NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2013 AND 2012

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NJEFA
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540
PHONE 609-987-0880 • FAX 609-987-0850 • www.njefa.com

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 of America 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 CliftonLarsonAllen LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditors' 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 of America, 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 the independent 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. The independent auditors have unrestricted access to the Audit Committee.

Derek S. Hansel
Executive Director

Marie P. Mueller
Controller

March 18, 2014

REPORT OF INDEPENDENT AUDITORS

Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Educational Facilities Authority (the Authority), a component unit of the State of New Jersey, which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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 entity'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 entity'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 business type activities of the Authority as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of funding progress, and the schedule of employer contributions to the OPEB plan on pages 4 - 6 and page 19, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's 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.

The supplemental financial information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Financial Statements

The financial statements of New Jersey Educational Facilities Authority (a component unit of the State of New Jersey) as of December 31, 2012, were audited by other auditors whose report dated March 12, 2013, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2014 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 in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 18, 2014

Introduction

This section of the New Jersey Educational Facilities Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2013 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: Statements of Net Position; 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.

Financial Highlights 2013:

- The Authority issued over $119 million of conduit debt for educational institutions during 2013.
- Cash and Investments represent approximately 98% of Total Assets at the end of 2013.
- The Authority's 2013 operating margin (net operating income as a percentage of operating revenues) was 30%.
- At December 31, 2013, Net Position represents 2.5 times 2013 Total Operating Expenses.

During 2013, the Authority's volume of financing activity was approximately $91 million less than 2012. The reduced volume was due to market conditions and transaction timing. 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.

Condensed Financial Information

The following table represents condensed balance sheet information and changes between December 31, 2012 and December 31, 2013 and between December 31, 2011 and December 31, 2012:

	2013	2012	2011	Increase (Decrease) 2012 to 2013	Increase (Decrease) 2011 to 2012
Current Assets	$ 6,917,902	$ 5,785,871	$ 4,550,043	19.57%	27.16%
Capital Assets, Net	67,556	81,490	110,140	(17.10%)	(26.01%)
Total Assets	6,985,458	5,867,361	4,660,183	19.06%	25.90%
Current Liabilities	228,809	235,102	254,185	(2.68%)	(7.51%)
Noncurrent Liabilities	1,155,497	976,949	810,841	18.28%	20.49%
Total Liabilities	1,384,306	1,212,051	1,065,026	14.21%	13.80%
Total Net Position	$ 5,601,152	$ 4,655,310	$ 3,595,157	20.32%	29.49%

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Net Position, and changes between 2012 and 2013 and between 2011 and 2012:

	2013	2012	2011	Increase (Decrease) 2012 to 2013	Increase (Decrease) 2011 to 2012
Operating Revenues:					
Administrative Fees	$ 3,187,412	$ 3,383,100	$ 3,355,088	(5.78%)	0.83%
Total Operating Revenues	3,187,412	3,383,100	3,355,088	(5.78%)	0.83%
Operating Expenses:					
Salaries and Related Expenses	1,470,618	1,532,384	1,587,923	(4.03%)	(3.50%)
Provision for Postemployment Benefits	181,704	168,100	562,000	8.09%	(70.09%)
General Expenses	593,236	626,107	691,803	(5.25%)	(9.50%)
Total Operating Expenses	2,245,558	2,326,591	2,841,726	(3.48%)	(18.13%)
Net Operating Income	941,854	1,056,509	513,362	(10.85%)	105.80%
Nonoperating Revenues (Expenses):					
Investment Income	3,988	3,644	9,425	9.44%	(61.34%)
Transfer to the State of New Jersey		-	(8,000,000)		
Change in Net Position	945,842	1,060,153	(7,477,213)	(10.78%)	(114.18%)
Net Position - Beginning of Year	4,655,310	3,595,157	11,072,370	29.49%	(67.53%)
Net Position - End of Year	$ 5,601,152	$ 4,655,310	$ 3,595,157	20.32%	29.49%

Analysis of Overall Financial Position and Results of Operations

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

Revenues

The Authority's revenues are derived primarily from two fees; annual fees charged with respect to existing bond issues, and initial fees charged with respect to the issuance of new debt. Total revenues for 2013 decreased approximately $196,000 from 2012 and total revenues for 2012 increased approximately $28,000 from 2011.

Expenses

Operating expenses in 2013 decreased 3.5% from 2012 and decreased 18.1% in 2012 from 2011. The decrease in operating expenses from 2011 is primarily related to a decrease in the provision for post retirement benefits.

Assets and Liabilities

Net position increased $0.9 million, or 20.3% from 2012 to 2013 and increased $1.1 million, or 29.5% from 2011 to 2012.

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, New Jersey 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, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 124,931	$ 77,838
Investments, Principally U.S. Government Obligations	6,751,242	5,130,603
Fees Receivable	25,000	564,823
Prepaid Expenses and Other Assets	16,729	12,607
Total Current Assets	6,917,902	5,785,871
NONCURRENT ASSETS		
Capital Assets, at Cost, Less Accumulated Depreciation of $540,605 and $625,625 During 2013 and 2012, Respectively	67,556	81,490
Total Assets	6,985,458	5,867,361
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	228,809	235,102
NONCURRENT LIABILITIES		
Postemployment Benefits other than Pension	1,130,284	948,580
Project Obligations	25,213	28,369
Total Noncurrent Liabilities	1,155,497	976,949
Total Liabilities	1,384,306	1,212,051
NET POSITION		
Invested in Capital Assets	67,556	81,490
Unrestricted	5,533,596	4,573,820
Total Net Position	$ 5,601,152	$ 4,655,310

See accompanying Notes to Financial Statements.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Administrative Fees	$ 3,187,412	$ 3,383,100
OPERATING EXPENSES		
Salaries and Related Expenses	1,470,618	1,532,384
General and Administrative Expenses	535,262	538,630
Provision for Postemployment Benefits	181,704	168,100
Professional Fees	57,974	87,477
Total Operating Expenses	2,245,558	2,326,591
NET OPERATING INCOME	941,854	1,056,509
NONOPERATING REVENUE		
Investment Income	3,988	3,644
NET CHANGES IN NET POSITION	945,842	1,060,153
Net Position - Beginning of Year	4,655,310	3,595,157
NET POSITION - END OF YEAR	$ 5,601,152	$ 4,655,310

See accompanying Notes to Financial Statements.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Administrative Fees	$ 3,723,113	$ 2,848,243
Cash Payments for Operating Expenses	(2,046,212)	(2,144,428)
Net Cash Provided by Operating Activities	1,676,901	703,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(11,564,735)	(7,974,092)
Sale and Maturity of Investments	9,943,535	7,258,092
Investment Income	4,549	2,485
Net Cash Used by Investing Activities	(1,616,651)	(713,515)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(13,157)	(6,488)
Net Cash Used by Capital and Related Financing Activities	(13,157)	(6,488)
NET INCREASE (DECREASE) IN CASH	47,093	(16,188)
Cash - Beginning of Year	77,838	94,026
CASH - END OF YEAR	$ 124,931	$ 77,838
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	$ 941,854	$ 1,056,509
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	27,091	35,138
Changes in Assets and Liabilities:		
Fees Receivable	539,823	(537,676)
Prepaid Expenses and Other Assets	(4,122)	2,819
Accounts Payable and Accrued Expenses	(6,293)	(19,083)
Project Obligations	(3,156)	(1,992)
Postemployment Benefits other than Pension	181,704	168,100
Net Cash Provided by Operating Activities	$ 1,676,901	$ 703,815
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT ACTIVITIES		
Change in Fair Value of Investments	$ (561)	$ 1,159

See accompanying Notes to Financial Statements.

NOTE 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 conduit debt and 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.

NOTE 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 of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (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.

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.

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, 2013, the amount of conduit debt outstanding totaled $5,056,049,782.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standard

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the Authority's financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012* ("GASB 66"). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the Authority's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement has no effect on the Authority's financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. The Authority has not completed the process of evaluating the impact of GASB 70 on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68, concerning transition provisions related to certain pension contributions made to defined pension plans prior to implementation of that Statement made by employers and nonemployer contributing entities. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

NOTE 3 CASH AND INVESTMENTS

At year end, the Authority's bank balance was $128,570 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.

Investments of the Authority comprise the following:

	2013	2012
Investments:		
U.S. Treasury Bills	$ 6,210,485	$ 5,129,406
Money Market Mutual Fund	540,757	1,197
Total Investments	$ 6,751,242	$ 5,130,603

In 2013 and 2012, the Authority had $540,757 and $1,197, 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

At December 31, 2013 and 2012, the Authority's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance.

As of December 31, 2013 and 2012, the Authority's investments consisted of U.S. Treasury Bills in the amount of $6,210,485 and $5,129,406, 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, 2013 or 2012, 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, 2013, the U.S. Treasury Bills had maturities ranging from January 3, 2013 through July 25, 2013.

For the years ended December 31, 2013 and 2012, investment income comprised the following:

	2013	2012
Interest Earnings	$ 4,549	$ 2,485
Net Increase (Decrease) in Fair Value of Investments	(561)	1,159
Total Investment Income	$ 3,988	$ 3,644

NOTE 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, 2013, 2012 and 2011 was $122,993, $159,649 and $148,697, 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 6.78% effective July 2013, 6.64% effective July 2012, 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, P.O. 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.

NOTE 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.

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

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, 2013 and 2012 and the related information for the plan are as follows (dollar amounts in thousands):

	2013	2012
Annual Required Contribution	$ 1,130	$ 948
Interest on the Net OPEB Obligation	38	31
Amortization of the Net OPEB Obligation	(986)	(811)
Increase in Net OPEB Obligation	182	168
Net OPEB Obligation - Beginning of Year	948	780
Net OPEB Obligation - End of Year	$ 1,130	$ 948

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2010 through 2013 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 182	0.00%	$ 1,130
December 31, 2012	168	0.00%	948
December 31, 2011	562	0.00%	780

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, 2013 and 2012, the fair value of this trust fund was $1,786,017 and $1,851,610, respectively. As of December 31, 2013 and 2012, the actuarial liability for benefits was $2,916,017 and $2,799,610, respectively, which, due to the establishment of the trust, is now approximately 61% funded. The difference of 39% is reported as a liability on the Authority's books.

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

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.

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

At December 31, 2013, the Plan had 17 participants of which 12 were active employees and 5 were retirees. Of the Plan participants, 5 retirees and 0 active employees were eligible to receive benefits.

NOTE 6 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, and 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.

NOTE 7 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.

- **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.

NOTE 8 CHANGES IN NET POSITION

The changes in net position are as follows:

	Invested in Capital Assets	Unrestricted	Total
Net Position at December 31, 2011	$ 110,140	$ 3,485,017	$ 3,595,157
Net Position Change	-	1,060,153	1,060,153
Capital Asset Additions	6,488	(6,488)	-
Depreciation	(35,138)	35,138	-
Net Position at December 31, 2012	81,490	4,573,820	4,655,310
Net Position Change	-	945,842	945,842
Capital Asset Additions	13,157	(13,157)	-
Depreciation	(27,091)	27,091	-
Net Position at December 31, 2013	$ 67,556	$ 5,533,596	$ 5,601,152

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the last three years

Required Supplementary Information

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN
(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, 2013, the fair value of this trust was $1,786,450.

Schedule 2

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN
(in thousands)

Year Ended December 31,	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	181.7	0.00%	1,129.8
2012	168.1	0.00%	948.1
2011	562.0	0.00%	780.0
2010	120.0	0.00%	218.0
2009	95.0	0.00%	98.0
2008	(221.0)	N/A	3.0

Supplemental Financial Information

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
BALANCE SHEETS – TRUSTEE HELD FUNDS
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 60,455	$ -
Investments, Principally U.S. Government Obligations	313,108,095	415,449,237
Accrued Interest Receivable	-	22,344
Due from Colleges and Universities	4,753,927	3,144,000
Loans and Leases Receivable	5,006,327,283	5,391,380,667
Total Assets	$ 5,324,249,760	$ 5,809,996,248
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 3,408,196	$ 12,355,881
Accrued Interest Payable	100,943,695	105,986,445
Bonds and Notes Payable	5,056,049,783	5,436,335,251
Funds Held in Trust	163,848,086	255,318,671
Total Liabilities	$ 5,324,249,760	$ 5,809,996,248

See accompanying Notes to Supplemental Financial Statements.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CHANGES IN TRUSTEE HELD FUNDS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Funds Held in Trust - Beginning of Year	$ 255,318,671	$ 416,054,612
Additions:		
Proceeds from Sale of Bonds and Issuance of Notes:		
Par Amount	413,425,637	240,620,000
Bond Premium, Net	2,783,148	15,240,523
Annual Loan and Rental Requirements	687,096,023	426,198,785
College and University Contributions (Returned)	1,240,806	(360,257)
Investment Income	711,886	3,464,656
U.S. Government Debt Service Subsidies	1,725,766	1,874,814
Change in Investment Valuation Reserve	(69,415)	(115,562)
Total Additions	1,106,913,851	686,922,959
Deductions:		
Debt Service:		
Interest	235,850,590	248,101,741
Principal	451,164,784	176,374,142
Project Costs	445,408,858	260,601,859
Issuance Costs	1,411,318	1,835,137
Administrative Fees	3,162,729	3,385,740
Transfers to Escrow Accounts for Defeasance of Refunded Issues	61,386,157	157,360,281
Total Deductions	1,198,384,436	847,658,900
Decrease in Funds Held in Trust	(91,470,585)	(160,735,941)
Funds Held in Trust - End of Year	$ 163,848,086	$ 255,318,671

See accompanying Notes to Supplemental Financial Statements.

NOTE 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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The Trustee Held Funds are presented as fiduciary funds and held by outside trustees and as such are not intended to present the financial position or results of operations. The Trustee Held Funds utilize the accrual basis of accounting.

NOTE 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, 2013 and 2012:

	2013	2012
Construction Funds	$ 113,757,331	$ 180,265,008
Debt Service Funds	4,861,001	2,572,503
Debt Service Reserve Funds	38,979,089	65,808,789
Renewal and Replacement Accounts	6,250,665	6,672,371
Total Funds Held in Trust	$ 163,848,086	$ 255,318,671

NOTE 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:

	2013	2012
Investments:		
Collateralized Investment Agreements	$ 5,689,000	$ 2,475,000
Variable Rate Demand Obligations	5,900,000	5,900,000
U.S. Treasury and Agency Obligations*	301,519,095	407,074,237
Total Investments	$ 313,108,095	$ 415,449,237

* Includes $177,788,872 and $144,204,847 of investments in pooled U.S. Treasury funds at December 31, 2013 and 2012, respectively, which are uncategorized.

NOTE 5 LOANS AND LEASES RECEIVABLE

Since its inception, the Authority has issued obligations of $13,445,722,299 and $13,276,995,299 as of December 31, 2013 and 2012, 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. For projects under lease agreements, the Authority is the owner of those projects. 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.

NOTE 5 LOANS AND LEASES RECEIVABLE (CONTINUED)

Loans and leases receivable comprise the following:

	2013	2012
Loans:		
Institute for Advanced Study	$ 48,975,000	$ 52,915,000
New Jersey Institute of Technology	71,415,000	71,415,000
Princeton Theological Seminary	69,857,500	98,750,000
Princeton University	1,740,922,500	1,796,772,500
Mortgages:		
Bloomfield College	20,165,637	-
Caldwell College	19,775,732	17,605,000
Centenary College	35,066,874	36,184,066
College of Saint Elizabeth	21,090,000	21,790,000
Drew University	69,160,060	68,458,571
Fairleigh Dickinson University	86,960,781	90,877,249
Felician College	7,115,000	7,775,000
Georgian Court University	26,092,351	27,046,916
Institute for Defense Analyses	12,160,000	12,680,000
New Jersey Institute of Technology	2,947,500	4,012,500
Rider University	46,665,000	50,247,500
Saint Peter's College	36,974,259	39,211,471
Seton Hall University	131,210,000	104,547,917
Stevens Institute of Technology	72,465,000	75,102,500
University of Medicine and Dentistry of New Jersey		252,045,000
Leases:		
Kean University	331,174,664	344,452,739
Montclair State University	323,820,000	333,135,000
New Jersey City University	125,895,000	129,355,000
Passaic County Community College	13,265,000	13,512,500
Ramapo College of New Jersey	255,540,000	263,650,000
Rowan University (formerly Glassboro State College)	283,195,000	293,787,500
Thomas Edison State College	9,195,425	9,970,238
The College of New Jersey	373,382,500	353,810,000
The Richard Stockton College of New Jersey	231,399,000	237,489,000
The William Paterson University of New Jersey	163,137,500	169,752,500
Higher Education Capital Improvement Fund	330,545,000	358,095,000
County College Capital Projects Fund	2,270,000	4,475,000
Dormitory Safety Trust Fund	17,605,000	23,240,000
Library Grant Program	26,885,000	29,220,000
Total	$ 5,006,327,283	$ 5,391,380,667

NOTE 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, 2013	2012
Bonds Payable					
Bloomfield College					
2013 Series A	$ 32,267,000	5/13/2043	Variable	$ 20,165,637	$ -
Caldwell College:					
2006 Series F	21,400,000	7/1/2032	Variable	-	17,605,000
2013 Series E	20,000,000	5/31/2038	3.629%	19,775,732	-
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	8,890,000	9,445,000
2006 Series J	9,154,113	11/1/2036	Variable	8,501,612	8,649,113
2007 Series B	4,784,617	11/1/2036	Variable	4,335,262	4,424,953
2010 Series D	13,974,000	1/1/2041	Variable	13,340,000	13,665,000
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%	26,785,000	26,880,000
2008 Series B	10,765,000	7/1/2017	4.234%	6,270,000	7,635,000
2008 Series I	40,000,000	6/25/2018	Variable	13,958,682	11,938,282
2010 Series C	15,580,000	6/1/2024	Variable	8,598,878	7,760,289
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	14,565,000	19,420,000
Series 2001 B - Taxable	5,800,000	3/1/2016	6.117%	1,235,000	1,650,000
Series 2003 A	5,440,000	3/1/2018	3.752%	1,805,000	2,170,000
Fairleigh Dickinson University:					
2002 Series D	63,650,000	7/1/2032	6.114%	52,610,000	54,100,000
2004 Series C	35,285,000	7/1/2023	5.534%	23,790,000	25,555,000
2006 Series G	14,505,000	7/1/2028	4.954%	11,730,000	12,250,000
2006 Series H	2,147,554	7/1/2027	4.954%	818,281	859,749
Felician College:					
2006 Series I	11,445,000	11/1/2022	4.749%	7,170,000	7,830,000
Georgian Court University:					
1998 Series, Project B	6,455,000	7/1/2015	4.198%	450,000	655,000
2003 Series, Project C	15,215,000	7/1/2033	5.991%	-	315,000
2007 Series D	26,980,000	7/1/2037	5.022%	25,385,000	25,735,000
2007 Series H	1,050,000	10/1/2022	5.296%	714,851	776,916

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
Higher Education Capital					
Improvement Fund:					
Series 2002 A	194,590,000	9/1/2022	4.599%	3,140,000	3,890,000
Series 2004 A	76,725,000	9/1/2024	4.352%	30,355,000	33,875,000
Series 2005 A	169,790,000	9/1/2019	4.121%	145,355,000	168,030,000
Series 2006 A	155,460,000	9/1/2024	4.421%	151,695,000	152,300,000
Institute for Advanced Study:					
2001 Series A	11,000,000	7/1/2031	5.101%	-	1,940,000
2006 Series B	29,600,000	7/1/2031	3.990%	26,500,000	27,500,000
2006 Series C	20,000,000	7/1/2036	Variable	17,500,000	18,000,000
2008 Series C	11,255,000	7/1/2021	3.619%	4,975,000	5,475,000
Institute for Defense Analysis:					
2000 Series D	16,695,000	10/1/2030	Variable	12,160,000	12,680,000
Kean University:					
Series 1998 B	25,995,000	7/1/2027	4.872%	4,865,000	5,345,000
Series 2003 D	75,000,000	7/1/2033	4.811%	8,080,000	9,885,000
Series 2005 B	101,915,000	7/1/2037	4.681%	18,630,000	20,945,000
Series 2007 D	117,795,000	7/1/2039	4.553%	109,990,000	112,055,000
Series 2009 A	179,380,000	9/1/2036	6.404%	178,735,000	179,380,000
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	26,885,000	29,220,000
Montclair State University:					
Series 2002 F	78,500,000	7/1/2032	4.489%	17,800,000	20,125,000
Series 2003 E	23,425,000	7/1/2033	4.445%	17,275,000	18,100,000
Series 2003 L	94,540,000	7/1/2034	4.541%	23,430,000	25,645,000
Series 2006 A	98,090,000	7/1/2036	4.816%	86,680,000	88,705,000
Series 2006 J	154,110,000	7/1/2034	4.300%	152,860,000	153,595,000
Series 2007 A	6,150,000	7/1/2021	4.022%	4,600,000	5,050,000
Series 2008 J	27,545,000	7/1/2038	5.100%	25,925,000	26,480,000

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Effective Interest Rate	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
New Jersey City University:					
Series 2002 A	15,115,000	7/1/2032	4.949%	800,000	1,175,000
Series 2003 B	2,300,000	7/1/2018	5.659%	1,200,000	1,400,000
Series 2007 F	17,910,000	7/1/2032	4.337%	16,680,000	16,955,000
Series 2008 E	68,445,000	7/1/2035	4.763%	61,020,000	62,625,000
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%	23,820,000	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%	3,495,000	4,530,000
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 Community College:					
Series 2010 C	13,635,000	7/1/2041	5.355%	13,390,000	13,635,000
Princeton Theological Seminary:					
2002 Series G	26,125,000	7/1/2032	4.824%	-	25,250,000
2009 Series B	14,435,000	12/1/2032	2.878%	10,820,000	11,760,000
2010 Series A	68,785,000	7/1/2030	3.745%	60,920,000	63,615,000
Princeton University:					
2003 Series D	114,495,000	7/1/2019	3.727%	60,995,000	66,865,000
2003 Series E	112,510,000	7/1/2028	3.944%	-	51,040,000
2004 Series D	175,000,000	7/1/2029	4.497%	18,015,000	23,410,000
2005 Series A	139,590,000	7/1/2030	4.405%	125,135,000	129,960,000
2005 Series B	114,645,000	7/1/2035	4.236%	71,450,000	73,970,000
2006 Series D	74,290,000	7/1/2031	4.391%	62,440,000	64,665,000
2006 Series E	93,285,000	7/1/2027	4.504%	91,970,000	92,110,000
2007 Series E	325,000,000	7/1/2037	4.534%	288,960,000	295,525,000
2007 Series F	67,620,000	7/1/2030	4.392%	67,020,000	67,145,000
2008 Series J	250,000,000	7/1/2038	4.391%	231,265,000	236,230,000
2008 Series K	208,805,000	7/1/2023	4.356%	148,770,000	161,755,000
2010 Series B	250,000,000	7/1/2040	4.034%	240,815,000	245,475,000
2011 Series B	250,000,000	7/1/2041	4.087%	245,770,000	250,000,000

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Effective Interest Rate	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
Ramapo College of New Jersey:					
Series 2003 F	1,820,000	7/1/2013	3.257%	-	255,000
Series 2003 G	9,300,000	7/1/2013	3.110%	-	800,000
Series 2003 H	18,930,000	7/1/2029	4.346%	16,020,000	16,705,000
Series 2004 E	53,980,000	7/1/2034	4.630%	11,645,000	12,395,000
Series 2006 D	49,085,000	7/1/2036	4.521%	32,725,000	33,845,000
Series 2006 I	106,820,000	7/1/2036	4.417%	105,130,000	105,490,000
Series 2011 A	19,090,000	7/1/2021	3.325%	15,720,000	17,470,000
Series 2012 B	80,670,000	7/1/2042	3.689%	78,430,000	80,670,000
Rider University:					
2012 Series A	52,020,000	7/1/2037	3.741%	48,475,000	52,020,000
Rowan University (formerly Glassboro State College):					
Series 1983 D	3,500,000	7/1/2013	3.000%	-	180,000
Series 2003 I	64,910,000	7/1/2030	4.714%	-	1,955,000
Series 2004 C	61,275,000	7/1/2034	4.697%	2,320,000	4,525,000
Series 2005 D	51,840,000	7/1/2030	4.532%	45,700,000	47,525,000
Series 2006 G	69,405,000	7/1/2031	4.362%	62,025,000	63,585,000
Series 2007 B	121,355,000	7/1/2034	4.266%	115,630,000	117,340,000
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%	26,410,000	28,410,000
Saint Peter's University (formerly Saint Peter's College):					
2007 Series G	36,053,465	7/1/2027	4.217%	34,437,959	36,053,466
2007 Series I	3,848,462	1/1/2013	3.925%	-	125,705
2008 Series H	5,000,000	7/1/2018	3.925%	2,536,300	3,032,300

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Effective Interest Rate	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
Seton Hall University:					
2008 Series D	49,760,000	7/1/2037	Variable	45,955,000	46,960,000
2008 Series E	24,340,000	7/1/2037	6.127%	23,025,000	23,485,000
2009 Series C	7,955,000	9/1/2036	6.404%	-	7,675,000
2011 Series A	35,470,000	7/1/2026	2.997%	23,725,000	29,695,000
2013 Series D	41,910,000	7/1/2043	2.707%	41,910,000	-
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	4,980,000	5,330,000
2007 Series A	71,060,000	7/1/2034	4.977%	68,835,000	71,060,000
The College of New Jersey:					
Series 2008 D	287,790,000	7/1/2035	5.086%	283,790,000	284,790,000
Series 2010 A	3,410,000	7/1/2015	2.411%	1,755,000	3,348,000
Series 2010 B	41,090,000	7/1/2040	4.748%**	41,090,000	40,337,000
Series 2012 A	26,255,000	7/1/2019	1.637%	26,255,000	26,255,000
Series 2013 A	24,950,000	7/1/2043	4.561%	24,950,000	-
The College of Saint Elizabeth:					
2008 Series F	24,090,000	7/1/2036	Variable	21,090,000	21,790,000
The Richard Stockton College of New Jersey:					
Series 1998 A	3,294,000	7/1/2016	3.000%	394,000	544,000
Series 2005 F	28,180,000	7/1/2028	4.458%	20,840,000	21,845,000
Series 2006 F	50,365,000	7/1/2036	4.460%	46,105,000	47,235,000
Series 2007 G	40,250,000	7/1/2037	4.500%	36,565,000	37,450,000
Series 2008 A	136,910,000	7/1/2038	5.309%	130,610,000	133,390,000
Thomas Edison State College:					
Series 2011 D	8,000,000	10/1/2031	3.516%	7,578,947	8,000,000
University of Medicine and Dentistry of New Jersey:					
Series 2009 B	258,075,000	12/1/2032	7.472%	-	252,045,000
The William Paterson University of New Jersey:					
Series 2004 A	30,035,000	7/1/2028	4.131%	945,000	2,300,000
Series 2005 E	42,295,000	7/1/2030	4.546%	34,870,000	37,580,000
Series 2008 C	88,670,000	7/1/2038	4.724%	80,245,000	82,235,000
Series 2012 C	33,815,000	7/1/2042	2.955%	33,140,000	33,815,000
Series 2012 D	21,860,000	7/1/2028	2.489%	17,085,000	17,290,000

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount		Final Maturity Date	Effective Interest Rate	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
Notes Payable						
Princeton University:						
Various Commercial Paper	120,000,000	*	N/A	Variable	95,700,000	46,100,000
Leases Payable						
Kean University	916,666		6/1/2014	4.064%	-	50,239
Kean University	10,000,000		7/1/2020	3.140%	6,750,000	7,750,000
Kean University	15,000,000		2/15/2021	2.820%	7,612,163	12,375,000
Thomas Edison State College	2,700,000		9/28/2022	Variable	663,147	764,235
Thomas Edison State College	700,000		9/14/2015	2.370%	254,480	395,232
Thomas Edison State College	948,000		7/1/2019	2.427%	698,852	810,772
Treasurer, State of New Jersey, Series 1999A	19,295,000		9/1/2014	4.705%	430,000	840,000
Essex County, Series 1999 C	4,570,000		9/1/2014	5.177%	405,000	800,000
Hudson County, Series 1999 D	7,750,000		9/1/2014	5.177%	685,000	1,360,000
Middlesex County, Series 1999 E	4,370,000		9/1/2014	5.053%	395,000	770,000
Passaic County, Series 1999 F	2,015,000		9/1/2014	5.125%	175,000	350,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000		9/1/2014	5.177%	180,000	355,000
					$ 5,056,049,783	$ 5,436,335,251

* Maximum authorized amount.
** Build America Bond

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)

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

2014 - 2018	$ 1,154,516,489
2019 - 2023	1,198,165,801
2024 - 2028	1,007,784,620
2029 - 2033	922,392,405
2034 - 2038	642,400,468
2039 - Thereafter	130,790,000
Total	$ 5,056,049,783

NOTE 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.

NOTE 7 REFUNDED BOND ISSUES (CONTINUED)

Refunded bonds outstanding at December 31, 2013 comprise the following:

Issue	Principal Amount Outstanding December 31, 2013	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
Princeton University							
2003 Series E	-	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				
Princeton University							
2003 Series E	-	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 2003 I	-	17,385,000	7/1/2013	738,003	11/16/2006	Series 2006 G	69,405,000
Higher Education Capital Improvement Fund							
Series 2004 A	22,760,000	22,760,000	9/1/2014	4,438,363	10/26/2006	Series 2006 A	155,460,000
Ramapo College of New Jersey							
Series 2004 E	40,300,000	40,300,000	7/1/2014	3,510,943	11/28/2006	Series 2006 I	106,820,000
Series 2006 D	11,145,000	11,145,000	7/1/2016				
Montclair State University							
Series 2002 F	43,775,000	56,125,000	7/1/2015	6,194,157	12/14/2006	Series 2006 J	154,110,000
Series 2003 L	55,500,000	64,290,000	7/1/2014				
Kean University							
Series 2003 D	-	60,395,000	7/1/2013	14,985,307	4/13/2007	Series 2007 E	156,240,000
Series 2005 B	71,035,000	77,530,000	7/1/2016				
Stevens Institute of Technology							
1998 Series I	4,265,000	6,050,000	No Call	N/A*	8/2/2007	2007 Series A	71,060,000
2002 Series C	-	49,355,000	7/1/2013				
2004 Series B	11,240,000	12,825,000	7/1/2014				
Princeton University							
2003 Series E	-	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				

NOTE 7 REFUNDED BOND ISSUES (CONTINUED)

Issue	Principal Amount Outstanding December 31, 2013	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
Rowan University							
Series 2003 I	-	35,615,000	7/1/2013	4,465,765	4/5/2007	Series 2007 B	121,355,000
Series 2004 C	47,905,000	51,595,000	7/1/2014				
Georgian Court University							
2003 Series, Project C	-	13,585,000	7/1/2013	1,034,788	7/19/2007	2007 Series D	26,980,000
Drew University							
2003 Series C	-	2,390,000	7/1/2013	N/A*	11/15/2010	2010 Series C	15,580,000
2007 Series D	-	1,255,000	7/1/2013				
Rider University							
2004 Series A	12,435,000	13,075,000	7/1/2014	2,797,196	4/4/2012	2012 Series A	52,020,000
New Jersey Institute of Technology							
Series 2004 B	56,095,000	59,725,000	1/1/2014	N/A**			
The William Paterson University of New Jersey							
Series 2004 A	18,240,000	18,240,000	7/1/2014	1,784,731	10/30/2012	Series 2012 D	17,290,000
University of Medicine & Dentistry of New Jersey							
Series 2009 B	105,786,840	109,794,495	6/1/2019	N/A**		Rutgers TE	
	101,254,749	105,090,709	6/1/2019	N/A**		Rutgers Taxable	
	34,071,872	35,362,659	6/1/2019	N/A**		Rowan	
	1,731,539	2,341,867	6/1/2019	N/A**		Univ Hospital	

* Debt Restructuring
** Not NJEFA Refunding Bonds

INDEPENDENT AUDITORS' 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*

Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the New Jersey Education Facilities Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Management and Members of
New Jersey Educational Facilities Authority

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 18, 2014