



**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Financial Statements and  
Management's Discussion and Analysis

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

# NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2013 and 2012

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**KPMG LLP**  
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## **Independent Auditors' Report**

The Board of Trustees  
New Jersey Institute of Technology:

We have audited the accompanying 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Institute of Technology as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



***Other Matter***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

October 4, 2013

# NEW JERSEY INSTITUTE OF TECHNOLOGY

## Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

### 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, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

NJIT is a public, student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. In fiscal year 2013, approximately 400 full-time faculty members served over 9,940 students. NJIT offers a diverse range of degree programs in an array of engineering and technology disciplines, computer and information science, architecture, applied sciences, management, statistics and actuarial science, including Ph.D. programs in nineteen professional areas, masters programs in fifty-nine specialties, and forty-eight 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 1995. 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, 2013 and 2012 was sound, with total assets of \$518,932 and \$509,916, and total liabilities of \$289,654 and \$298,039, respectively. Net position, which represents the excess of the University's assets over its liabilities, totaled \$229,278 and \$211,877 at June 30, 2013 and 2012, respectively. Net position increased \$17,401 and \$673 in fiscal years 2013 and 2012, respectively, due to an excess of net nonoperating and other revenues over the operating loss.

### The Financial Statements

The University's financial statements include a statement of net position at June 30, 2013 and 2012, and statements of revenues, expenses, and changes in net position 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).

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### Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

#### Statement of Net Position

The statement of net position presents the University's financial position at June 30, 2013 and 2012, and is summarized as follows. The summarized statement of net position at June 30, 2011 is also presented for comparative purposes.

	<b>June 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current assets	\$ 93,436	\$ 91,037	\$ 83,828
Endowment investments	82,925	74,513	75,582
Capital assets, net	292,144	234,926	233,274
Other assets	50,427	109,440	35,094
Total assets	<u>518,932</u>	<u>509,916</u>	<u>427,778</u>
Current liabilities	55,750	47,983	38,711
Long term debt, noncurrent portion	222,121	238,828	166,558
Other liabilities	11,783	11,228	11,305
Total liabilities	<u>289,654</u>	<u>298,039</u>	<u>216,574</u>
Net investment in capital assets	76,693	79,027	84,243
Restricted nonexpendable	58,952	53,197	49,851
Restricted expendable	21,443	18,225	21,044
Unrestricted	72,190	61,428	56,066
Total net position	<u>\$ 229,278</u>	<u>\$ 211,877</u>	<u>\$ 211,204</u>

Current assets consist principally of cash and cash equivalents, grants and accounts receivable, deposits held with trustees, and short term investments. The increase in current assets at June 30, 2013 as compared to June 30, 2012 of \$2,399 relates principally to an increase in cash and cash equivalents, partially offset by decreases in grants and accounts receivable, primarily resulting from cash collections on Federal and State grants and accounts receivable and student accounts receivable, as well as a decrease in deposits held with trustees. The increase in current assets at June 30, 2012 as compared to June 30, 2011 of \$7,209 relates principally to increases in cash and cash equivalents, deposits held with trustees due to the new 2012 Series A bonds and TD Master Leases, and short term investments, partially offset by a decrease in grants and accounts receivable, primarily resulting from cash collections on student accounts receivable as well as write-offs of student accounts receivable deemed uncollectible and a decrease in Federal and State grants and accounts receivable.

Current liabilities are comprised of accounts payable and accrued liabilities, the current portion of long term debt, unearned advance payments, and amounts due to affiliates. The increase in current liabilities at June 30, 2013 and 2012 of \$7,767 and \$9,272, respectively, principally results from increases in accounts payable, primarily relating to construction and renovation projects, accrued salaries and fringe benefits, current portion of long term debt, and due to affiliates in both fiscal years, as well as a decrease in unearned advance payments in fiscal year 2013 and an increase in unearned advance payments in fiscal year 2012.

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## Management's Discussion and Analysis

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Excluding deposits held with trustees, which can only be used for debt service and facilities construction, and the current portion of long term debt, current assets exceeded current liabilities by \$37,195 and \$37,194 at June 30, 2013 and 2012, respectively. The University had \$56,400 and \$42,536 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2013 and 2012, respectively. The net increase in cash and cash equivalents and short term investments at June 30, 2013 and 2012 as compared to June 30, 2012 and 2011 of \$13,864 and \$9,850, respectively, principally results from a decrease in net cash used by operating activities as a result of the University's resource generating and cost cutting initiatives and collections on Federal and State grants and accounts receivable and student accounts receivable.

Endowment investments include gifts from donors that are to be invested in perpetuity, life income and annuity funds, unrestricted funds designated by management as quasi-endowment, 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. During fiscal year 2013, endowment investments increased 11.3% reflecting growth from new gifts, fair value increases at June 30, 2013, and realized investment gains. During fiscal year 2012, endowment investments decreased 1.4% reflecting fair value decreases at June 30, 2012 and realized investment losses, partially offset by growth from new gifts.

Capital assets increased 14.0% and 1.4% at cost during fiscal years 2013 and 2012, respectively. The fiscal year 2013 and 2012 increases are primarily the result of construction of Warren Street Village, a mixed-use residential housing complex, continued work on the rehabilitation and renovation of an academic facility, and campus facilities renovations, partially offset by write-offs of assets no longer in service.

Total long term debt at June 30, 2013 and 2012 totaled \$231,609 and \$247,436, respectively. During fiscal year 2013, the University issued 2012 Series B General Obligation Bonds in the amount of \$55,475. The proceeds of the bonds advance refunded the 2004 Series B bonds. The debt is composed of \$38,165 in serial bonds bearing interest rates from 0.90% to 3.723% and maturing at various dates through fiscal year 2026, and \$17,310 in a term bond bearing an interest rate of 3.323% with maturity in fiscal year 2025. During fiscal year 2012, the University issued 2012 Series A General Obligation Bonds in the amount of \$65,495 to finance, in part, the costs of constructing the Warren Street Village, and also entered into three TD Master Leases in the amount of \$14,159 for the purpose of repaying a prior master lease and financing the costs of an upgrade to the University's information technology and research infrastructure.

Net investment in capital assets 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 investment in capital assets decreased \$2,334 during fiscal year 2013, principally because depreciation expense was greater than the increase in capital assets net of related debt, and repayment of long term debt. Net investment in capital assets decreased \$5,216 during fiscal year 2012 as the increase in capital assets discussed above was more than offset by depreciation expense and a net increase in long term debt.

Restricted net position represents the original value of additions to the University's endowment, the remainder of life income and annuity funds, gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, 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 the University pay an agreed-upon sum to designated individuals for a period of

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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 position increased \$8,973 during fiscal year 2013, primarily due to additions to permanent endowments, an increase in the fair value of investments at June 30, 2013, and realized investment gains. Restricted net position increased \$527 during fiscal year 2012, primarily due to additions to permanent endowments, offset partially by realized investment losses and a decrease in the fair value of investments at June 30, 2012. At June 30, 2013 and 2012, \$1,136 and \$2,118 were transferred from restricted nonexpendable net position – scholarships and fellowships, and \$36 and \$141 were transferred from restricted nonexpendable net position – instructional and other, respectively, to the corresponding restricted expendable net position to temporarily fund deficits therein.

Unrestricted net position is all other net position that is available for general operations. Even though unrestricted net position is not subject to external restrictions, management has designated a portion of the unrestricted net position for the following specified purposes:

	<b>June 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Scholarships and fellowships	\$ 5,752	\$ 5,433	\$ 5,853
Instructional and other	7,819	7,413	7,731
Debt service	3,879	3,698	5,209
Deferred financing costs	1,509	1,679	1,182
Outstanding purchase orders	3,594	3,615	2,770
Construction and capital programs	16,652	13,616	13,165
State bond funds required match	6,000	—	—
Warren Street Village construction	10,000	10,000	—
	<u>\$ 55,205</u>	<u>\$ 45,454</u>	<u>\$ 35,910</u>

**Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents the operating results and the nonoperating and other revenues and expenses of the University.



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The components of revenues for the fiscal years ended June 30, 2013 and 2012 are as follows. The components of revenues for the fiscal year ended June 30, 2011 are also presented for comparative purposes:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Operating revenues:			
Student tuition and fees, net	\$ 103,442	\$ 94,898	\$ 88,362
Federal, State, and other grants and contracts	92,403	88,518	81,823
Auxiliary enterprises, net	12,492	12,258	11,887
Other operating revenues	2,396	2,314	2,503
Total operating revenues	210,733	197,988	184,575
Nonoperating and other revenues:			
State appropriations	80,795	65,382	66,096
Gifts and bequests, capital grants and gifts, and additions to permanent endowments	8,268	6,897	7,043
Investment income (loss)	6,555	(1,039)	12,204
Other nonoperating revenues, net	2,736	2,068	1,758
Total nonoperating and other revenues	98,354	73,308	87,101
Total revenues	\$ 309,087	\$ 271,296	\$ 271,676

The components of expenses for the fiscal years ended June 30, 2013 and 2012 are as follows. The components of expenses for the fiscal year ended June 30, 2011 are also presented for comparative purposes:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Operating expenses:			
Instruction	\$ 88,002	\$ 77,509	\$ 74,121
Research and programs	59,955	55,927	48,452
Public service	1,507	1,615	1,965
Academic support	23,944	22,075	19,287
Student services	18,566	17,134	15,687
Institutional support	39,137	37,664	32,067
Operation and maintenance of plant	14,827	13,532	13,524
Scholarships and fellowships	9,965	8,782	9,958
Depreciation and amortization	18,774	18,825	20,360
Auxiliary enterprises	10,811	9,972	9,647
Total operating expenses	285,488	263,035	245,068
Nonoperating expenses:			
Interest expense	6,198	7,588	7,503
Total nonoperating expenses	6,198	7,588	7,503
Total expenses	\$ 291,686	\$ 270,623	\$ 252,571

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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 totaled \$103,442, \$94,898, and \$88,362, net of scholarship allowances of \$40,704, \$37,175, and \$33,598, in fiscal years 2013, 2012, and 2011, respectively. The fiscal year 2013 and 2012 increases are principally attributable to 5.5% and 4.5% increases in tuition and fees, respectively, and increases in student enrollment in both years.

Auxiliary enterprises revenues, net of scholarship allowances of \$3,782, \$3,690, and \$3,470 in fiscal years 2013, 2012, and 2011, respectively, increased 1.9% to \$12,492 in fiscal year 2013 and 3.1% to \$12,258 in fiscal year 2012, principally due to increased residence hall charges in both years and increased occupancy in fiscal year 2012.

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:

	<b>Fiscal year ended June 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Direct appropriations for general operating purposes	\$ 37,696	\$ 37,697	\$ 39,191
FICA and fringe benefits paid by the State for University employees	29,362	27,685	26,905
Fringe benefit equalization adjustment	13,737	—	—
	<u>\$ 80,795</u>	<u>\$ 65,382</u>	<u>\$ 66,096</u>

The increase in State appropriations in fiscal year 2013 was primarily the result of an equalization adjustment to the State of New Jersey Office of Management and Budget's fringe benefit rate. The corresponding expense is reflected in operating expenses. The decrease in State appropriations in fiscal year 2012 was the result of a general reduction in funding for Higher Education in the State's fiscal year 2012 budget.

Federal, State, and other grants and contracts revenues, which include facilities and administrative costs recovery, primarily fund the University's research and development activities and student financial aid programs, and are comprised of the following:

	<b>Fiscal year ended June 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Federal grants and contracts, including ARRA awards of \$11,377, \$10,269, and \$6,137 in fiscal years 2013, 2012, and 2011, respectively	\$ 68,649	\$ 66,078	\$ 60,249
State grants and contracts	19,219	17,781	17,230
Other grants and contracts	4,535	4,659	4,344
	<u>\$ 92,403</u>	<u>\$ 88,518</u>	<u>\$ 81,823</u>

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(Dollars in thousands)

June 30, 2013 and 2012

Federal grants and contracts revenues increased 3.9% and 9.7% in fiscal years 2013 and 2012, respectively, primarily due to increases in research and program related grants and contracts. State grants and contracts revenues increased 8.1% and 3.2% in fiscal years 2013 and 2012, respectively, due to an increase in student financial assistance grants, partially offset by a decrease in research grants and contracts. Other grants and contracts revenues decreased 2.7% and increased 7.3% in fiscal years 2013 and 2012, respectively.

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 2013 and 2012 totaled \$2,435 and \$2,730, respectively. Capital grants and gifts generated another \$1,165 and \$159, respectively, for the acquisition of capital assets, including ARRA awards of \$52 in fiscal year 2012. Additions to permanent endowments were \$4,668 and \$4,008 in fiscal years 2013 and 2012, respectively.

Investment income (loss) includes interest and dividends, realized net gain (loss) on the sale of investments, and net increase (decrease) in the fair value of investments. During fiscal year 2013, investment income of \$6,555 was due to realized net gain on the sale of investments, net increase in the fair value of investments at June 30, 2013, and interest and dividends. During fiscal year 2012, investment loss of \$1,039 was due to a decrease in the fair value of investments at June 30, 2012 and a realized net loss on the sale of investments, partially offset by interest and dividends.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$140,477, \$125,500, and \$119,053 in fiscal years 2013, 2012, and 2011, respectively. The increase of 11.9% in fiscal year 2013 is primarily the result of increased salaries and benefits, primarily due to the fringe benefit equalization adjustment. The increase of 5.4% in fiscal year 2012 is primarily the result of increased salaries and benefits, partially due to no capitalization of salaries and wages, and increased computer software maintenance costs, partially offset by a decrease in scholarships and fellowships expense resulting from an increase in scholarship allowances.

Research and programs expense increased 7.2% to \$59,955 in fiscal year 2013 primarily as a result of increased salaries and benefits, primarily due to the fringe benefit equalization adjustment, and increased 15.4% to \$55,927 in fiscal year 2012 primarily as a result of the increase in Federal research and program related grants and contracts.

Public service expense decreased 6.7% to \$1,507 in fiscal year 2013 primarily as a result of an improvement in collection of Enterprise Development Center receivables, which was partially offset by an increase of salaries and benefits, principally due to the fringe benefit equalization adjustment, and decreased 17.8% to \$1,615 in fiscal year 2012, primarily due to decreased operating expenses of the University's information technology center.

Institutional support increased 3.9% to \$39,137 in fiscal year 2013, primarily due to increases in salaries and benefits, primarily due to the fringe benefit equalization adjustment, and collection agency costs, partially offset by a decrease in student accounts receivable write-offs. Institutional support increased 17.5% to \$37,664 in fiscal year 2012, primarily due to increases in salaries and benefits, partially due to no capitalization of salaries and wages, allowance for doubtful student accounts, and computer hardware maintenance costs.

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Operation and maintenance of plant expense increased 9.6% to \$14,827 in fiscal year 2013, after remaining relatively constant in fiscal year 2012, primarily due to increases in salaries and benefits, primarily due to the fringe benefit equalization adjustment.

Auxiliary enterprises expense increased 8.4% to \$10,811 and 3.4% to \$9,972 in fiscal years 2013 and 2012, respectively, primarily due to increases in operation and maintenance costs for residence halls in both fiscal years, and increases in salaries and benefits, principally due to the fringe benefit equalization adjustment, and costs for parking lot rentals in fiscal year 2013.

During fiscal years 2013 and 2012, the University incurred long term debt interest costs of \$9,306 and \$8,383, of which \$3,122 and \$804, respectively, was capitalized 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, 2013. Overall enrollment increased for the fiscal 2013 academic year. The University continues to pursue its strategy of enhancing its research and development activities. The University's fundraising activities are successful, and have generated a significant endowment.

The University's debt is rated A1 by Moody's Investors Service and A+ by Standard & Poor's. Moody's affirmed its rating in fiscal year 2012, noting the University's "niche market position as the sole public stand-alone technical research university in the State, enrollment growth accompanied by continued net tuition growth, diversified revenue sources, and three consecutive years of positive operating performance with double-digit cash flows to cover rising debt service, offset by significant increase in debt and very thin balance sheet to pro-forma debt and operations." Standard & Poor's affirmed its rating in early fiscal year 2014, noting "The outlook is stable. The rating reflects the University's sound business position, with a niche in engineering and research, as well as steady enrollment growth. The University has a sound history of positive operating results on a cash basis, and solid State support, including significant support from the State's Building Our Future program."

The University's relations with its employees are good. Union contracts are in place with four of the seven labor unions representing employees on campus. Negotiations have successfully concluded with two other unions and agreements are expected to be signed shortly. Negotiations with the seventh union are in progress and it is anticipated that they will come to a mutually favorable conclusion.

The University's endowment is prudently managed, with a broad-based asset allocation. The University's endowment investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return. A group of managers, each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments, including timber, to implement the investment strategy have, to date, been reasonably effective.

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As part of its long range plan, the University expects that its activities will continue to increase the total operating budget. As a result of the State's reduction in funding for Higher Education over the past several fiscal years, management initiated steps to increase alternative funding sources and to reduce expenses, including increases in enrollment, cost cutting initiatives, a more aggressive research and development program, a more intensive fund raising program, and increases in tuition and fees. Included in the University's strategic plan are a greater emphasis on expanded outreach programs, increased scholarships for desirable students, the establishment of new programs and extension sites in order to generate increases in enrollment, and the hiring of new faculty members who have a stronger inclination to become involved in research activities in addition to their teaching responsibilities in order to expand its research and development program. The University's efforts in these resource generating and expense reduction initiatives have been and are anticipated to continue to be successful.

In November 2012, the State authorized the issuance of \$750 million in Building Our Future bonds, the proceeds of which will be used to fund capital projects in the State's institutions of higher education. The University anticipates receiving \$86 million for the renovation of the Central King Building into a state-of-the-art technology center, and \$13 million for the modernization and expansion of laboratory facilities in the Otto York Center for Environmental Engineering and Science, from fiscal year 2014 to fiscal year 2016. The University will be responsible for a portion of the debt service payments and related program expenses.

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.

All in all, the University's management is of the opinion that the University's financial condition is sound.

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Statement of Net Position

(Dollars in thousands)

at June 30,

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 51,280	\$ 37,474
Short term investments	5,120	5,062
Grants and accounts receivable, net	24,915	32,019
Deposits held with trustees	9,979	14,468
Other current assets	<u>2,142</u>	<u>2,014</u>
Total current assets	<u>93,436</u>	<u>91,037</u>
Noncurrent assets:		
Endowment investments	82,925	74,513
Investments	11,618	8,739
Investments – Warren Street Village construction	26,666	67,706
Deposits held with trustees	5,219	24,156
Other assets	6,924	8,839
Capital assets, net of accumulated depreciation of \$299,809 and \$284,138, respectively	<u>292,144</u>	<u>234,926</u>
Total noncurrent assets	<u>425,496</u>	<u>418,879</u>
Total assets	\$ <u>518,932</u>	\$ <u>509,916</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 33,232	\$ 24,807
Long term debt, current portion	9,488	8,608
Unearned advance payments	9,433	11,433
Due to affiliates	<u>3,597</u>	<u>3,135</u>
Total current liabilities	<u>55,750</u>	<u>47,983</u>
Noncurrent liabilities:		
Long term debt	222,121	238,828
Other noncurrent liabilities	9,945	9,444
U.S. government grants refundable	<u>1,838</u>	<u>1,784</u>
Total noncurrent liabilities	<u>233,904</u>	<u>250,056</u>
Total liabilities	\$ <u>289,654</u>	\$ <u>298,039</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 76,693	\$ 79,027
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	49,135	43,488
Instructional and other	9,817	9,709
Expendable:		
Scholarships and fellowships	6,688	5,336
Instructional and other	7,537	7,149
Research and programs	517	276
Debt service	5,660	4,430
Loans	1,041	1,034
Unrestricted (see note 11)	<u>72,190</u>	<u>61,428</u>
Total net position	\$ <u>229,278</u>	\$ <u>211,877</u>

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

## NEW JERSEY INSTITUTE OF TECHNOLOGY

### Statement of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

For the years ended June 30,

	2013	2012
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$40,704 and \$37,175, respectively	\$ 103,442	\$ 94,898
Federal grants and contracts	68,649	66,078
State grants and contracts	19,219	17,781
Other grants and contracts	4,535	4,659
Auxiliary enterprises, net of scholarship allowances of \$3,782 and \$3,690, respectively	12,492	12,258
Other operating revenues	2,396	2,314
Total operating revenues	210,733	197,988
Operating expenses:		
Instruction	88,002	77,509
Research and programs	59,955	55,927
Public service	1,507	1,615
Academic support	23,944	22,075
Student services	18,566	17,134
Institutional support	39,137	37,664
Operation and maintenance of plant	14,827	13,532
Scholarships and fellowships	9,965	8,782
Depreciation and amortization	18,774	18,825
Auxiliary enterprises	10,811	9,972
Total operating expenses	285,488	263,035
Operating loss	(74,755)	(65,047)
Nonoperating revenues (expenses):		
State appropriations	80,795	65,382
Gifts and bequests	2,435	2,730
Interest expense	(6,198)	(7,588)
Investment income (loss)	6,555	(1,039)
Other nonoperating revenues, net	2,736	2,068
Net nonoperating revenues	86,323	61,553
Income (loss) before other revenues	11,568	(3,494)
Other revenues:		
Capital grants and gifts	1,165	159
Additions to permanent endowments	4,668	4,008
Total other revenues	5,833	4,167
Increase in net position	17,401	673
Net position, beginning of year	211,877	211,204
Net position, end of year	\$ 229,278	\$ 211,877

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

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Statement of Cash Flows

(Dollars in thousands)

For the years ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 108,889	\$ 96,857
Grants and contracts	96,105	91,304
Payments for salaries and benefits	(153,216)	(148,792)
Payments to suppliers	(67,561)	(60,168)
Payments for scholarships and fellowships	(9,965)	(8,782)
Loans issued to students	(277)	(245)
Loans collected from students	347	320
Auxiliary enterprises	12,489	12,270
University programs	3,182	2,247
Affiliates	462	669
Other receipts	347	306
Net cash used by operating activities	<u>(9,198)</u>	<u>(14,014)</u>
Cash flows from noncapital financing activities:		
State appropriations	46,236	46,576
Gifts and bequests for other than capital purposes	2,972	2,059
Additions to permanent endowments	4,492	4,441
Other receipts	2,440	2,050
Net cash provided by noncapital financing activities	<u>56,140</u>	<u>55,126</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	55,475	86,117
Capital grants and gifts	1,125	159
Purchase of capital assets	(69,175)	(17,248)
Prepaid bond issuance costs	(469)	(621)
Principal paid on long term debt	(8,032)	(7,703)
Refunding of bonds and other long term debt	(63,536)	(4,018)
Interest paid on long term debt	(9,635)	(8,593)
Purchase of investments – Warren Street Village construction	(7,174)	(75,102)
Sale of investments – Warren Street Village construction	48,196	7,306
Deposits with trustees	(11,396)	(25,607)
Withdrawals from trustees	34,823	15,075
Net cash used by capital financing activities	<u>(29,798)</u>	<u>(30,235)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	29,655	21,512
Interest and dividends on investments	2,612	1,860
Purchase of investments	(35,605)	(29,461)
Net cash used by investing activities	<u>(3,338)</u>	<u>(6,089)</u>
Net increase in cash and cash equivalents	13,806	4,788
Cash and cash equivalents, beginning of year	37,474	32,686
Cash and cash equivalents, end of year	\$ <u>51,280</u>	\$ <u>37,474</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (74,755)	\$ (65,047)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	18,774	18,825
Noncash operating expenses	34,775	19,375
Changes in assets and liabilities:		
Grants and accounts receivable	6,742	7,744
Other assets, current and noncurrent	(157)	78
Accounts payable and accrued liabilities	4,897	2,489
Unearned advance payments	64	1,853
Due to affiliates	462	669
Net cash used by operating activities	\$ <u>(9,198)</u>	\$ <u>(14,014)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 34,697	\$ 18,776
Gifts and bequests for other than capital purposes	(538)	12
Gifts for capital purposes	40	—
Additions to permanent endowments	79	7
Capital leases	—	65
Capital assets	3,390	2,137

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



# NEW JERSEY INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

### 1. Organization and Summary of Significant Accounting Policies

New Jersey Institute of Technology (NJIT), a public research university, includes six collegiate units: Newark College of Engineering, College of Computing Sciences, College of Architecture and Design, College of Science and Liberal Arts, School of Management, and Albert Dorman Honors College; a graduate division; a continuing education program; and a number of research centers. Fields of study include engineering, computer science, architecture, applied sciences, management, statistics, and actuarial science. NJIT offers programs and courses leading to bachelors, masters, and doctoral degrees, and also conducts an extensive research program.

The New Jersey Institute of Technology Act of 1995 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 an 1881 New Jersey statute.

Foundation at New Jersey Institute of Technology (the Foundation) is a component unit of NJIT. The Foundation raises and manages funds to support the further development and growth of programs at NJIT. Because of the significance of its operational and financial relationships with NJIT and because it exclusively benefits 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, NJIT, which is financially dependent on the State of New Jersey (the State), is considered to be a component unit of the State for its financial reporting purposes. Accordingly, the financial statements of NJIT and the Foundation (collectively, the University) are included in the State's Comprehensive Annual Financial Report.

#### (a) *Basis of Presentation*

The University's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the GASB. All significant transactions between NJIT and the Foundation have been eliminated.

Effective July 1, 2012, the University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, (GASB 61), which modifies certain requirements for the inclusion, presentation, and disclosure of component units. The financial reporting impact resulting from the adoption of GASB 61 was the addition of new disclosures (see note 10).

Effective July 1, 2012, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (GASB 63), which standardizes the presentation of deferred outflows of resources and deferred inflows of

# NEW JERSEY INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

resources and their effects on the University's net position. The financial reporting impact resulting from the adoption of GASB 63 was the renaming of "Net Assets" to "Net Position."

**(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 position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

The University considers money market funds, investments with original maturities of three months or less, and investments in sweep accounts with original maturities of twelve months or less to be cash equivalents, except for those included in endowment investments and deposits held with trustees. Investments in sweep accounts with original maturities greater than twelve months are classified as noncurrent assets, even though their purpose is to be used for operating activities.

**(d) Investments and Deposits Held with Trustees**

Investments in marketable equity securities, debt instruments, and mutual funds are carried at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could occur. Such changes could materially affect the amounts reported in the statement of net position.

**(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.

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

**(f) Capital Assets**

Capital assets are carried at cost or, in the case of gifts, fair value at date of donation. Expenditures for replacements are capitalized, and the replaced items are retired. Expenses resulting from disposal of property are included in other nonoperating revenues, net. Depreciation is calculated on the straight-line basis. The University's capital assets policy establishes the following capitalization thresholds and estimated useful lives:

	<b>Capitalization Threshold</b>	<b>Estimated Useful Lives</b>
Land improvements	\$ 50,000	20 years
Buildings and building improvements	50,000	20 to 40 years
Software	50,000	5 to 10 years
Equipment and other assets	2,500	3 to 10 years

**(g) Due to Affiliates**

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

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
NJEDge.Net	\$ 2,329	\$ 2,050
Student organizations	871	896
Other organizations	397	189
	<b>\$ 3,597</b>	<b>\$ 3,135</b>

**(h) Classification of Net Position**

The University classifies its resources into three net position categories:

- Net investment in capital assets contains the land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress 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 position is comprised of endowment and 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

# NEW JERSEY INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

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 position includes gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes.

- Unrestricted net position is derived principally from student tuition and fees, gifts and bequests, and investment income, and is spent to meet the objectives of the University. The University designates portions of its unrestricted net position for certain specific purposes (see note 11).

The University's policy is to first utilize available restricted, and then unrestricted, resources in the conduct of its operations.

**(i) *Classification of Revenue and Expense***

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

Interest expense is reported as a nonoperating activity.

**(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 unearned advance payments in the statement of net position.

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

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.

## NEW JERSEY INSTITUTE OF TECHNOLOGY

### Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

**(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 (\$43,099 and \$27,685 in fiscal years 2013 and 2012, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

**(n) *Risk Management***

The University carries commercial insurance covering its risks of loss related to real and personal property, personal injuries, torts, errors and omissions, environmental damage, and natural and other unforeseen disasters.

**(o) *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 on income generated by activities that are substantially related to their tax-exempt purposes.

**(p) *Reclassifications***

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

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

**2. Cash and Cash Equivalents, Investments, and Deposits Held with Trustees**

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

	June 30,			
	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash	\$ 938	\$ 938	\$ 675	\$ 675
Money market funds	50,342	50,342	36,799	36,799
	<u>51,280</u>	<u>51,280</u>	<u>37,474</u>	<u>37,474</u>
Investments:				
Money market funds	13,923	13,923	23,308	23,308
Certificates of deposit	5,000	5,000	24,103	24,103
U.S. Treasury and government agency bonds	6,639	6,661	9,183	9,590
Commercial paper	8,885	8,898	10,185	10,197
Corporate equity securities	22,561	26,881	20,857	23,531
Corporate debt securities	6,528	6,339	15,941	15,891
Mutual equity funds	21,687	22,438	10,825	11,179
Mutual bond funds	14,614	14,898	13,685	14,154
Hedge and other investment funds	17,710	18,491	23,876	24,067
Receivable for investments sold	2,800	2,800	—	—
	<u>120,347</u>	<u>126,329</u>	<u>151,963</u>	<u>156,020</u>
Deposits held with trustees:				
Money market funds	13,886	13,886	24,098	24,098
U.S. Treasury and government agency bonds	1,312	1,312	14,527	14,526
	<u>15,198</u>	<u>15,198</u>	<u>38,625</u>	<u>38,624</u>
	<u>\$ 186,825</u>	<u>\$ 192,807</u>	<u>\$ 228,062</u>	<u>\$ 232,118</u>

Endowment investments totaling \$2,712 and \$2,143 at fair value (\$2,473 and \$1,992 at cost) at June 30, 2013 and 2012, respectively, are held and administered by external trustees, while the remainder are held and administered by the University.

Hedge and other investment funds are comprised of directional and multi-strategy funds and private equity, real estate, and timber funds. The University is committed to invest an additional \$2,685 in these funds over the next several fiscal years.

Investments – Warren Street Village construction represent the proceeds of the 2012 Series A bonds (see note 6). These funds are separately invested, and are designated for the costs of construction of the Warren Street Village, a mixed-use residential housing complex.

# NEW JERSEY INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

Deposits held with trustees represent restricted funds held by U.S. Bank and The Bank of New York Mellon under terms of the revenue bond agreements with the New Jersey Educational Facilities Authority (NJEFA), by Deutsche Bank under terms of the general obligation bond agreements, and by TD Equipment Finance, Inc. under the TD Master Leases (see note 6). Of the total deposits held at June 30, 2013 and 2012, \$1,310 and \$7,826, respectively, are required to be maintained in accordance with the mortgage bond indenture agreements.

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments or guidelines established by NJIT's Board of Trustees and the Foundation's Board of Overseers. The University's investment strategy is to maintain purchasing power of pooled endowment funds assets, with an emphasis on total return. The following are the University's aggregate allocation guidelines by asset class: equities, up to 70%; real assets, up to 20%; multi-strategy hedges, up to 25%; and fixed income instruments, up to 35%. There are further allocation guidelines for specific investment categories within each asset class. The University may also invest in below investment grade bonds as equity substitutes within the overall allocation for equities.

Custodial credit risk – deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits that are in that institution's possession. The University's investment policy does not address custodial credit risk – deposits. Cash and cash equivalents have a bank balance of \$53,163 and \$39,907, including cash held by depositories of \$1,029 and \$690 at June 30, 2013 and 2012, respectively, of which \$784 and \$659 are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents of \$548 are insured by the Securities Investor Protection Corporation (SIPC) at both June 30, 2013 and 2012; amounts in excess are neither collateralized nor insured.

Custodial credit risk – investments is the risk that, in the event of the failure of a counterparty, the University will not be able to recover the value of the investments that are in that counterparty's possession. The University's investment policy does not address custodial credit risk – investments. The University's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the University's name. At June 30, 2013 and 2012, \$138,815 and \$192,501, respectively, of investments and deposits held with trustees are either insured or held by the University or its agent in the University's name.

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy places no limitation on the ratings for debt instruments. U.S. Treasury and government agency bonds are considered to have no credit risk. The money market funds and mutual bond funds included in the University's investment portfolio are not rated. The University's investments in commercial paper and corporate debt securities are rated as follows by Standard & Poor's:

	Rating	June 30,	
		2013	2012
Commercial paper	A-1+	\$ 5,900	\$ —
Commercial paper	A-1	2,998	—
Commercial paper	Not Rated	—	10,197
Total commercial paper		8,898	10,197
Corporate debt securities	AAA	2	—
Corporate debt securities	AA+	746	50
Corporate debt securities	AA-	53	104
Corporate debt securities	A+	3,015	25
Corporate debt securities	A	60	52
Corporate debt securities	A-	1,148	201
Corporate debt securities	BBB+	569	80
Corporate debt securities	BBB	746	21
Corporate debt securities	BB+	—	23
Corporate debt securities	Not Rated	—	15,335
Total corporate debt securities		6,339	15,891
		\$ 15,237	\$ 26,088

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. There is no limit on the amount the University may invest in any issuer. The University's investments are diversified and are not currently exposed to this risk.



**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013 and 2012, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

	<b>Fair Value</b>	<b>June 30, 2013</b>			
		<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>5 to 10</b>	<b>More Than 10</b>
Money market funds	\$ 78,151	\$ 78,151	\$ —	\$ —	\$ —
Certificates of deposit	5,000	5,000	—	—	—
U.S. Treasury and government agency bonds	7,973	1,819	2,608	3,546	—
Commercial paper	8,898	8,898	—	—	—
Corporate debt securities	6,339	3,760	1,362	1,217	—
Mutual bond funds	14,898	5,225	6,337	3,336	—
	<u>\$ 121,259</u>	<u>\$ 102,853</u>	<u>\$ 10,307</u>	<u>\$ 8,099</u>	<u>\$ —</u>

	<b>Fair Value</b>	<b>June 30, 2012</b>			
		<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>5 to 10</b>	<b>More Than 10</b>
Money market funds	\$ 84,205	\$ 84,205	\$ —	\$ —	\$ —
Certificates of deposit	24,103	24,103	—	—	—
U.S. Treasury and government agency bonds	24,116	15,605	3,839	4,629	43
Commercial paper	10,197	10,197	—	—	—
Corporate debt securities	15,891	15,272	318	111	190
Mutual bond funds	14,154	5,116	3,265	5,773	—
	<u>\$ 172,666</u>	<u>\$ 154,498</u>	<u>\$ 7,422</u>	<u>\$ 10,513</u>	<u>\$ 233</u>

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

A portion of the University's endowment investments are held in an endowment investment pool. The cost and fair value of the pooled investments are as follows:

	<b>June 30,</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Money market funds	\$ 4,140	\$ 4,140	\$ 4,294	\$ 4,294
Corporate equity securities	22,037	26,296	20,493	23,154
Mutual equity funds	15,768	16,130	8,520	8,927
Mutual bond funds	8,456	8,730	7,051	7,474
Hedge and other investment funds	17,564	18,320	23,653	23,829
Receivable for investments sold	2,800	2,800	—	—
	<u>\$ 70,765</u>	<u>\$ 76,416</u>	<u>\$ 64,011</u>	<u>\$ 67,678</u>

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 376,358 and 352,948 pool units with a fair unit value of \$203.04 and \$191.75 at June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, the average return for the endowment investment pool was 11.5% and (1.8%), respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the market value per pool unit. The spending rates for the years ended June 30, 2013 and 2012 were 5.5% and 5.4%, respectively. The University complies with the "Uniform Prudent Management of Institutional Funds Act", which governs the management and use of funds held by it.

**NEW JERSEY INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

**3. Capital Assets**

The activity in capital assets and accumulated depreciation for the years ended June 30, 2013 and 2012 was as follows:

	<u>June 30,</u> <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Placed Into</u> <u>Service</u>	<u>June 30,</u> <u>2013</u>
Depreciable assets:					
Land improvements	\$ 8,822	\$ —	\$ —	\$ —	\$ 8,822
Buildings and building improvements	385,905	1,990	—	161	388,056
Equipment and other assets	90,745	5,826	(2,200)	954	95,325
	<u>485,472</u>	<u>7,816</u>	<u>(2,200)</u>	<u>1,115</u>	<u>492,203</u>
Accumulated depreciation:					
Land improvements	3,421	569	—	—	3,990
Buildings and building improvements	212,134	11,515	—	—	223,649
Equipment and other assets	68,583	5,771	(2,184)	—	72,170
	<u>284,138</u>	<u>17,855</u>	<u>(2,184)</u>	<u>—</u>	<u>299,809</u>
	201,334	(10,039)	(16)	1,115	192,394
Nondepreciable assets:					
Land	17,870	—	—	—	17,870
Construction in progress	15,722	67,273	—	(1,115)	81,880
	<u>\$ 234,926</u>	<u>\$ 57,234</u>	<u>\$ (16)</u>	<u>\$ —</u>	<u>\$ 292,144</u>
	<u>June 30,</u> <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Placed Into</u> <u>Service</u>	<u>June 30,</u> <u>2012</u>
Depreciable assets:					
Land improvements	\$ 8,368	\$ 454	\$ —	\$ —	\$ 8,822
Buildings and building improvements	383,712	—	(201)	2,394	385,905
Equipment and other assets	100,564	2,987	(12,825)	19	90,745
	<u>492,644</u>	<u>3,441</u>	<u>(13,026)</u>	<u>2,413</u>	<u>485,472</u>
Accumulated depreciation:					
Land improvements	2,927	494	—	—	3,421
Buildings and building improvements	199,901	12,434	(201)	—	212,134
Equipment and other assets	75,879	5,340	(12,636)	—	68,583
	<u>278,707</u>	<u>18,268</u>	<u>(12,837)</u>	<u>—</u>	<u>284,138</u>
	213,937	(14,827)	(189)	2,413	201,334
Nondepreciable assets:					
Land	17,870	—	—	—	17,870
Construction in progress	1,467	16,668	—	(2,413)	15,722
	<u>\$ 233,274</u>	<u>\$ 1,841</u>	<u>\$ (189)</u>	<u>\$ —</u>	<u>\$ 234,926</u>

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**4. Supplementary Statement of Net Position Detail**

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 22,132	\$ 25,915
Student accounts receivable	4,679	6,312
Program services accounts receivable	820	1,147
Other grants and accounts receivable	1,283	2,132
Pledges receivable, current portion	354	630
Student loans receivable, current portion	347	321
Accrued interest receivable	120	281
	29,735	36,738
Less: allowance for doubtful accounts	4,820	4,719
	\$ 24,915	\$ 32,019
Other assets, noncurrent:		
Deferred financing costs	\$ 4,790	\$ 6,160
Student loans receivable	1,459	1,555
Pledges receivable	382	850
Other	293	274
	\$ 6,924	\$ 8,839
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 14,308	\$ 11,144
Accrued interest expense	4,598	4,688
Accounts payable – construction	5,774	2,384
Accounts payable – other	7,302	5,388
Other noncurrent liabilities, current portion	1,250	1,203
	\$ 33,232	\$ 24,807

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**5. Noncurrent Liabilities**

The activity in noncurrent liabilities for the years ended June 30, 2013 and 2012 was as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Current Portion</u>
Long term debt	\$ 236,295	\$ 55,475	\$ (67,757)	\$ 224,013	\$ 9,239
Unamortized net premium	11,141	—	(3,545)	7,596	249
Total long term debt	<u>247,436</u>	<u>55,475</u>	<u>(71,302)</u>	<u>231,609</u>	<u>9,488</u>
Retirement incentive programs	3,809	1,164	(946)	4,027	673
Annuity funds liability	2,184	448	(627)	2,005	469
Insurance liability reserve	1,451	—	(10)	1,441	—
Compensated absences	2,769	544	(90)	3,223	90
Other	434	141	(76)	499	18
Total other noncurrent liabilities	<u>10,647</u>	<u>2,297</u>	<u>(1,749)</u>	<u>11,195</u>	<u>1,250</u>
U.S. government grants refundable	1,784	902	(848)	1,838	—
Total noncurrent liabilities	<u>\$ 259,867</u>	<u>\$ 58,674</u>	<u>\$ (73,899)</u>	<u>\$ 244,642</u>	<u>\$ 10,738</u>
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
Long term debt	\$ 168,091	\$ 79,719	\$ (11,515)	\$ 236,295	\$ 8,032
Unamortized net premium	5,160	6,463	(482)	11,141	576
Total long term debt	<u>173,251</u>	<u>86,182</u>	<u>(11,997)</u>	<u>247,436</u>	<u>8,608</u>
Retirement incentive programs	3,716	791	(698)	3,809	499
Annuity funds liability	2,364	522	(702)	2,184	489
Insurance liability reserve	1,447	4	—	1,451	—
Compensated absences	2,659	298	(188)	2,769	190
Other	467	97	(130)	434	25
Total other noncurrent liabilities	<u>10,653</u>	<u>1,712</u>	<u>(1,718)</u>	<u>10,647</u>	<u>1,203</u>
U.S. government grants refundable	1,741	43	—	1,784	—
Total noncurrent liabilities	<u>\$ 185,645</u>	<u>\$ 87,937</u>	<u>\$ (13,715)</u>	<u>\$ 259,867</u>	<u>\$ 9,811</u>

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

Included in annuity funds liability are a net increase of \$285 and a net decrease of \$95 in the fair value of investments at June 30, 2013 and 2012, respectively.

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**6. Long Term Debt**

Long term debt is composed of:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
General Obligation Bonds:		
2012 Series A issue:		
Serial bonds (interest rates of 4.00% and 5.00%, due on various dates through fiscal year 2028)	\$ 5,470	\$ 5,470
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2043)	60,025	60,025
2012 Series B issue:		
Serial bonds (interest rates from 0.90% to 3.723%, due on various dates through fiscal year 2026)	38,165	—
Term bond (interest rate at 3.323%, maturity in fiscal year 2025)	17,310	—
Revenue Bonds:		
2010 Series H issue:		
Serial bonds (interest rates from 3.00% to 5.00%, due on various dates through fiscal year 2026)	29,760	29,760
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2032)	21,205	21,205
2010 Series I issue:		
Term bonds (interest rate at 6.41%, final maturity in fiscal year 2041)	20,450	20,450
2004 Series B issue:		
Serial bonds (interest rates from 2.00% to 5.25%, due on various dates through fiscal year 2026)	—	63,180
2001 Series H issue:		
Term bonds (interest rate at 6.05%, final maturity in fiscal year 2017)	4,530	5,505
Other Long Term Debt:		
Higher Education Capital Improvement Fund	14,995	15,878
TD Master Leases	9,824	12,277
New Jersey Economic Development Authority note	2,077	2,217
Other	202	328
	<u>224,013</u>	<u>236,295</u>
Unamortized net premium on obligations	<u>7,596</u>	<u>11,141</u>
	231,609	247,436
Less: current portion	<u>9,488</u>	<u>8,608</u>
Long term debt	<u>\$ 222,121</u>	<u>\$ 238,828</u>

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The 2012 Series A Bonds were issued by the University to provide funds to finance, in part, the costs of constructing the Warren Street Village. The bonds were issued at a premium of \$6,463, which is being amortized against interest expense over the life of the bonds.

The 2012 Series A Bonds are subject to optional redemption prior to maturity on or after July 1, 2022 at a price of 100%.

The 2012 Series B Bonds were issued by the University for the purpose of advance refunding the 2004 Series B Bonds. The advance refunding resulted in a fiscal year 2013 loss on defeasance of \$2,472. Aggregate debt service payments over the next thirteen fiscal years will be reduced by \$3,534, representing an economic gain (difference between the present value of the old and new debt service payments) of \$3,881.

The University defeased the 2004 Series B Bonds by depositing funds into an escrow account in the amount of \$63,704, which is sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. These defeased bonds are not considered outstanding obligations of the University and, therefore, neither the escrow account nor the defeased indebtedness are included in the accompanying statement of net position. There is approximately \$59,725 of defeased debt that remains outstanding to bondholders at June 30, 2013, which is expected to be fully redeemed in January 2014.

The 2012 Series B Bonds are subject to redemption under certain circumstances as described in the debt agreement.

The 2010 Series H and 2010 Series I Bonds were issued by NJEFA pursuant to an agreement with the University for the purpose of advance refunding a prior issue of revenue bonds and financing, in whole or in part, the costs of the acquisition, rehabilitation, and renovation of an academic facility and of campus deferred maintenance. The 2010 Series H Bonds were issued at a premium of \$2,489, which is being amortized against interest expense over the life of the bonds.

The 2010 Series H Bonds maturing on or before July 1, 2020 are not subject to optional redemption prior to maturity. The 2010 Series H Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity on or after July 1, 2020 at a price of 100%.

The 2010 Series I Bonds have been designated as "Build America Bonds". Up to thirty-five percent of the interest payments will be paid by the Federal government. For the fiscal years ended June 30, 2013 and 2012, \$439 and \$459, respectively, of Federal government interest payments are included in interest expense and in other nonoperating revenues, net in the statement of revenues, expenses, and changes in net position.

The 2010 Series I Bonds are subject to optional redemption prior to maturity on or after July 1, 2020 at a price of 100%.

The 2001 Series H Bonds were issued by NJEFA pursuant to an agreement with the University to provide funds to finance the costs of constructing a small business incubator facility. The University's mortgage

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obligations to NJEFA are collateralized by certain land, buildings and building improvements, and equipment.

The 2001 Series H Bonds are not subject to optional redemption, except for extraordinary optional redemption as described in the debt agreement.

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 TD Master Leases were entered into for the purpose of repaying a prior master lease and financing the costs of an upgrade to the University's information technology and research infrastructure. The TD debt bears interest rates of between 1.35% and 1.72% with final maturity in fiscal year 2019.

The New Jersey Economic Development Authority (NJEDA) note, which matures in fiscal year 2028, is noninterest bearing and payable monthly. Imputed interest expense totaled \$82 and \$85 in fiscal years 2013 and 2012, respectively.

At June 30, 2013, deposits held with trustees included \$5,660 for principal payments on revenue bonds due on July 1, 2013. Payments due on long term debt, including mandatory sinking fund payments on the revenue bonds, are as follows for the fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,599	\$ 9,414	\$ 18,013
2015	9,920	9,199	19,119
2016	8,905	8,934	17,839
2017	9,188	8,657	17,845
2018	9,362	8,362	17,724
2019 to 2023	46,829	36,730	83,559
2024 to 2028	37,460	27,783	65,243
2029 to 2033	27,295	20,447	47,742
2034 to 2038	33,160	12,881	46,041
2039 to 2043	27,635	3,385	31,020
	<u>\$ 218,353</u>	<u>\$ 145,792</u>	<u>\$ 364,145</u>

The University has credit agreements with two banks permitting it to borrow up to \$6,000 in total, at the London Interbank Offered Rate (LIBOR) plus 1.0% and at LIBOR plus 1.4% (1.2% and 1.6%, respectively, at June 30, 2013) at the time of utilization. At June 30, 2013 and 2012, there were no outstanding borrowings against these agreements.

Deferred financing costs associated with the University's long term debt totaled \$5,499 and \$6,792, net of accumulated amortization of \$4,921 and \$3,988, at June 30, 2013 and 2012, respectively.



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Interest charges incurred in fiscal years 2013 and 2012 totaled \$9,306 and \$8,383, respectively. Of these amounts, \$3,122 and \$804 were capitalized in fiscal years 2013 and 2012, respectively.

### **7. Compensated Absences**

Eligible employees accrue vacation leave based upon time employed with a maximum accumulation at June 30 of 10 to 50 days. In addition, eligible employees who retire are paid 50% of their unused sick time up to a maximum of \$15 per employee.

At June 30, 2013 and 2012, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$5,204 and \$4,761, respectively, and unused sick time of \$90 and \$190, respectively. At June 30, 2013 and 2012, other noncurrent liabilities include \$3,133 and \$2,579, respectively, of unused sick time. In fiscal years 2013 and 2012, payments for unused sick time totaled \$90 and \$188, 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 6.64% of base salary. The University's retirement incentive program contributions to PERS for the years ended June 30, 2013 and 2012 were \$186 and \$174, respectively.

TPAF is a defined benefit retirement program which provides coverage, including post-retirement health care, to substantially all full-time public school teachers of the State. The University no longer enrolls new employees in TPAF. Vesting occurs after 10 years of credited service for pension benefits and 25 years for post-retirement health care coverage. The employee contribution rate is 6.64% of base salary. Members are eligible for retirement at age 60, with a benefit generally determined to be 1/55th of the average of the three highest years of compensation for each year of service credit. The University's retirement incentive program contributions to TPAF for the years ended June 30, 2013 and 2012 were \$55 and \$53, respectively.

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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 10% 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.

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS, TPAF, and PFRS. 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.

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 total base salary, and the employer contribution rate is 8% of base salary up to \$141. Benefits are determined by the amount of individual accumulations and the retirement income option selected. For the years ended June 30, 2013 and 2012, the University's contributions to ABP were \$6,451 and \$6,182, respectively.

To offset the State limit, a supplemental benefit program, a defined contribution plan, exists for ABP participants whose base salary is in excess of \$141, but not in excess of the Federal limit. Vesting occurs after one year of service. Employer contributions are at the discretion of the University, while employees may not contribute. No contributions were made in fiscal year 2013. The University's contribution was \$337 in fiscal year 2012.

### 9. Investment Income (Loss)

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 1,629	\$ 1,975
Realized net gain (loss) on sale of investments	3,285	(1,703)
Net increase (decrease) in the fair value of investments	<u>1,641</u>	<u>(1,311)</u>
	<u>\$ 6,555</u>	<u>\$ (1,039)</u>

Interest income of \$638 and \$145 was capitalized in fiscal years 2013 and 2012, respectively.

At June 30, 2013 and 2012, \$1,136 and \$2,118 were transferred from restricted nonexpendable net position – scholarships and fellowships, and \$36 and \$141 were transferred from restricted nonexpendable net position – instructional and other, respectively, to the corresponding restricted expendable net position to temporarily fund deficits therein.

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**10. Condensed Combining Financial Statement Information**

The condensed combining statements of net position, of revenues, expenses, and changes in net position, and of cash flows for NJIT and the Foundation at June 30, 2013 and for the year then ended are as follows:

	<b>June 30, 2013</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 51,280	\$ 3,681	\$ (3,681)	\$ 51,280
Other current assets	41,878	278	—	42,156
Capital assets, net	292,144	—	—	292,144
Other noncurrent assets	50,029	83,323	—	133,352
<b>Total assets</b>	<b>435,331</b>	<b>87,282</b>	<b>(3,681)</b>	<b>518,932</b>
Due to Foundation	3,681	—	(3,681)	—
Other current liabilities	55,281	469	—	55,750
Noncurrent liabilities	232,368	1,536	—	233,904
<b>Total liabilities</b>	<b>291,330</b>	<b>2,005</b>	<b>(3,681)</b>	<b>289,654</b>
Net investment in capital assets	76,693	—	—	76,693
Restricted nonexpendable	—	58,952	—	58,952
Restricted expendable	7,319	14,124	—	21,443
Unrestricted	59,989	12,201	—	72,190
<b>Total net position</b>	<b>\$ 144,001</b>	<b>\$ 85,277</b>	<b>\$ —</b>	<b>\$ 229,278</b>

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	<b>2013</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Combined</b>
Gifts and bequests	\$ —	\$ 3,737	\$ (3,737)	\$ —
Grants from Foundation	5,225	—	(5,225)	—
Other operating revenues	210,733	—	—	210,733
Total operating revenues	<u>215,958</u>	<u>3,737</u>	<u>(8,962)</u>	<u>210,733</u>
Depreciation and amortization	18,774	—	—	18,774
Grants to NJIT	—	5,225	(5,225)	—
Other operating expenses	264,402	2,312	—	266,714
Total operating expenses	<u>283,176</u>	<u>7,537</u>	<u>(5,225)</u>	<u>285,488</u>
Operating loss	(67,218)	(3,800)	(3,737)	(74,755)
Gifts and bequests	—	—	2,435	2,435
Investment income	(362)	6,917	—	6,555
Other nonoperating revenues, net	77,172	24	137	77,333
Capital grants and gifts	—	—	1,165	1,165
Additions to permanent endowments	—	4,668	—	4,668
Increase in net position	9,592	7,809	—	17,401
Net position, beginning of year	<u>134,409</u>	<u>77,468</u>	<u>—</u>	<u>211,877</u>
Net position, end of year	<u>\$ 144,001</u>	<u>\$ 85,277</u>	<u>\$ —</u>	<u>\$ 229,278</u>

	<b>2013</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Combined</b>
Net cash provided by (used by):				
Operating activities	\$ (6,941)	\$ (3,624)	\$ 1,367	\$ (9,198)
Noncapital financing activities	54,157	4,537	(2,554)	56,140
Capital and related financing activities	(30,923)	—	1,125	(29,798)
Investing activities	(2,487)	(851)	—	(3,338)
Net increase in cash and cash equivalents	13,806	62	(62)	13,806
Beginning cash and cash equivalents	<u>37,474</u>	<u>3,619</u>	<u>(3,619)</u>	<u>37,474</u>
Ending cash and cash equivalents	<u>\$ 51,280</u>	<u>\$ 3,681</u>	<u>\$ (3,681)</u>	<u>\$ 51,280</u>

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The condensed combining statements of net position, of revenues, expenses, and changes in net position, and of cash flows for NJIT and the Foundation at June 30, 2012 and for the year then ended are as follows:

	<b>June 30, 2012</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 37,474	\$ 3,619	\$ (3,619)	\$ 37,474
Other current assets	52,909	654	—	53,563
Capital assets, net	234,926	—	—	234,926
Other noncurrent assets	108,574	75,379	—	183,953
<b>Total assets</b>	<b>433,883</b>	<b>79,652</b>	<b>(3,619)</b>	<b>509,916</b>
Due to Foundation	3,619	—	(3,619)	—
Other current liabilities	47,494	489	—	47,983
Noncurrent liabilities	248,361	1,695	—	250,056
<b>Total liabilities</b>	<b>299,474</b>	<b>2,184</b>	<b>(3,619)</b>	<b>298,039</b>
Net investment in capital assets	79,027	—	—	79,027
Restricted nonexpendable	—	53,197	—	53,197
Restricted expendable	5,983	12,242	—	18,225
Unrestricted	49,399	12,029	—	61,428
<b>Total net position</b>	<b>\$ 134,409</b>	<b>\$ 77,468</b>	<b>\$ —</b>	<b>\$ 211,877</b>

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	<b>2012</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Combined</b>
Gifts and bequests	\$ —	\$ 2,928	\$ (2,928)	\$ —
Grants from Foundation	4,804	—	(4,804)	—
Other operating revenues	197,988	—	—	197,988
Total operating revenues	<u>202,792</u>	<u>2,928</u>	<u>(7,732)</u>	<u>197,988</u>
Depreciation and amortization	18,825	—	—	18,825
Grants to NJIT	—	4,804	(4,804)	—
Other operating expenses	242,440	1,770	—	244,210
Total operating expenses	<u>261,265</u>	<u>6,574</u>	<u>(4,804)</u>	<u>263,035</u>
Operating loss	(58,473)	(3,646)	(2,928)	(65,047)
Gifts and bequests	—	—	2,730	2,730
Investment income	778	(1,817)	—	(1,039)
Other nonoperating revenues, net	59,752	19	91	59,862
Capital grants and gifts	52	—	107	159
Additions to permanent endowments	—	4,008	—	4,008
Increase (decrease) in net position	2,109	(1,436)	—	673
Net position, beginning of year	<u>132,300</u>	<u>78,904</u>	<u>—</u>	<u>211,204</u>
Net position, end of year	<u>\$ 134,409</u>	<u>\$ 77,468</u>	<u>\$ —</u>	<u>\$ 211,877</u>

	<b>2012</b>			
	<b>NJIT</b>	<b>Foundation</b>	<b>Reclassifications/ Eliminations</b>	<b>Combined</b>
Net cash provided by (used by):				
Operating activities	\$ (12,162)	\$ (4,280)	\$ 2,428	\$ (14,014)
Noncapital financing activities	52,514	4,460	(1,848)	55,126
Capital and related financing activities	(30,342)	—	107	(30,235)
Investing activities	(5,222)	(867)	—	(6,089)
Net increase (decrease) in cash and cash equivalents	4,788	(687)	687	4,788
Beginning cash and cash equivalents	<u>32,686</u>	<u>4,306</u>	<u>(4,306)</u>	<u>32,686</u>
Ending cash and cash equivalents	<u>\$ 37,474</u>	<u>\$ 3,619</u>	<u>\$ (3,619)</u>	<u>\$ 37,474</u>

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**11. Unrestricted Net Position**

The components of unrestricted net position are as follows:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Designated unrestricted net position:		
Scholarships and fellowships	\$ 5,752	\$ 5,433
Instructional and other	7,819	7,413
Debt service	3,879	3,698
Deferred financing costs	1,509	1,679
Outstanding purchase orders	3,594	3,615
Construction and capital programs	16,652	13,616
State bond funds required match	6,000	—
Warren Street Village construction	10,000	10,000
	<u>55,205</u>	<u>45,454</u>
Undesignated unrestricted net position	<u>16,985</u>	<u>15,974</u>
	<u>\$ 72,190</u>	<u>\$ 61,428</u>

**12. Commitments and Contingencies**

At June 30, 2013, open purchase orders totaled \$33,164, primarily for construction and capital program and 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.