Financial Statements and Supplemental Financial Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Financial Statements and
Supplemental Financial Information

December 31, 2011 and 2010

Contents

Report of Management 1
Report of Independent Auditors...2
Management's Discussion and Analysis 4

Basic Financial Statements

Statements of Net Position...7
Statements of Revenues, Expenses and Changes in Net Position 8
Statements of Cash Flows...9
Notes to Financial Statements..10

Required Supplementary Information

Schedule of Funding Progress for the Retiree Healthcare Plan.......................................19

Supplemental Financial Information

Balance Sheets - Trustee Held Funds 20
Statements of Changes in Trustee Held Funds 21
Notes to Supplemental Financial Statements...22
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements Performed
In Accordance with *Government Auditing Standards* 34

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Report of Management

Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and, consequently, they reflect certain amounts based upon the best estimates and judgment of management.

The financial statements have been audited by the independent firm of Ernst & Young LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditor's opinion is presented on page 2.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with accounting principles generally accepted in the United States, that assets of the Authority are properly safeguarded, and that the covenants of all financing agreements are honored. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

Consistent with Executive Order No. 122, the Authority, through its Audit and Evaluation Committees, engages the independent auditors. The Audit and Evaluation Committees comprise individuals who are not employees of the Authority, and who meet certain standards of independence and financial expertise. The Audit Committee periodically meets with both the independent auditors and the internal auditors, and is responsible for assisting the Members of the Authority in overseeing the Authority's compliance with legal, regulatory and ethical requirements, as well as overseeing the integrity and quality of the Authority's financial statements. Both the independent auditors and the internal auditors have unrestricted access to the Audit Committee.

Sheryl A. Stitt
Acting Executive Director

Marie P. Mueller
Controller

March 20, 2012

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Report of Independent Auditors

To the Members of the
New Jersey Educational Facilities Authority

We have audited the accompanying statements of net position of the New Jersey Educational Facilities Authority, a component unit of the State of New Jersey, as of December 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended. These financial statements are the responsibility of the Authority'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 the New Jersey Educational Facilities Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that accompanying required supplementary information, such as management's discussion and analysis and the schedule of funding progress of the postemployment healthcare plan as listed in the table of contents 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, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

March 20, 2012

Introduction

This section of the New Jersey Educational Facilities Authority's (the Authority's) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2011 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Overview of the Financial Statements

The Authority is supported entirely by fees charged for the services it provides. Accordingly, the Authority is considered an Enterprise Fund and utilizes the accrual basis of accounting. The Basic Financial Statements for an Enterprise Fund include: Balance Sheets; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. These statements provide, respectively, a view of the Authority's financial position as of the end of the year, a description of the financial activity during the year, and a description of the cash activity during the year.

Payment to the State of New Jersey

In 2011, the Authority paid $8,000,000 to the State of New Jersey to pay a portion of the debt service on the State's bonds benefiting New Jersey's institutions of higher education.

Consequently, the Authority's change in net position for 2011 was a negative $7,477,213. The change in net position excluding that reimbursement would have been a positive $522,787.

Condensed Financial Information

The following table represents condensed balance sheet information and changes between December 31, 2010 and December 31, 2011 and between December 31, 2009 and December 31, 2011:

	2011	2010	2009	Increase (Decrease) 2010 to 2011	Increase (Decrease) 2009 to 2011
Current assets	**$ 4,550,043**	$ 11,478,450	$ 10,332,098	(60.36%)	(55.96%)
Capital assets, net	**110,140**	140,939	168,072	(21.85%)	(34.47%)
Total assets	**4,660,183**	11,619,389	10,500,170	(59.89%)	(55.62%)
Current liabilities	**254,185**	292,387	315,304	(13.07%)	(19.38%)
Noncurrent liabilities	**810,841**	254,632	137,740	218.44%	488.68%
Total liabilities	**1,065,026**	547,019	453,044	94.70%	135.08%
Total net position	**$ 3,595,157**	$ 11,072,370	$ 10,047,126	(67.53%)	(64.22%)

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Net Position, and changes between 2010 and 2011 and between 2009 and 2011:

	2011	2010	2009	Increase (Decrease) 2010 to 2011	Increase (Decrease) 2009 to 2011
Operating revenues:					
Administrative fees	**$ 3,355,088**	$ 3,710,465	$ 3,360,604	(9.58%)	(0.16%)
Total operating revenues	**3,355,088**	3,710,465	3,360,604		
Operating expenses:					
Salaries and related expenses	**1,587,923**	1,884,807	1,840,368	(15.75%)	(13.72%)
Provision for postemployment benefits	**562,000**	120,000	95,554	368.33%	488.15%
General expenses	**691,803**	694,480	825,642	(0.39%)	(16.21%)
Total operating expenses	**2,841,726**	2,699,287	2,761,564	5.28%	2.90%
Net operating income	**513,362**	1,011,178	599,040	(49.23%)	(14.30%)
Nonoperating revenues (expenses):					
Investment income	**9,425**	14,066	17,755	(32.99%)	(46.92%)
Payment to the State of New Jersey	**(8,000,000)**	–	–		
Change in net position	**(7,477,213)**	1,025,244	616,795	(829.31%)	(1,312.27%)
Net position beginning of year	**11,072,370**	10,047,126	9,430,331	10.20%	17.41%
Net position end of year	**$ 3,595,157**	$ 11,072,370	$ 10,047,126	(67.53%)	(64.22%)

Analysis of Overall Financial Position and Results of Operations

The Authority's solid financial position and strong operating results continued.

Financial Highlights:

- The Authority issued over $370 million of conduit debt for educational institutions during 2011.
- Cash and Investments represent approximately 97% of Total Assets at the end of 2011.
- The Authority's 2011 operating margin (net operating income as a percentage of operating revenues) was 15%.
- At December 31, 2011, Net Position represents 1.265 times 2011 Total Operating Expenses.

During 2011, the Authority's volume of financing activity was approximately $150 million less than 2010. The reduced volume was due to market conditions as well as the expiration of the Build America Bonds program which accounted for $79 million of issuances, in 2010. The Authority continued to work with the State's public and private institutions on their multi-year plans to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment to accommodate growing demand for higher education. The Authority also helped New Jersey colleges and universities restructure outstanding issues for the greatest benefit to the institutions.

Revenues

The Authority's revenues are derived primarily from two fees; annual fees charged to existing bond issues, and initial fees charged with respect to the issuance of new debt. Total revenues for 2011 decreased almost $355,000 from 2010 and $5,500 from 2009.

Expenses

Operating expenses in 2011 increased 5.3% from 2010 and 2.9% from 2009. The increase in operating expenses from 2010 is primarily related to an increase in the provision for post retirement benefits, partially offset by lower salaries and related expenses.

Assets and Liabilities

Following the payment to the State of New Jersey described above, net position decreased $7.5 million, or 67.5% from 2010 to 2011 and $6.5 million, or 64.2% from 2009 to 2011.

Contacting the Authority's Financial Management

If you have questions about this report or need additional financial information, contact the Office of the Controller, New Jersey Educational Facilities Authority, 103 College Road East, Princeton, NJ 08540-6612. Readers are invited to visit the Authority's website at www.njefa.com.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Net Position

	December 31	
	2011	**2010**
Assets		
Current assets:		
Cash	**$ 94,026**	$ 64,116
Investments, principally U.S. Government obligations	**4,413,444**	11,388,904
Fees receivable	**27,147**	8,310
Prepaid expenses and other assets	**15,426**	17,120
Total current assets	**4,550,043**	11,478,450
Noncurrent assets:		
Capital assets, at cost, less accumulated depreciation of $590,487 and $578,497 during 2011 and 2010, respectively	**110,140**	140,939
Total assets	**4,660,183**	11,619,389
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**254,185**	292,387
Noncurrent liabilities:		
Postemployment benefits other than pension	**780,480**	218,480
Project obligations	**30,361**	36,152
Total noncurrent liabilities	**810,841**	254,632
Total liabilities	**1,065,026**	547,019
Net position:		
Invested in capital assets	**110,140**	140,939
Unrestricted	**3,485,017**	10,931,431
Total net position	**$ 3,595,157**	$ 11,072,370

See accompanying notes.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31	
	2011	**2010**
Operating revenues:		
Administrative fees	**$ 3,355,088**	$ 3,710,465
Total operating revenues	**3,355,088**	3,710,465
Operating expenses:		
Salaries and related expenses	**1,587,923**	1,884,807
General and administrative expenses	**591,994**	602,021
Provision for postemployment benefits	**562,000**	120,000
Professional fees	**99,809**	92,459
Total operating expenses	**2,841,726**	2,699,287
Net operating income	**513,362**	1,011,178
Nonoperating revenue (expenses):		
Investment income	**9,425**	14,066
Payment to the State of New Jersey	**(8,000,000)**	–
Net changes in net position	**(7,477,213)**	1,025,244
Net position at beginning of year	**11,072,370**	10,047,126
Net position at end of year	**$ 3,595,157**	$ 11,072,370

See accompanying notes.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

	Year Ended December 31	
	2011	**2010**
Cash flows from operating activities		
Cash received from administrative fees	**$ 3,337,945**	$ 3,805,867
Cash payments for operating expenses	**(2,280,149)**	(2,549,426)
Net cash provided by operating activities	**1,057,796**	1,256,441
Cash flows from investing activities		
Purchase of investments	**(7,727,132)**	(42,293,966)
Sale and maturity of investments	**14,700,150**	41,051,396
Investment income	**11,867**	13,512
Net cash provided by (used in) investing activities	**6,984,885**	(1,229,058)
Cash flows from capital and related financing activities		
Purchase of capital assets	**(12,771)**	(28,753)
Payment to State of New Jersey	**(8,000,000)**	–
Net cash used in capital and related financing activities	**(8,012,771)**	(28,753)
Net increase (decrease) in cash	**29,910**	(1,370)
Cash at beginning of year	**64,116**	65,486
Cash at end of year	**$ 94,026**	$ 64,116
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	**$ 513,362**	$ 1,011,178
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**43,570**	55,886
Changes in assets and liabilities:		
Fees receivable and prepaids	**(17,143)**	95,402
Accounts payable and accrued expenses	**(38,202)**	(22,917)
Project obligations	**(5,791)**	(3,108)
Postemployment benefits obligation	**562,000**	120,000
Net cash provided by operating activities	**$ 1,057,796**	$ 1,256,441
Supplemental schedule of noncash investing activities		
Change in fair value of investments	**$ (2,442)**	$ 554

See accompanying notes.

1. Organization and Function of the Authority

The New Jersey Educational Facilities Authority (the "Authority"), a component unit of the State of New Jersey, was created under the provisions of Chapter 106 of New Jersey Public Laws of 1966 as a public body corporate and politic. The powers of the Authority permit the sale of notes, bonds and other obligations to support the construction, acquisition and equipping of educational facilities for public and private institutions of higher education in the State of New Jersey. The Authority is also authorized, pursuant to statutory amendments, to issue State supported bonds to fund matching grants to qualified public libraries for capital improvements. The obligations issued by the Authority are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

The Authority is exempt from both federal and state taxes.

2. Significant Accounting Policies

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed by the Authority to the extent that those standards do not conflict with or contradict guidance of the GASB.

Administrative Fees

The Authority charges administrative fees to its client institutions for which bond and note sales have been completed. Such fees are considered operating revenue and are charged for services related to the structuring and administration of Authority financings, investment management of bond proceeds, monitoring of financial performance and other project costs and services. These fees are recognized as earned. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient reserves will be available to provide for the Authority's needs.

2. Significant Accounting Policies (continued)

Capital Assets

Capital assets, which consist of furniture and equipment, are carried at cost and depreciated over their useful lives using the straight-line method.

Recent Accounting Standard

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB No. 63"). The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts that are required to be reported as deferred outflows should be reported in a statement of financial position in a separate section following assets. Similarly, amounts to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011; however the Authority elected to early-adopt this Statement in the year ended December 31, 2011.

The adoption of this statement resulted in a change in the presentation of the Balance Sheets to what is now referred to as the Statements of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

3. Cash and Investments

At year-end, the Authority's bank balance was $112,640 all of which was covered by FDIC insurance.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds of the Authority may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

3. Cash and Investments (continued)

Investments of the Authority comprise the following:

	2011	2010
Investments:		
U.S. Treasury Bills	**$ 4,392,874**	$ 11,387,857
Money Market Mutual Fund	**20,570**	1,047
Total investments	**$ 4,413,444**	$ 11,388,904

In 2011 and 2010, the Authority had $20,570 and $1,047, respectively, invested in a money market mutual fund, which invests in short-term and other obligations of the U.S. Treasury. All investments are carried at fair value.

In accordance with Governmental Accounting Standards Board Statement No. 40 "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Investments.

(a) Custodial Credit Risk – The Authority's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are held by either: the counterparty or the counterparty's trust department or agent but not in the Authority's name. The risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

    At December 31, 2011 and 2010, the Authority's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance.

3. Cash and Investments (continued)

As of December 31, 2011 and 2010, the Authority's investments consisted of U.S. Treasury Bills in the amount of $4,392,874 and $11,387,857, respectively. Since the investments are registered in the Authority's name they are not exposed to custodial credit risk. The Authority does not have a written policy for investment securities custodial credit risk but its practice has been to maintain a safekeeping account for the securities at a financial institution.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer, but its practice has been to invest, almost exclusively, in U.S. Treasury Securities. At December 31, 2011 or 2010, the Authority was not exposed to a concentration of credit risk.

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy. The Authority's Money Market Mutual Fund is not rated.

(d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations, but the Authority does from time to time evaluate its investment portfolio to determine if, based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk. As of December 31, 2011, the U.S. Treasury Bills had maturities ranging from March 10, 2011 through July 28, 2011.

3. Cash and Investments (continued)

For the years ended December 31, 2011 and 2010, investment income comprised the following:

	2011	2010
Interest earnings	**$ 11,867**	$ 13,512
Net (decrease) increase in fair value of investments	**(2,442)**	554
	$ 9,425	$ 14,066

4. Retirement Plans

The Authority's employees participate in the Public Employees Retirement System of New Jersey (PERS), a cost sharing multiple-employer defined benefit plan. The Authority's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS. All benefits are established by State statute. The Authority's required contribution and pension expense for the years ended December 31, 2011, 2010 and 2009 was $148,697, $119,824 and $93,726, respectively. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage range of contributions, as determined by PERS, was 6.5% effective October 2011 and 5.5% prior to that back to 2009.

The PERS is administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employees hired after July 1, 2007 participate in PERS, the defined benefit plan, up to the annual maximum wage for social security. The employee contributions based on wages in excess of the annual maximum wage are contributed to the Defined Contribution Retirement Program (DCRP). The Authority contributes 3% to the participants' accounts on wages in excess of the social security limit.

In addition to the Plans noted above, employees may elect to make tax-deferred contributions to a 457 deferred compensation plan.

5. Postemployment Benefits Other Than Pension

The Authority, as permitted by Chapter 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, provides postemployment medical benefits for eligible retired employees through participation in the New Jersey Health Benefits Program as sponsored and administered by the State of New Jersey. The Authority does not issue a publicly available financial report for the plan which for financial reporting purposes is considered a single employer defined benefit health care plan. Employees become eligible for these benefits upon retirement after 25 years of creditable service in the PERS.

Benefit provisions for the plan are established and amended by the Authority's Members, and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The plan is a non-contributory plan with all payments for plan benefits being funded by the Authority.

The Authority applies the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement establishes guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are actuarially calculated based on benefits (other than pensions), that current and retired employees have accrued as a result of their respective years of employment service.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost for the year ended December 31, 2011 and 2010 and the related information for the plan are as follows (dollar amounts in thousands):

	2011	**2010**
Annual required contribution	**$ 780**	$ 161
Interest on the Net OPEB obligation	**9**	2
Amortization of the Net OPEB Obligation	**(227)**	(43)
Increase in net OPEB obligation	**562**	120
Net OPEB obligation – beginning of year	**218**	98
Net OPEB obligation – end of year	**$ 780**	$ 218

5. Postemployment Benefits Other Than Pension (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2008 through 2011 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 562	0.00%	$ 780
December 31, 2010	$ 120	0.00%	$ 218
December 31, 2009	$ 95	0.00%	$ 98
December 31, 2008	$ (221)	N/A	$ 3

In April 2008, the Authority established and funded an irrevocable trust in the amount of $2,000,000 to pay for the employee postemployment medical benefits. At December 31, 2011 and 2010, the fair value of this trust fund was $1,921,510 and $1,966,023, respectively. As of December 31, 2011 and 2010, the actuarial liability for benefits was $2,701,510 and $2,218,480, respectively, which, due to the establishment of the trust, is now approximately 71% funded. The difference of 29% is reported as a liability on the Authority's books.

The most recent actuarial valuation date is January 1, 2011. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

5. Postemployment Benefits Other Than Pension (continued)

For the January 1, 2011 actuarial valuation, the Authority continued to use the actuarial assumptions of a 4% discount rate and an annual healthcare cost trend rate of 9% grading down to an ultimate rate of 5% in 2021.

At December 31, 2011, the Plan had 18 participants of which 13 were active employees and 5 were retirees. Of the Plan participants, 5 retirees and 0 active employees were eligible to receive benefits.

6. Conduit Debt

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2011, the amount of conduit debt outstanding totaled $5,581,781,540.

7. Commitments and Contingencies

The Authority has an operating lease commitment for its offices at an annual rental of approximately $218,212 through December 31, 2016.

The Authority, in the normal course of business, is involved in various legal matters. Under the terms of the agreements between the Authority and the public and private institutions of higher education, any costs associated with litigation are the obligation of the institution involved. It is the opinion of the Authority after consultation with legal counsel that its financial position will not be adversely affected by the ultimate outcome of any existing legal proceedings.

8. Net Position

The Authority's net position represents the excess of assets over liabilities and is categorized as follows:

- Invested in Capital Assets are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation.

8. Net Position (continued)

- Unrestricted is the remaining net position, which can be further categorized as designated or undesignated. The designated position is not governed by statute or contract but is committed for specific purposes pursuant to Authority policy and/or directives. The designated position includes funds and assets committed to working capital.

Changes in Net Position

The changes in net position are as follows:

	Invested in Capital Assets	Unrestricted	Total
Net position at December 31, 2009	$ 168,072	$ 9,879,054	$ 10,047,126
Net position change	–	1,025,244	1,025,244
Capital asset additions	28,753	(28,753)	–
Depreciation	(55,886)	55,886	–
Net position at December 31, 2010	140,939	10,931,431	11,072,370
Net position change	**–**	**(7,477,213)**	**(7,477,213)**
Capital asset additions	**12,771**	**(12,771)**	**–**
Depreciation	**(43,570)**	**43,570**	**–**
Net position at December 31, 2011	**$ 110,140**	**$ 3,485,017**	**$ 3,595,157**

Required Supplementary Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Required Supplementary Information

Schedule of Funding Progress for the Retiree Healthcare Plan

(Dollars in Thousands)

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) – Level Dollar (b)**	**Unfunded AAL (UAAL) (b-a)**	**Funded Ratio (a/b)**	**Covered Payroll (c)**	**UAAL as a Percentage of Covered Payroll (b-a)/c**
January 1, 2011	$ 1,966	$ 2,591	$ 625	76%	$ 1,110	56%
January 1, 2008	–	1,826	1,826	–	1,415	129
January 1, 2006	–	2,090	2,090	–	1,269	165

Note: In April 2008, the Authority established and funded an irrevocable trust in the amount of $2 million. At December 31, 2011, the fair value of this trust was $1,921,510.

Supplemental Financial Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Balance Sheets – Trustee Held Funds

	December 31	
	2011	**2010**
Assets		
Cash	**$ 239**	$ –
Investments, principally U.S. Government obligations	**607,660,532**	729,451,952
Accrued interest receivable	**35,639**	74,317
Due from colleges and universities	**4,666,059**	20,073
Loans and leases receivable	**5,536,499,456**	5,431,878,442
U.S. Government debt service subsidies receivable	**–**	178,420
	$ 6,148,861,925	$ 6,161,603,204
Liabilities		
Accounts payable and accrued expenses	**$ 35,642,172**	$ 26,772,994
Accrued interest payable	**115,383,601**	111,349,887
Bonds and notes payable	**5,581,781,540**	5,473,925,526
Funds held in trust	**416,054,612**	549,554,797
	$ 6,148,861,925	$ 6,161,603,204

The accompanying notes to supplemental financial statements are an integral part of this statement.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Changes in Trustee Held Funds

	Year Ended December 31	
	2011	**2010**
Funds held in trust at beginning of year	**$ 549,554,797**	$ 397,986,931
Additions:		
Proceeds from sale of bonds and issuance of notes:		
Par amount	**370,033,000**	522,831,972
Bond premium (discount), net	**21,099,221**	22,840,716
Annual loan and rental requirements	**417,669,848**	422,891,484
Investment income	**1,938,789**	2,647,094
U.S. Government debt service subsidies	**1,758,840**	1,292,070
Change in investment valuation reserve	**(298,012)**	(236,773)
Total additions	**812,201,686**	972,266,563
Deductions:		
Debt service:		
Interest	**255,769,946**	255,321,477
Principal	**165,386,877**	171,777,333
Project costs	**421,854,266**	305,886,301
Issuance costs	**1,994,418**	4,323,546
Administrative fees	**3,353,044**	3,154,642
College and university contributions returned	**3,449,309**	7,381,193
Transfers to escrow accounts for defeasance of refunded issues	**93,894,011**	72,854,205
Total deductions	**945,701,871**	820,698,697
(Decrease) Increase in funds held in trust	**(133,500,185)**	151,567,866
Funds held in trust at end of year	**$ 416,054,612**	$ 549,554,797

The accompanying notes to supplemental financial statements are an integral part of this statement.

1. Introduction

Under the terms of the Authority's enabling legislation, the Authority has the power to issue bonds and notes on behalf of public and private institutions of higher education in the State of New Jersey. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

Because the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. The supplemental financial statements presented herein include information pertaining to funds held by Trustees of the various bond and note issuances of the Authority.

2. Significant Accounting Policies

The Trustee Held Funds as presented is an agency fund and as such is custodial in nature and does not present results of operations and utilizes the accrual basis of accounting.

3. Funds Held in Trust

Funds held in trust include amounts in the construction, debt service and debt service reserve funds and the renewal and replacement accounts established for each bond issue. Balances maintained in the construction funds represent unexpended proceeds allocated for specific projects; the debt service fund, debt service reserve fund, and renewal and replacement account balances represent amounts reserved for payment of debt service and the renewal and replacement of major components of projects as required by the provisions of the various series resolutions. The following is a schedule of the aggregate funds held in trust as of December 31, 2011 and 2010:

	2011	2010
Construction funds	**$ 327,129,535**	$ 433,028,449
Debt service funds	**1,567,489**	17,650,124
Debt service reserve funds	**80,653,538**	88,636,986
Renewal and replacement accounts	**6,704,050**	10,239,238
	$ 416,054,612	$ 549,554,797

4. Cash and Investments

Investments permitted in the Trustee Held Funds are authorized by the respective Bond Resolutions. All funds held by the trustees may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

Investments held by trustees are carried at fair value and comprise the following:

	2011	**2010**
Investments:		
Collateralized investment agreements	**$ 2,481,000**	$ 2,474,556
U.S. Treasury and agency obligations*	**605,179,532**	726,977,396
Total investments	**$ 607,660,532**	$ 729,451,952

* Includes $135,451,303 and $148,253,486 of investments in pooled U.S. Treasury funds at December 31, 2011 and 2010, respectively, which are uncategorized.

5. Loans and Leases Receivable

Since its inception, the Authority has issued obligations of $13,036,375,299 and $12,666,342,299 as of December 31, 2011 and 2010, respectively, for the benefit of various public and private institutions of higher education. The obligations are secured by loans, mortgages, leases and other agreements, the terms of which generally correspond to the amortization of the related bond issues.

The loans and mortgages are secured by revenues produced by the facilities and by other legally available funds of the institutions. The Authority is the owner of those projects under lease agreements. It is the intention of the Authority to transfer title in the projects at the expiration of the leases. Accordingly, the leases are being accounted for as financing transactions.

5. Loans and Leases Receivable (continued)

Restricted fund receivables comprise the following:

	December 31 2011	December 31 2010
Loans:		
Institute for Advanced Study	**$ 54,970,000**	$ 57,695,000
Princeton University	**1,818,577,500**	1,611,517,500
Mortgages:		
Caldwell College	**18,335,000**	19,035,000
Centenary College	**37,245,341**	37,971,773
College of Saint Elizabeth	**22,390,000**	22,990,000
Drew University	**68,494,915**	65,173,311
Fairleigh Dickinson University	**94,589,315**	98,106,970
Felician College	**8,400,000**	9,000,000
Georgian Court University	**27,955,705**	29,069,124
Institute for Defense Analyses	**13,185,000**	13,670,000
Monmouth University	**–**	13,535,000
New Jersey Institute of Technology	**137,885,000**	142,202,500
Princeton Theological Seminary	**102,435,000**	106,000,000
Rider University	**46,455,000**	49,205,000
Saint Peter’s College	**41,169,728**	42,777,228
Seton Hall University	**111,975,416**	121,354,748
Stevens Institute of Technology	**76,557,500**	76,882,500
University of Medicine and Dentistry of New Jersey	**258,075,000**	258,075,000
Leases:		
Kean University	**353,592,231**	346,277,791
Montclair State University	**342,705,000**	350,385,000
New Jersey City University	**131,887,500**	134,215,000
Passaic County Community College	**13,635,000**	13,635,000
Ramapo College of New Jersey	**227,575,000**	226,620,490
Rowan University (formerly Glassboro State College)	**304,832,500**	320,492,500
Thomas Edison State College	**10,642,805**	2,395,507
The College of New Jersey	**360,825,000**	365,385,000
The Richard Stockton College of New Jersey	**243,336,500**	248,069,000
The William Paterson University of New Jersey	**157,587,500**	163,882,500
Equipment Leasing Fund	**–**	450,000
Higher Education Capital Improvement Fund	**384,265,000**	409,105,000
County College Capital Projects Fund	**6,575,000**	8,580,000
Dormitory Safety Trust Fund	**28,880,000**	34,520,000
Library Grant Program	**31,465,000**	33,605,000
	$ 5,536,499,456	$ 5,431,878,442

6. Bonds, Notes and Leases Payable

Bonds, notes and leases payable comprise the following:

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	Amount Outstanding December 31 2010
Bonds Payable					
Caldwell College:					
2006 Series F	$ 21,400,000	7/1/2032	Variable	**$ 18,335,000**	$ 19,035,000
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	**9,975,000**	10,490,000
2006 Series J	9,154,113	11/1/2036	Variable	**8,787,863**	8,920,363
2007 Series B	4,784,617	11/1/2036	Variable	**4,508,478**	4,587,410
2010 Series D	13,974,000	1/1/2041	Variable	**13,974,000**	13,974,000
Drew University:					
2003 Series C	20,855,000	7/1/2021	3.888%	**14,975,000**	14,975,000
2007 Series D	29,135,000	7/1/2037	4.601%	**26,970,000**	27,055,000
2008 Series B	10,765,000	7/1/2017	4.234%	**8,935,000**	10,165,000
2008 Series I	40,000,000	6/25/2018	Variable	**11,562,302**	8,265,830
2010 Series C	15,580,000	6/1/2024	Variable	**6,747,613**	5,369,981
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	**24,275,000**	29,130,000
Series 2001 B - taxable	5,800,000	3/1/2016	6.117%	**2,065,000**	2,480,000
Series 2003 A	5,440,000	3/1/2018	3.752%	**2,540,000**	2,910,000
Equipment Leasing Fund:					
Series 2003 A	12,620,000	9/1/2011	2.517%	–	450,000
Fairleigh Dickinson University:					
2002 Series D	63,650,000	7/1/2032	6.114%	**55,505,000**	56,830,000
2004 Series C	35,285,000	7/1/2023	5.534%	**27,225,000**	28,820,000
2006 Series G	14,505,000	7/1/2028	4.954%	**12,745,000**	13,215,000
2006 Series H	2,147,554	7/1/2027	4.954%	**899,315**	936,970
Felician College:					
2006 Series I	11,445,000	11/1/2022	4.749%	**8,450,000**	9,050,000
Georgian Court University:					
1998 Series, Project B	6,455,000	7/1/2015	4.198%	**850,000**	1,525,000
2003 Series, Project C	15,215,000	7/1/2033	5.991%	**615,000**	905,000
2007 Series D	26,980,000	7/1/2037	5.022%	**26,070,000**	26,390,000
2007 Series H	1,050,000	10/1/2022	5.296%	**835,705**	891,624

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	Amount Outstanding December 31 2010
Bonds Payable (continued)					
Higher Education Capital Improvement Fund:					
Series 2000 A	$ 132,800,000	9/1/2020	5.242%	**$ 6,795,000**	$ 13,245,000
Series 2000 B	145,295,000	9/1/2020	5.003%	**7,595,000**	14,770,000
Series 2002 A	194,590,000	9/1/2022	4.599%	**11,470,000**	18,685,000
Series 2004 A	76,725,000	9/1/2024	4.352%	**37,215,000**	40,385,000
Series 2005 A	169,790,000	9/1/2019	4.121%	**168,310,000**	168,580,000
Series 2006 A	155,460,000	9/1/2024	4.421%	**152,880,000**	153,440,000
Institute for Advanced Study:					
2001 Series A	11,000,000	7/1/2031	5.101%	**2,215,000**	2,480,000
2006 Series B	29,600,000	7/1/2031	3.990%	**28,400,000**	28,600,000
2006 Series C	20,000,000	7/1/2036	Variable	**18,400,000**	18,800,000
2008 Series C	11,255,000	7/1/2021	3.619%	**5,955,000**	7,815,000
Institute for Defense Analyses:					
2000 Series D	16,695,000	10/1/2030	Variable	**13,185,000**	13,670,000
Kean University:					
Series 1998 B	25,995,000	7/1/2027	4.872%	**5,805,000**	6,245,000
Series 2003 D	75,000,000	7/1/2033	4.811%	**11,615,000**	13,290,000
Series 2005 B	101,915,000	7/1/2037	4.681%	**23,145,000**	23,525,000
Series 2007 D	117,795,000	7/1/2039	4.553%	**114,040,000**	115,955,000
Series 2009 A	179,380,000	9/1/2036	6.404%	**179,380,000**	179,380,000
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	**31,465,000**	33,605,000
Monmouth University:					
1993 Series A	14,365,000	7/1/2013	5.538%	**–**	3,315,000
1997 Series C	12,910,000	7/1/2022	5.732%	**–**	6,970,000
1998 Series D	8,815,000	7/1/2024	5.225%	**–**	4,080,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	2010
Bonds Payable (continued)					
Montclair State University:					
Series 2002 F	$ 78,500,000	7/1/2032	4.489%	**$ 22,375,000**	$ 22,375,000
Series 2003 E	23,425,000	7/1/2033	4.445%	**18,100,000**	18,425,000
Series 2003 L	94,540,000	7/1/2034	4.541%	**27,800,000**	27,960,000
Series 2006 A	98,090,000	7/1/2036	4.816%	**90,650,000**	92,505,000
Series 2006 B	9,970,000	7/1/2012	4.133%	**2,180,000**	4,255,000
Series 2006 J	154,110,000	7/1/2034	4.300%	**154,110,000**	154,110,000
Series 2007 A	6,150,000	7/1/2021	4.022%	**5,475,000**	5,885,000
Series 2008 J	27,545,000	7/01/2038	5.100%	**27,020,000**	27,545,000
New Jersey City University:					
Series 2002 A	15,115,000	7/1/2032	4.949%	**1,535,000**	1,880,000
Series 2003 B	2,300,000	7/1/2018	5.659%	**1,600,000**	1,800,000
Series 2007 F	17,910,000	7/1/2032	4.337%	**17,220,000**	17,480,000
Series 2008 E	68,445,000	7/1/2035	4.763%	**64,165,000**	65,650,000
Series 2008 F	6,175,000	7/1/2036	7.039%	**6,175,000**	6,175,000
Series 2010 F	24,065,000	7/1/2028	3.313%	**24,065,000**	24,065,000
Series 2010 G	18,310,000	7/1/2040	4.062% **	**18,310,000**	18,310,000
New Jersey Institute of Technology:					
Series 2001 H – taxable	12,570,000	7/1/2016	6.259%	**5,505,000**	6,425,000
Series 2004 B	73,530,000	7/1/2025	4.016%	**63,180,000**	66,465,000
Series 2010 H	50,965,000	7/1/2031	4.280%	**50,965,000**	50,965,000
Series 2010 I	20,450,000	7/1/2040	4.304% **	**20,450,000**	20,450,000
Passaic County Comm College					
Series 2010 C	13,635,000	7/1/2041	5.355%	**13,635,000**	13,635,000
Princeton Theological Seminary:					
2002 Series G	26,125,000	7/1/2032	4.824%	**25,360,000**	25,465,000
2009 Series B	14,435,000	12/1/2032	2.878%	**12,655,000**	13,505,000
2010 Series A	68,785,000	7/1/2030	3.745%	**66,230,000**	68,785,000
Princeton University:					
2003 Series D	114,495,000	7/1/2019	3.727%	**72,620,000**	81,010,000
2003 Series E	112,510,000	7/1/2028	3.944%	**54,555,000**	57,900,000
2004 Series D	175,000,000	7/1/2029	4.497%	**28,525,000**	33,375,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	2010
Bonds Payable (continued)					
Princeton University (continued):					
2005 Series A	$ 139,590,000	7/1/2030	4.405%	**$ 133,320,000**	$ 133,955,000
2005 Series B	114,645,000	7/1/2035	4.236%	**76,405,000**	78,750,000
2006 Series D	74,290,000	7/1/2031	4.391%	**66,785,000**	68,800,000
2006 Series E	93,285,000	7/1/2027	4.504%	**92,245,000**	92,375,000
2007 Series E	325,000,000	7/1/2037	4.534%	**301,865,000**	307,995,000
2007 Series F	67,620,000	7/1/2030	4.392%	**67,265,000**	67,385,000
2008 Series J	250,000,000	7/1/2038	4.391%	**241,000,000**	245,590,000
2008 Series K	208,805,000	7/1/2023	4.356%	**174,235,000**	186,160,000
2010 Series B	250,000,000	7/1/2040	4.034%	**250,000,000**	250,000,000
2011 Series B	250,000,000	7/1/2041	4.087%	**250,000,000**	–
Ramapo College of New Jersey:					
Series 1998 G	16,845,000	7/1/2028	4.832%	**7,685,000**	12,785,000
Series 1998 H	2,000,000	7/1/2013	4.309%	**–**	530,000
Series 2001 D	40,480,000	7/1/2031	5.105%	**–**	4,195,000
Series 2002 H	28,655,000	7/1/2032	4.485%	**14,695,000**	16,925,000
Series 2002 I	2,145,000	7/1/2032	4.485%	**1,050,000**	1,210,000
Series 2002 J	29,620,000	7/1/2032	4.485%	**15,195,000**	17,505,000
Series 2003 F	1,820,000	7/1/2013	3.257%	**495,000**	730,000
Series 2003 G	9,300,000	7/1/2013	3.110%	**1,575,000**	2,325,000
Series 2003 H	18,930,000	7/1/2029	4.346%	**17,365,000**	18,010,000
Series 2004 E	53,980,000	7/1/2034	4.630%	**13,140,000**	13,450,000
Series 2006 D	49,085,000	7/1/2036	4.521%	**34,925,000**	35,965,000
Series 2006 I	106,820,000	7/1/2036	4.417%	**105,835,000**	106,165,000
Series 2011 A	19,090,000	7/1/2021	3.325%	**19,090,000**	–
Rider University:					
2002 Series A	27,560,000	7/1/2017	4.709%	**13,960,000**	15,930,000
2004 Series A	14,735,000	7/1/2034	5.301%	**13,075,000**	13,375,000
2007 Series C	22,000,000	7/1/2037	5.172%	**20,830,000**	21,240,000
Rowan University (formerly Glassboro State College):					
Series 1983 D	3,500,000	7/1/2013	3.000%	**355,000**	525,000
Series 2001 B	8,790,000	7/1/2031	5.025%	**–**	210,000
Series 2001 C	60,930,000	7/1/2031	4.943%	**–**	37,140,000
Series 2002 K	14,920,000	7/1/2033	4.866%	**340,000**	665,000
Series 2003 I	64,910,000	7/1/2030	4.714%	**3,815,000**	5,585,000
Series 2004 C	61,275,000	7/1/2034	4.697%	**6,655,000**	8,680,000
Series 2005 D	51,840,000	7/1/2030	4.532%	**49,280,000**	50,960,000
Series 2006 G	69,405,000	7/1/2031	4.362%	**65,090,000**	66,530,000
Series 2007 B	121,355,000	7/1/2034	4.266%	**118,650,000**	119,500,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	Amount Outstanding December 31 2010
Bonds Payable (continued)					
Rowan University (formerly Glassboro State College): (cont)					
Series 2008 B	$ 35,205,000	7/1/2027	4.839%	**$ 35,205,000**	$ 35,205,000
Series 2011 C	30,045,000	7/1/2025	3.705%	**30,045,000**	–
Saint Peter's College:					
2007 Series G	36,053,465	7/1/2027	4.217%	**36,053,466**	36,053,466
2007 Series I	3,848,462	1/1/2013	3.925%	**1,608,462**	2,758,462
2008 Series H	5,000,000	7/1/2018	3.925%	**3,507,800**	3,965,300
Seton Hall University:					
1999 Refunding Series	50,450,000	7/1/2018	5.122%	**–**	23,270,000
2001 Refunding Series A	22,840,000	7/1/2016	4.314%	**–**	5,180,000
2001 Refunding Series B	11,600,000	7/1/2016	4.314%	**–**	5,275,000
2001 Series Project G	8,740,000	7/1/2026	4.598%	**–**	8,740,000
2008 Series D	49,760,000	7/1/2037	Variable	**47,940,000**	48,850,000
2008 Series E	24,340,000	7/1/2037	6.127%	**23,925,000**	24,340,000
2009 Series C	7,955,000	9/1/2036	6.404%	**7,800,000**	7,925,000
2011 Series A	35,470,000	7/1/2026	2.997%	**35,470,000**	–
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	**5,665,000**	5,980,000
2007 Series A	71,060,000	7/1/2034	4.977%	**71,060,000**	71,060,000
The College of New Jersey:					
Series 2002 C	53,155,000	7/1/2019	4.480%	**33,070,000**	36,120,000
Series 2008 D	287,790,000	7/1/2035	5.086%	**285,790,000**	286,790,000
Series 2010 A	3,410,000	7/1/2015	2.411%	**3,410,000**	3,410,000
Series 2010 B	41,090,000	7/1/2040	4.748%**	**41,090,000**	41,090,000
The College of Saint Elizabeth:					
2008 Series F	24,090,000	7/1/2036	Variable	**22,390,000**	22,990,000
The Richard Stockton College of New Jersey:					
Series 1988 A	3,294,000	7/1/2016	3.000%	**689,000**	829,000
Series 2005 F	28,180,000	7/1/2028	4.458%	**22,800,000**	23,715,000
Series 2006 F	50,365,000	7/1/2036	4.460%	**48,320,000**	49,360,000
Series 2007 G	40,250,000	7/1/2037	4.500%	**38,300,000**	39,115,000
Series 2008 A	136,910,000	7/1/2038	5.309%	**136,100,000**	136,910,000
Thomas Edison State College:					
Series 2011 D	8,000,000	10/1/2031	3.516%	**8,000,000**	–

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2011	2010
Bonds Payable (continued)					
University of Medicine and Dentistry of New Jersey:					
Series 2009 B	$ 258,075,000	12/1/2032	7.472%	**$ 258,075,000**	$ 258,075,000
The William Paterson University of New Jersey:					
Series 1981 B	5,000,000	7/1/2011	3.000%	**–**	270,000
Series 2002 E	42,125,000	7/1/2027	4.714%	**15,455,000**	17,610,000
Series 2004 A	30,035,000	7/1/2028	4.131%	**21,855,000**	23,115,000
Series 2005 E	42,295,000	7/1/2030	4.546%	**39,030,000**	40,420,000
Series 2008 C	88,670,000	7/1/2038	4.724%	**84,150,000**	85,860,000
Notes Payable					
Princeton University:					
Various Commercial Paper	120,000,000*	N/A	Variable	**17,570,000**	17,110,000
Leases Payable					
Kean University	916,666	6/1/2014	4.064%	**169,731**	337,791
Kean University	10,000,000	7/1/2020	3.140%	**8,750,000**	9,750,000
Kean University	15,000,000	2/15/2021	2.820%	**13,875,000**	–
Ramapo College of New Jersey	1,377,090	4/1/2011	Various	**–**	490
Seton Hall University	3,371,289	5/27/2011	3.040%	**–**	719,332
Thomas Edison State College	1,800,000	3/8/2012	3.647%	**38,708**	190,033
Thomas Edison State College	2,700,000	9/28/2022	Variable	**1,151,388**	1,538,541
Thomas Edison State College	700,000	9/14/2015	2.370%	**532,691**	666,933
Thomas Edison State College	948,000	7/1/2019	2.427%	**920,018**	–
Treasurer, State of New Jersey, Series 1999 A	19,295,000	9/1/2014	4.705%	**1,225,000**	1,600,000
Essex County, Series 1999 C	4,570,000	9/1/2014	5.177%	**1,180,000**	1,540,000
Hudson County, Series 1999 D	7,750,000	9/1/2014	5.177%	**2,000,000**	2,610,000
Middlesex County, Series 1999 E	4,370,000	9/1/2014	5.053%	**1,130,000**	1,470,000
Passaic County, Series 1999 F	2,015,000	9/1/2014	5.125%	**515,000**	675,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000	9/1/2014	5.177%	**525,000**	685,000
				$ 5,581,781,540	$ 5,473,925,526

* Maximum authorized amount.
** Build America Bond

6. Bonds, Notes and Leases Payable (continued)

The minimum aggregate principal maturities for each of the following five year periods are as follows:

2012 – 2016	$ 1,023,985,600
2017 – 2021	1,252,428,852
2022 – 2026	1,153,491,106
2027 – 2031	1,060,462,133
2032 – 2036	809,844,070
2037 – Thereafter	281,569,779
	$ 5,581,781,540

7. Refunded Bond Issues

When conditions have warranted, the Authority has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by the Escrow Agent, an amount which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Authority's financial statements.

Certain transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The debt service savings, together with any accounting gain or loss that will be deferred, accrue to the respective institutions.

7. Refunded Bond Issues (continued)

Refunded bonds outstanding at December 31, 2011 comprise the following:

		Refunded Issues			Refunding Issues		
Issue	Principal Amount Outstanding December 31, 2011	Principal Amount Refunded	Call Date	Debt Service Savings	Date of Issuance	Issue	Original Amount of Issue
Higher Educational Capital Improvement Fund							
Series 2002 A	$ 41,850,000	$ 41,850,000	9/1/2012	$ 5,080,385	8/10/2005	Series 2005 A	$ 169,790,000
Princeton University							
2003 Series E	25,000,000	25,000,000	7/1/2013	4,243,735	4/12/2005	2005 Series A	139,590,000
2004 Series D	31,470,000	31,470,000	7/1/2014				
The William Paterson University of New Jersey							
Series 2002 E	11,305,000	11,305,000	7/1/2012	1,420,584	11/10/2005	Series 2005 E	42,295,000
Princeton University							
2003 Series E	5,950,000	5,950,000	7/1/2013	2,755,549	8/10/2006	2006 Series E	45,500,000
2004 Series D	49,045,000	49,045,000	7/1/2014				
2005 Series B	7,820,000	7,820,000	7/1/2015				
Rowan University							
Series 2002 K	4,805,000	4,805,000	7/1/2012	738,003	11/16/2006	Series 2006 G	14,920,000
Series 2003 I	17,225,000	17,385,000	7/1/2013				64,910,000
Higher Education Capital Improvement Fund							
Series 2002 A	102,810,000	102,810,000	9/1/2012	4,438,363	10/26/2006	Series 2006 A	194,590,000
Series 2004 A	22,760,000	22,760,000	9/1/2014				76,725,000
Ramapo College of New Jersey							
Series 2001 D	–	32,130,000	7/1/2011	3,510,943	11/28/2006	Series 2006 I	40,480,000
Series 2002 H	7,930,000	8,795,000	7/1/2012				28,655,000
Series 2002 I	570,000	615,000	7/1/2012				2,145,000
Series 2002 J	8,205,000	8,835,000	7/1/2012				29,620,000
Series 2004 E	40,300,000	40,300,000	7/1/2014				53,980,000
Series 2006 D	11,145,000	11,145,000	7/1/2016				49,085,000
Montclair State University							
Series 2001 F	–	18,695,000	7/1/2011	6,194,157	12/14/2006	Series 2006 J	18,695,000
Series 2002 F	43,775,000	56,125,000	7/1/2015				78,500,000
Series 2003 L	55,500,000	64,290,000	7/1/2014				94,540,000
New Jersey City University							
Series 2002 A	10,855,000	11,785,000	7/1/2012	696,503	4/4/2007	Series 2007 F	15,115,000
Kean University							
Series 2001 A	–	4,790,000	7/1/2011	14,985,307	4/13/2007	Series 2007 E	156,240,000
Series 2003 D	54,420,000	60,395,000	7/1/2013				
Series 2005 B	71,035,000	77,530,000	7/1/2016				

7. Refunded Bond Issues (continued)

Issue	Principal Amount Outstanding December 31, 2011	Refunded Issues Principal Amount Refunded	Refunded Issues Call Date	Debt Service Savings	Refunding Issues Date of Issuance	Refunding Issues Issue	Refunding Issues Original Amount of Issue
Stevens Institute of Technology							
1998 Series I	$ 4,860,000	$ 6,050,000	No Call	$ N/A*	8/2/2007	2007 Series A	$ 71,060,000
2002 Series C	44,975,000	49,355,000	7/1/2013				
2004 Series B	11,815,000	12,825,000	7/1/2014				
Princeton University							
2003 Series E	4,270,000	4,270,000	7/1/2013	2,361,004	6/19/2007	2007 Series F	67,620,000
2004 Series D	36,805,000	36,805,000	7/1/2014				
2005 Series A	2,095,000	2,095,000	7/1/2015				
2005 Series B	17,625,000	17,625,000	7/1/2015				
Rowan University							
Series 2001 B	–	7,610,000	7/1/2011	4,465,765	4/5/2007	Series 2007 B	121,355,000
Series 2001 C	–	7,850,000	7/1/2011				
Series 2002 K	7,435,000	8,340,000	7/1/2012				
Series 2003 I	32,930,000	35,615,000	7/1/2013				
Series 2004 C	47,905,000	51,595,000	7/1/2014				
Georgian Court University							
2003 Series, Project C	12,790,000	13,585,000	7/1/2013	1,034,788	7/19/2007	2007 Series D	26,980,000
Drew University							
2003 Series C	1,615,000	2,390,000	7/1/2013	N/A*	11/15/2010	2010 Series C	15,580,000
2007 Series D	855,000	1,255,000	7/1/2013				
New Jersey Institute of Technology							
Series 2001 G	–	56,305,000	7/1/2011	3,683,210	11/12/2010	Series 2010 H	50,965,000
Seton Hall University							
1999 Series	–	23,270,000	7/1/2011	2,898,600	6/10/11	2011 Series A	35,470,000
2001 Series A	–	5,180,000	7/1/2011				
2001 Series B	–	5,275,000	7/1/2011				
2001 Series G	–	8,740,000	7/1/2011				
Monmouth University							
1993 Series A	–	3,315,000	Defeased	N/A	4/15/2011		
1997 Series C	–	6,970,000	Defeased	N/A	4/15/2011		
1998 Series D	–	4,080,000	Defeased	N/A	4/15/2011		
Ramapo College of NJ							
Series 1998 G	–	4,645,000	7/1/2011	424,713	5/10/2011	Series 2011 A	19,090,000
Series 1998 H	–	365,000	7/1/2011				
Series 2001 D	–	3,215,000	7/1/2011				
Series 2002 H	1,550,000	1,550,000	7/1/2012				
Series 2002 I	110,000	110,000	7/1/2012				
Series 2002 J	1,600,000	1,600,000	7/1/2012				
Rowan University							
Series 2001 C	–	37,140,000	7/1/2011	3,831,495	5/25/2011	Series 2011 C	30,045,000

* Debt restructuring

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the
New Jersey Educational Facilities Authority

We have audited the financial statements of the New Jersey Educational Facilities Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Members of the New Jersey Educational Facilities Authority, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

March 20, 2012

Ernst & Young LLP

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