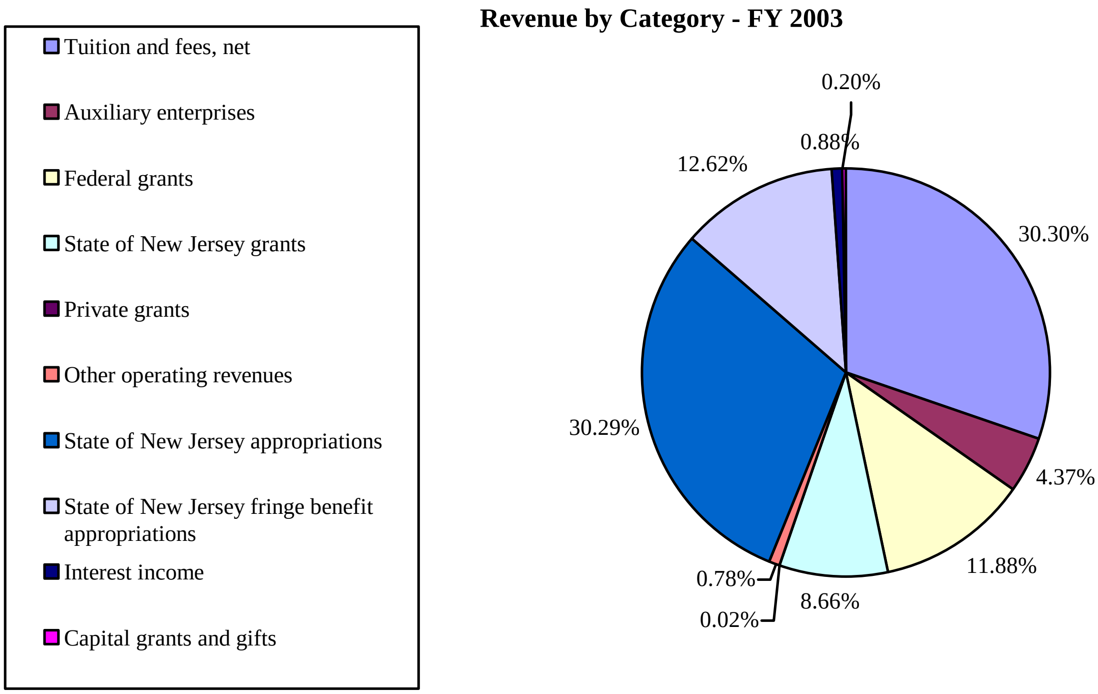
The University derives its revenue from a variety of sources. Below is a graphic illustration of revenues by source, both operating and nonoperating, which are used to fund the University's activities for the year ended June 30, 2003 and 2002. A significant portion of the University's revenues, such as state appropriations, are considered nonoperating, as defined by GASB.

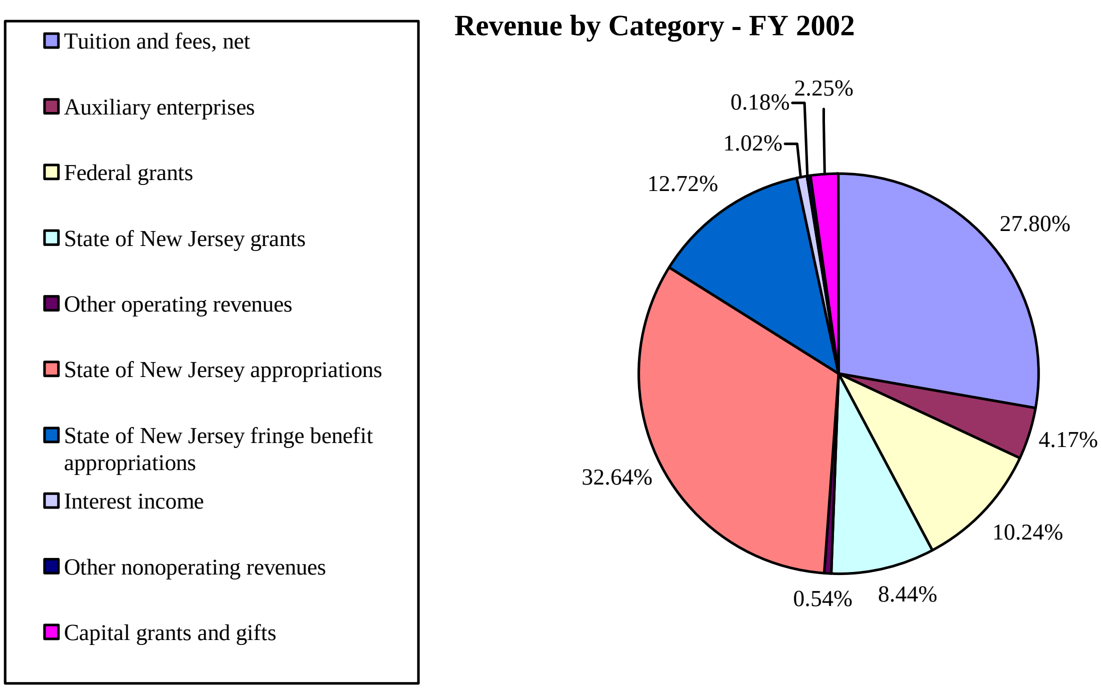
State appropriations and student tuition are the primary sources of funding for the University's academic programs. The State appropriations of $44.5 million for fiscal year 2002 and $43.8 million for 2003 were adversely impacted by a weakened economic climate in New Jersey.

The State appropriation to the University was cut mid-year 2002 by $2.3 million or 6.7%, including cuts to the salary program for wage increases that the University is contractually obligated to meet. No salary program funding was provided by the State in 2003. This has placed a greater burden on tuition and fees to fund the operational costs of the University. Tuition and fees of $44.1 million were 43.2% of total revenues in the year ended June 30, 2003 compared to $38.5 million and 39.3% in 2002. Tuition rates were increased 9.7% in the 2002-2003 academic year and were increased an additional 9.0% in the 2003-2004 academic year.

Revenues from Federal and State grants were $21.0 million and $18.4 million for the years ended June 30, 2003 and 2002, respectively. The major grant programs and sponsors at the Federal level include Pell, College Work Study, Trio-Upward Bound, Hispanic Serving Institutions – Title V, and Americorps, among others. Major State grant programs include Tuition Aid Grant (TAG), Educational Opportunity Fund, Teacher Preparation Quality & Capacity, Teacher Effectiveness, GEAR UP, and Youth Corps. Financial aid grants including Pell and TAG increased $2.1 million from fiscal year 2002 to 2003 in proportion to the increase in tuition and fees. A grant from the Equipment Leasing Fund (ELF) in fiscal year 2002 provided $1.9 million in restricted capital grant revenue for equipment acquisitions.

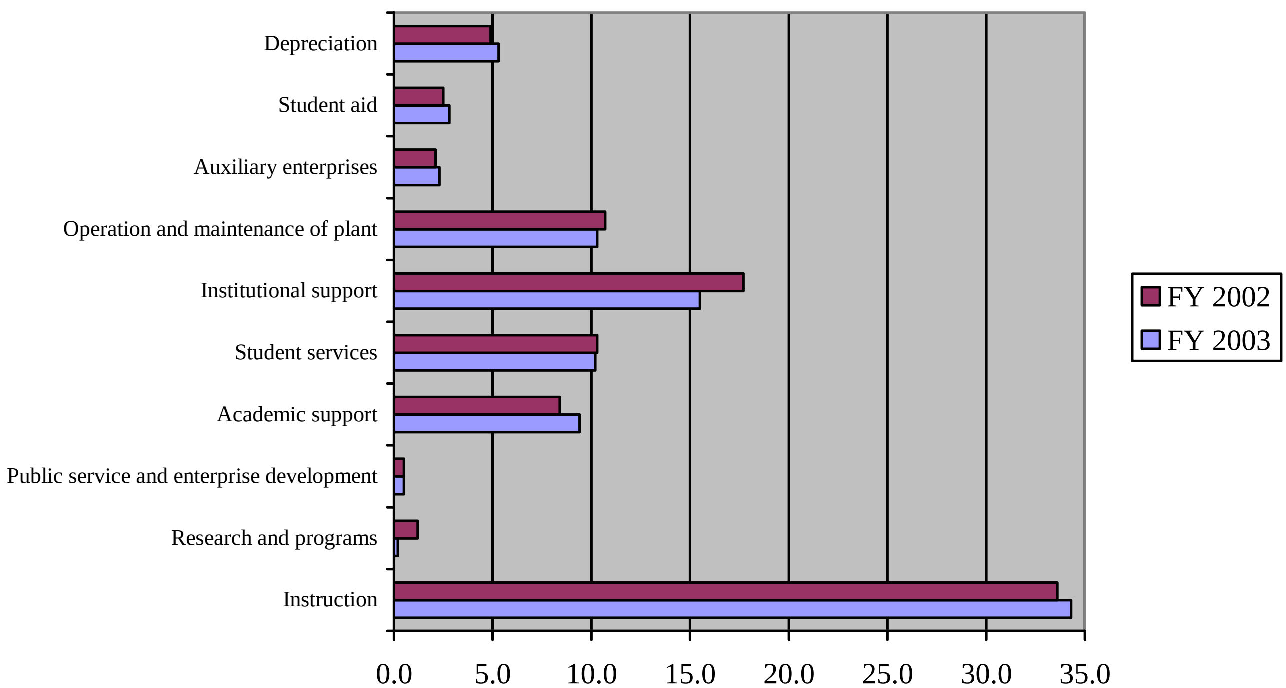
Investment income was $0.9 million and $1.0 million for the years ended June 30, 2003 and 2002, respectively, primarily from short-to-intermediate term fixed income investments and investments of bond proceeds deposited with the trustees. The investment income decline from fiscal year 2002 to 2003 was primarily due to the decline in short term interest rates.


Revenue by Category - FY 2003
Tuition and fees, net
Auxiliary enterprises
Federal grants
State of New Jersey grants
Private grants
Other operating revenues
State of New Jersey appropriations
State of New Jersey fringe benefit appropriations
Interest income
Capital grants and gifts
30.30%
4.37%
11.88%
8.66%
0.02%
0.78%
30.29%
12.62%
0.88%
0.20%


Revenue by Category - FY 2002
Tuition and fees, net
Auxiliary enterprises
Federal grants
State of New Jersey grants
Other operating revenues
State of New Jersey appropriations
State of New Jersey fringe benefit appropriations
Interest income
Other nonoperating revenues
Capital grants and gifts
27.80%
4.17%
10.24%
8.44%
0.54%
32.64%
12.72%
1.02%
0.18%
2.25%

The University's operating expenses are primarily incurred for instructional purposes, as well as student services, academic and institutional support, and operations and maintenance of plant. The following is a comparative illustration of expenses by function for the years ended June 30, 2003 and June 30, 2002.

Expenses by Function FY 2003 vs. FY 2002
(In millions)



Total operating expenses for the years ended June 30, 2003 and 2002 were $90.8 million and $91.8 million, respectively. Total operating expenses declined $1.0 million primarily due to staff vacancies and various cost containment initiatives in response to the deteriorating State budget situation. Various actions were taken in 2002 and continued in 2003 including a hiring freeze for most positions, curtailing travel, and reducing all nonessential expenditures. Research and programs expenses declined $1.0 million due primarily to the completion of several research grants with the Department of Health and Human Services. Institutional support expenses declined $2.2 million primarily due to non-recurring early retirement program expenses that were incurred in fiscal year 2002 as part of the State's cost reduction measures. Instruction expenses increased $0.7 million and academic support increased $1.0 million primarily due to higher salaries and benefit cost increases.

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Economic Factors that Will Affect the Future

Looking toward the future, management believes that the University will be able to maintain its financial condition and continue to provide a high level of service to its students, the surrounding community and the State of New Jersey.

With 43% of revenues coming from state appropriations, the financial condition of the University is closely linked to that of the State of New Jersey. Because of slow economic growth in the State and competing demands for resources, the appropriation reduction that was enacted mid-year 2002 and was continued into 2003, was cut an additional 6% in the fiscal year 2004 budget. Total appropriations for Fiscal Year 2004 are projected to be $41.9 million compared to $43.8 million in 2003. It is possible that further cuts may be necessary in the current as well as next fiscal year, should the State's budgetary picture not improve. Additionally, funding for future contractual salary obligations is not expected in FY 2005.

Reduced appropriations are likely to continue to place a greater burden on tuition and fees to fund the operating costs of the University, and on cost reduction initiatives to keep expenses in line with revenues. Tuition increases, which were 9.7% in 2003 and 9.0% in 2004, are likely to continue at a similar order of magnitude. The State is concerned that its colleges and universities keep future tuition increases at moderate levels in the interest of student accessibility. The University's tuition and fees remain one of the most affordable in the State among four year institutions.

With changing demographics and persistent economic weakness, the outlook for enrollment at the University continues to remain stable. For the fall 2003 semester the University projects a total undergraduate and graduate enrollment of 7,805 students compared to 7,930 last year. The University received a total of 4,609 undergraduate applications compared to 4,524 last year.

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Independent Auditors' Report

The Board of Trustees
New Jersey City University:

We have audited the accompanying basic financial statements of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2003 and 2002, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 City University as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 10 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. 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 23, 2003

NEW JERSEY CITY UNIVERSITY

(A Component Unit of the State of New Jersey)

Statements of Net Assets

June 30, 2003 and 2002

Assets		**2003**	**2002**
Current assets:			
Cash and cash equivalents	$	10,668,799	14,379,588
Investments, current portion		1,384,448	—
Student receivables, net of allowance in 2003 and 2002 of $945,000 and $606,000, respectively		907,701	860,989
Grants receivables		1,178,267	1,196,359
Other receivables		2,236,742	1,397,138
Deposits held with bond trustees		3,462,272	2,267,004
Other current assets		7,185	161,731
Total current assets		19,845,414	20,262,809
Noncurrent assets:			
Deposits held with bond trustees		67,422,371	34,335,576
Investments, noncurrent portion		9,043,037	—
Student loans, net of allowance in 2003 and 2002 of $631,000 and $721,000, respectively		783,548	454,126
Deferred financing costs, net		1,476,119	650,669
Capital assets, net of accumulated depreciation in 2003 and 2002 of $46,240,000 and $42,527,000, respectively		93,614,994	77,601,949
Total noncurrent assets		172,340,069	113,042,320
Total assets		192,185,483	133,305,129
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses:			
Vendor		6,729,117	4,526,949
Payroll		3,056,540	2,566,022
Compensated absences, current portion		1,442,190	1,503,732
Accrued interest		1,240,861	1,022,342
Total accounts payable and accrued expenses		12,468,708	9,619,045
Long term debt, current portion		1,819,778	1,961,445
Deferred student tuition and fees		2,136,478	1,453,868
Deferred grant revenue		154,009	49,232
Total current liabilities		16,578,973	13,083,590
Noncurrent liabilities:			
Long term debt, noncurrent portion		98,587,804	51,674,279
Other noncurrent liabilities		1,348,930	1,877,605
Total noncurrent liabilities		99,936,734	53,551,884
Total liabilities		116,515,707	66,635,474
Net Assets			
Invested in capital assets, net of related debt		41,548,355	39,617,488
Restricted for:			
Expendable:			
Renewal and replacement		2,485,000	2,245,000
Capital projects		3,036,159	4,278,756
Debt service reserve		3,815,914	4,317,043
Debt service - principal		1,515,000	1,260,407
Perkins loans		147,245	293,818
Unrestricted		23,122,103	14,657,143
Total net assets	$	75,669,776	66,669,655

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY

(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2003 and 2002

	2003	2002
Operating revenues:		
Student revenue:		
Tuition and fees	$ 44,053,669	38,460,597
Auxiliary enterprises	4,463,206	4,100,015
Less scholarship allowance	(13,074,888)	(11,145,791)
Total student revenue, net	35,441,987	31,414,821
Federal grants	12,160,704	10,062,725
State of New Jersey grants	8,852,707	8,295,044
Private grants	17,320	—
Other operating revenues	798,540	531,555
Total operating revenues	57,271,258	50,304,145
Operating expenses:		
Instruction	34,263,438	33,596,848
Research and programs	239,050	1,185,798
Public service and enterprise development	456,639	517,498
Academic support	9,402,608	8,435,518
Student services	10,204,265	10,309,751
Institutional support	15,546,556	17,702,892
Operation and maintenance of plant	10,328,633	10,664,234
Auxiliary enterprises	2,250,773	2,097,797
Student aid	2,833,593	2,460,758
Depreciation	5,307,129	4,928,718
Total operating expenses	90,832,684	91,899,812
Operating loss	(33,561,426)	(41,595,667)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	30,971,334	32,070,500
State of New Jersey fringe benefit appropriations	12,897,695	12,484,362
Gifts to affiliates	(343,150)	(178,276)
Interest income	894,666	1,000,274
Interest expense	(1,825,166)	(2,700,282)
Loss on disposal of capital assets	(222,354)	(94,479)
Other nonoperating revenues (expenses)	(12,816)	179,442
Net nonoperating revenues	42,360,209	42,761,541
Income before other revenues	8,798,783	1,165,874
Other revenues:		
Capital grants and gifts	201,338	2,210,797
Increase in net assets	9,000,121	3,376,671
Net assets as of beginning of year	66,669,655	63,292,984
Net assets as of end of year	$ 75,669,776	66,669,655

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY

(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Years ended June 30, 2003 and 2002

		2003	2002
Cash flows from operating activities:			
Student receipts	$	28,098,476	32,610,786
Grants and contracts		21,304,727	21,083,766
Payments for salaries and benefits		(57,810,261)	(57,155,820)
Payments to suppliers		(9,748,155)	(17,187,271)
Payments for utilities		(2,095,738)	(2,556,449)
Payments to students		(2,833,593)	(2,839,703)
Loans issued to students		(148,925)	(89,795)
Collection of loans to students		166,099	136,797
Auxiliary enterprises		2,202,907	942,781
Other receipts (payments)		798,540	(506,507)
Net cash used by operating activities		(20,065,923)	(25,561,415)
Cash flows from noncapital financing activities:			
State of New Jersey appropriations		36,112,737	38,116,188
Federal Family Education Loan Program receipts		13,337,092	10,766,397
Federal Family Education Loan Program disbursements		(13,337,092)	(10,766,397)
Net cash provided by noncapital financing activities		36,112,737	38,116,188
Cash flows from capital financing activities:			
Proceeds from capital debt		49,701,498	16,701,916
Defeasement of debt		(2,222,586)	—
Capital grants and gifts		88,750	2,210,797
Purchase of capital assets		(19,766,371)	(11,870,553)
Bond issuance costs		(647,044)	(214,508)
Principal paid on capital debt		(1,260,000)	(1,140,101)
Interest paid on capital debt		(2,483,686)	(1,681,301)
Drawdowns on deposits held with trustees		13,525,622	2,940,111
Deposits made with trustees		(47,836,872)	(16,218,483)
Net cash used by capital financing activities		(10,900,689)	(9,272,122)
Cash flows from investing activities:			
Purchases of investments		(10,000,000)	—
Interest on investments		1,143,086	744,042
Net cash provided (used) by investing activities		(8,856,914)	744,042
Net increase (decrease) in cash and cash equivalents		(3,710,789)	4,026,693
Cash and cash equivalents as of beginning of year		14,379,588	10,352,895
Cash and cash equivalents as of end of year	$	10,668,799	14,379,588
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(33,561,426)	(41,595,667)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Bad debt expense		235,700	591,149
Amortization expense		178,407	115,457
State of New Jersey paid fringe benefits		7,364,426	6,438,674
Depreciation expense		5,307,129	4,928,718
Changes in assets and liabilities:			
Receivables, net		(1,197,646)	3,058,776
Other assets, current, and noncurrent		(154,516)	(180,321)
Accounts payable and accrued expenses		974,616	883,103
Deferred revenue		787,387	198,696
Net cash used by operating activities	$	(20,065,923)	(25,561,415)
Noncash transactions:			
Gifts	$	—	17,500
State of New Jersey paid fringe benefits		7,364,426	6,438,674

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

New Jersey City University (the University), formerly Jersey City State College, is a public institution of higher education in the State of New Jersey (the State). Effective May 29, 1998, the New Jersey Commission on Higher Education approved the name change and university status. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

The University, located in Hudson County, is dedicated to urban programs designed to meet the complex economic, social, and educational problems of the "inner" cities of metropolitan New Jersey. The urban mission is unique among the State Colleges and Universities of New Jersey, and in order to strengthen this mission, the University has embarked on a plan designed to make it the premier Cooperative Education University in the State. The University serves thousands of residents of the northeast corner of the State. Approximately 10% of the student population is comprised of men and women from other areas of New Jersey, adjacent states, and foreign countries. The operation and management of the University is vested in its nine-member board of trustees.

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Peter W. Rodino, Jr. Institute of Criminal Justice, the Center for the Advancement of Teaching and Learning (CATALYST), the Center for Occupational Education, the Adult Education Center, the Media Arts Center, and the Margaret Williams Theater for the Performing Arts. The University has an athletic building consisting of a gymnasium, fitness center, swimming pool, and modern dance studio. The University has three auditoriums, in addition to its approximately 110 classrooms and laboratories.

Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The University reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources be classified for accounting and reporting purposes into the following net asset categories.

- *Invested in capital assets, net of related debt*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted – expendable*: Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net assets not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic programs, initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University classifies as cash equivalents, funds that are in short-term, highly liquid investments and are readily convertible to known amounts of cash. These funds mature in three months or less.

The University invests portions of its cash in two funds, a money market fund which permits the overnight sweep of available cash balances directly into a short term investment, and the State of New Jersey Cash Management fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts from which the funds are available upon demand.

Investments

Investments are recorded in the financial statements at fair value, which is based on quoted market price. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

Deposits Held with Bond Trustees

Deposits held with bond trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and cash equivalents, money market funds, U.S. Treasury notes and government securities, New Jersey Cash Management Fund and guaranteed investment contract.

Capital Assets

Capital assets are carried at historical cost or if the asset is donated, at fair market value on the date the asset was donated. The costs for replacements are capitalized and the replaced items are retired. Gain or losses resulting from disposal of capital assets are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Land improvements	10 years
Buildings and building improvements	20 to 40 years
Equipment and other assets	5 to 15 years

Deferred Financing Costs

The University capitalizes costs incurred in connection with its long term debt and amortizes these costs over the life of the respective obligations.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the fiscal year are recorded as deferred revenue in the accompanying statements of net assets.

(Continued)

Grant revenue is comprised mainly of funds received from grants from Federal and State of New Jersey sources and is recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreements are included in deferred revenue in the accompanying statements of net assets.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, net investment income, and gifts and capital grants and gifts.

Income Taxes

The University is exempt from Federal income taxes under Internal Revenue Code Section 115.

Financial Dependency

Appropriations from the State of New Jersey are the University's largest sources of nonoperating revenue. The University is economically dependent on these appropriations to carry on its operations.

(2) Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

The carrying amount of cash as of June 30, 2003 and 2002 was $4,558,722 and $438,110, respectively, while the amount on deposit with banks was $5,079,616 and $1,717,097, respectively. The University's bank deposits as of June 30, 2003 and 2002 were partially insured by Federal Depository Insurance in the amount of $100,000. Bank balances in excess of insured amounts totaling $4,979,616 in 2003 and $1,617,097 in 2002, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large-scale investment program. The carrying amount and fair value as of June 30, 2003 and 2002 were $6,110,077 and $13,941,478, respectively.

Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

(Continued)

GASB No. 3 requires disclosure of the level of custodial credit risk assumed by the University as of June 30, 2003 and June 30, 2002. Category 3 includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. As of June 30, 2003 and 2002 all cash and cash equivalents are classified as Category 3.

Investments

During fiscal year 2003, the University transferred $10 million from the State of New Jersey Cash Management Fund and invested it with Fleet Bank. Investments consist of the following as of June 30, 2003:

Money market	$	329,599
U.S. Treasury notes		1,540,230
Corporate notes and bonds		8,557,656
		10,427,485
Less noncurrent portion		(9,043,037)
Investments, current portion	$	1,384,448

(3) Deposits Held With Bond Trustees

Deposits held with bond trustees include funds held by The Bank of New York, Wachovia Bank, and Trust Company of NJ under the terms of various long term debt agreements. As of June 30, 2003 and 2002, all deposits held with bond trustees are classified as Category 1. This Category includes investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name. Deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

		2003	2002
Cash and cash equivalents	$	4,845	124,683
Money market funds		3,889,766	—
U.S. Treasury notes and government securities		10,165,011	10,354,327
New Jersey Cash Management Fund		56,825,021	14,476,408
Guaranteed investment contract (GIC)		—	11,647,162
		70,884,643	36,602,580
Less noncurrent portion		(67,422,371)	(34,335,576)
Deposits held with bond trustees, current portion	$	3,462,272	2,267,004

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2003 and 2002 follows:

	June 30, 2002	Additions	Reductions	June 30, 2003
Depreciable assets:				
Land improvements	$ 796,133	—	—	796,133
Buildings and building improvements	73,578,141	3,431,167	—	77,009,308
Equipment and other assets	27,950,317	2,214,838	(1,816,156)	28,348,999
	102,324,591	5,646,005	(1,816,156)	106,154,440
Less accumulated depreciation	(42,526,941)	(5,307,129)	1,593,802	(46,240,268)
	59,797,650	338,876	(222,354)	59,914,172
Nondepreciable assets:				
Land	8,041,374	—	—	8,041,374
Construction in progress	9,762,925	15,896,523	—	25,659,448
	$ 77,601,949	16,235,399	(222,354)	93,614,994

	June 30, 2001	Additions	Reductions	June 30, 2002
Depreciable assets:				
Land improvements	$ 1,032,330	—	(236,197)	796,133
Buildings and building improvements	71,788,141	1,790,000	—	73,578,141
Equipment and other assets	26,928,381	3,164,249	(2,142,313)	27,950,317
	99,748,852	4,954,249	(2,378,510)	102,324,591
Less accumulated depreciation	(39,657,013)	(4,928,718)	2,058,790	(42,526,941)
	60,091,839	25,531	(319,720)	59,797,650
Nondepreciable assets:				
Land	8,041,374	—	—	8,041,374
Construction in progress	3,524,933	6,237,992	—	9,762,925
	$ 71,658,146	6,263,523	(319,720)	77,601,949

Estimated costs to complete the projects classified as construction in progress as of June 30, 2003 approximated $42.7 million and are anticipated to be funded primarily from State of New Jersey financial assistance, bond financing, and other unrestricted resources. During 2003 and 2002, the University capitalized interest income of approximately $248,000 and $101,000, respectively and interest expense of approximately $1,196,000 and $256,000 which is included in construction in progress as of June 30, 2003 and 2002, respectively.

(5) Long Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (the Authority). The University has pledged all net revenue derived from the operation of the dormitories, student center, recreation center, academic building and athletic and recreation facilities as security. Estimated costs in connection with these capital assets of approximately $73 million and $54 million as of June 30, 2003 and 2002, respectively, are included in the accompanying statements of net assets. The following obligations to the Authority were outstanding as of June 30, 2003 and 2002:

	Interest rate		2003	2002
Bonds payable:				
New Jersey Educational Facility Authority Revenue Bonds:				
Series 1977 C Revenue Bonds, due serially to 2010	6.29%	$	3,745,000	4,095,000
Series 1993 H Revenue Bonds, due serially to 2018	5.00 - 5.10%		—	1,855,000
Series 1995 C Revenue Bonds, due serially to 2007	3.80 - 4.90%		1,180,000	1,385,000
Series 1998 E Revenue Bonds, due serially to 2028	4.40 - 9.00%		6,585,000	6,710,000
Series 1999 B Revenue Bonds, due serially to 2018	4.40 - 5.00%		11,920,000	12,430,000
Series 1999 B Revenue Bonds, due July 1, 2020, 2022, and 2025	4.75 - 5.00%		5,075,000	5,075,000
Series 2002 A Revenue Bonds, due serially to 2032	3.00 - 5.00%		15,115,000	15,115,000
Series 2003 A Revenue Bonds, due July 1, 2032	Floating rate		47,850,000	—
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%		2,300,000	—
Total bonds payable			93,770,000	46,665,000
Other long term debt:				
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 - 5.75%		5,411,668	5,596,750
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A	3.50 - 5.00%		508,325	622,125
New Jersey Educational Facility Authority Dorm Safety 2001 A and B	4.50%		717,589	751,849
Total other long term debt			6,637,582	6,970,724
Total long term debt			100,407,582	53,635,724
Less noncurrent portion			(98,587,804)	(51,674,279)
Total long term debt, current portion		$	1,819,778	1,961,445

(Continued)

On May 7, 2003, the University issued through the Authority $50,150,000 of Revenue Bonds, which consists of $47,850,000 Series 2003A and $2,300,000 Series 2003B bonds. The Series 2003A bonds are floating rate bonds. The Series 2003B bonds are fixed at a rate of 5.45 percent. The purpose of the Series 2003A bonds was to defease the University's outstanding Series 1993H bonds, as well as for capital projects including the arts and science tower, charter school, fine arts building equipment, student union renovation, expansion and improvement of the parking facilities and well as other major capital improvement projects. The purpose of the Series 2003B bonds was for the business incubator project.

Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in May 2003, the Authority entered into an interest rate swap in connection with its $47,850,000 Series 2003A floating rate revenue bonds. The intention of the swap was to effectively change the Authority's floating interest rate on the bonds to a synthetic fixed rate of 3.245 percent.

The bonds and the related swap agreement mature on July 1, 2032, and the swap's notional amount of $22,000,000 matches a portion of the $47,850,000 floating rate bonds. The swap was entered at the same time the bonds were issued. Starting in fiscal year 2005, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the Authority pays the counterparty a fixed payment of 3.245 percent and receives a variable payment computed as 67 percent of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bond's floating rate coupons are based on the R-FLOATs rate which is a market rate that correlates to The Bond Market Association Municipal Swap Index (BMA).

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $614,000 as of June 30, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the floating rate bonds, creating a lower synthetic interest rate. Because the coupons on the University's floating rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. Theses payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2003, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA- by Fitch Ratings, A+ by Standard & Poor's and Aa2 by Moody's Investors Service as of June 30, 2003. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA-/Aa3 by at least one rating agency, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

The swap exposes the University to basis risk should the relationship between LIBOR and R-FLOATs converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.245 percent) and the synthetic rate as of June 30, 2003 (3.495 percent). If a change occurs that results in the rates' moving to convergence, the expected cost of savings may not be realized. As of June 30, 2003, the R-FLOATs rate was 1.0 percent, whereas 67 percent of LIBOR was 0.75 percent.

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" as issued by Moody's Investors Service. If the swap is terminated, the floating rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Using rates as of June 30, 2003, debt service requirements of the swapped portion of variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, floating rate bond interest payments and net swap payments will vary.

Fiscal year ending June 30		Floating rate bonds Principal	Floating rate bonds Interest	Interest rate swap, net	Total
2004	$	—	220,000	548,900	768,900
2005		45,000	220,000	548,900	813,900
2006		45,000	219,550	547,777	812,327
2007		45,000	219,100	546,655	810,755
2008		120,000	218,650	545,532	884,182
2009-2033		21,745,000	3,597,150	8,974,889	34,317,039
	$	22,000,000	4,694,450	11,712,653	38,407,103

Future Minimum Payments

The following is a schedule of future minimum principal and interest payments on the University's long term debt obligations as of June 30, 2003:

		Principal	Interest
Year ending June 30:			
2004	$	1,819,778	3,011,962
2005		2,037,983	3,676,746
2006		2,125,962	3,856,010
2007		2,274,251	3,759,519
2008		2,297,661	3,660,666
2004-2008 subtotal		10,555,635	17,964,903
2009-2013		13,184,970	16,710,397
2014-2018		15,623,977	13,767,085
2019-2023		19,490,000	10,152,415
2024-2028		20,865,000	6,528,886
2029-2033		20,688,000	2,570,023
	$	100,407,582	67,693,709

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2003 and 2002:

		June 30, 2002	Additions	Reductions	June 30, 2003	Current portion
Long term debt	$	53,635,724	50,150,000	(3,378,142)	100,407,582	1,819,778
Other noncurrent liabilities:						
U.S. government grants refundable		687,038	—	(410,057)	276,981	—
Compensated absences		2,694,299	—	(180,160)	2,514,139	1,442,190
Total noncurrent liabilities	$	57,017,061	50,150,000	(3,968,359)	103,198,702	3,261,968

		June 30, 2001	Additions	Reductions	June 30, 2002	Current portion
Long term debt	$	38,288,417	16,487,408	(1,140,101)	53,635,724	1,961,445
Other noncurrent liabilities:						
U.S. government grants refundable		688,207	—	(1,169)	687,038	—
Compensated absences		3,204,122	—	(509,823)	2,694,299	1,503,732
Total noncurrent liabilities	$	42,180,746	16,487,408	(1,651,093)	57,017,061	3,465,177

(Continued)

(7) Retirement Plans

Plan Descriptions

The University participates in two major retirement plans for its employees – Public Employees' Retirement System (PERS) and the Alternate Benefit Program (ABP) which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance, Lincoln Life Insurance, Metropolitan Life Insurance, Travelers Insurance, and VALIC. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey. ABP alternatives are administered by a separate board of trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or public agency provided the employee is not a member of another State-administered retirement system.

In addition to the two plans in which the University participates, certain faculty members of the University participate in the Teachers' Pension and Annuity Fund (TPAF) which is a State of New Jersey cost-sharing defined benefit plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full-time public school employees in the State of New Jersey. The State of New Jersey issues a publicly available financial report that includes financial statements and required supplementary information for PERS and TPAF. This report 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.

PERS Funding Policy

PERS members are required to contribute 3% of their annual covered salary for the years ended June 30, 2003 and 2002. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2003 or 2002 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

(Continued)

Alternate Benefit Program Information

ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, is established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating University employees are required to contribute 5% and may contribute, on a pre-tax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit. Employer contributions are 8%. During the years ended June 30, 2003 and 2002, ABP received employer and employee contributions that approximated the following from the University:

		2003	2002
Employer contribution	$	2,122,000	2,331,000
Employee contribution		1,326,000	1,457,000
Basis for contributions:			
Participating employee salaries		26,525,000	29,138,000

Employer contributions to ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as appropriations revenue and as expenses.

(8) Contingent Liabilities

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

(9) State of New Jersey Fringe Benefit Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, the there is a current matching portion for the pension contribution for active employees, medical and dental benefits, state taxes, and FICA taxes. For the years ended June 30, 2003 and 2002, such benefits amounted to approximately $12.9 million and $12.5 million, respectively, and are included in appropriations revenue and expenses in the accompanying financial statements.

(Continued)

(10) Compensated Absences

The University recorded a liability for compensated absences in the amount of approximately $2,514,000 and $2,694,000 as of June 30, 2003 and 2002, respectively, which is included in accounts payable and accrued expenses and other noncurrent liabilities in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave as of year end, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Prior to 1991, the State reimbursed the University for payments made to retiring employees for accrued sick leave; however, during 1991 through 2003, the State did not make such reimbursements. The University paid approximately $147,500 and $65,500 in sick leave payments for employees who retired during the years ended June 30, 2003 and 2002, respectively.

(11) Student Financial Assistance Programs

The University's students receive support from Federal and State of New Jersey student financial assistance programs.

The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education (the Department). Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.