

FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

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

Financial Statements and
Supplemental Financial Information

December 31, 2010 and 2009

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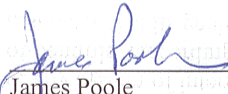
Report of Management

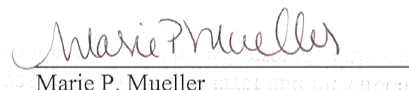
Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and, consequently, they reflect certain amounts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


James Poole
Executive Director


Marie P. Mueller
Controller

March 25, 2011

Report of Independent Auditors

To the Members of the
New Jersey Educational Facilities Authority

We have audited the accompanying balance sheets of the New Jersey Educational Facilities Authority, a component unit of the State of New Jersey, as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in fund net assets, 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, 2010 and 2009, 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 25, 2011, 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.

Management's discussion and analysis and the schedule of funding progress, on pages 4 to 6, and page 19, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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March 25, 2011

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

Management's Discussion and Analysis

Year Ended December 31, 2010

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, 2010 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 Fund Net Assets; 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.

Condensed Financial Information

The following table represents condensed balance sheet information and changes between December 31, 2009 and December 31, 2010 and between December 31, 2008 and December 31, 2010:

| | 2010 | 2009 | 2008 | Increase (Decrease) 2009 to 2010 | Increase (Decrease) 2008 to 2010 |
|------------------------|----------------------|---------------|--------------|--|--|
| Current assets | \$ 11,478,450 | \$ 10,332,098 | \$ 9,686,984 | 11.09% | 18.49% |
| Noncurrent assets | 140,939 | 168,072 | 210,313 | (16.14%) | (32.99%) |
| Total assets | <u>11,619,389</u> | 10,500,170 | 9,897,297 | 10.66% | 17.40% |
| Current liabilities | 292,387 | 315,304 | 334,945 | (7.27%) | (12.71%) |
| Noncurrent liabilities | 254,632 | 137,740 | 132,021 | 84.86% | 92.87% |
| Total liabilities | <u>547,019</u> | 453,044 | 466,966 | 20.74% | 17.14% |
| Total net assets | <u>\$ 11,072,370</u> | \$ 10,047,126 | \$ 9,430,331 | 10.20% | 17.41% |

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Fund Net Assets, and changes between 2009 and 2010 and between 2008 and 2010:

| | 2010 | 2009 | 2008 | Increase (Decrease) 2009 to 2010 | Increase (Decrease) 2008 to 2010 |
|---|----------------------|---------------|--------------|--|--|
| Operating revenues: | | | | | |
| Administrative fees | \$ 3,710,465 | \$ 3,360,604 | \$ 3,351,932 | 10.41% | 10.70% |
| Total operating revenues | <u>3,710,465</u> | 3,360,604 | 3,351,932 | | |
| Operating expenses: | | | | | |
| Salaries and related expenses | 1,884,807 | 1,840,368 | 1,817,110 | 2.41% | 3.72% |
| Provision for (benefit from) postemployment benefits | 120,000 | 95,554 | (220,790) | 25.58% | 154.35% |
| General expenses | 694,480 | 825,642 | 967,372 | (15.89%) | (28.21%) |
| Total operating expenses | <u>2,699,287</u> | 2,761,564 | 2,563,692 | (2.25%) | 5.29% |
| Net operating income | 1,011,178 | 599,040 | 788,240 | 68.80% | 28.28% |
| Nonoperating revenues: | | | | | |
| Investment income | 14,066 | 17,755 | 223,087 | (20.78%) | (93.69%) |
| Change in net assets | 1,025,244 | 616,795 | 1,011,327 | 66.22% | 1.38% |
| Net assets beginning of year | 10,047,126 | 9,430,331 | 8,419,004 | 6.54% | 19.34% |
| Net assets end of year | <u>\$ 11,072,370</u> | \$ 10,047,126 | \$ 9,430,331 | 10.20% | 17.41% |

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 \$530 million of conduit debt for educational institutions during 2010.
- Net Assets increased \$1,025,244, or 10.2% in 2010.
- The Authority's 2010 operating margin (operating income as a percentage of operating revenues) was 27.25%.
- At 12/31/2010, Net Assets represent 4.10 times 2010 Total Operating Expenses.

During 2010, the Authority's financing activity was \$42 million greater than 2009 volume and included over \$79 million in Build America Bonds. 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 2010 increased almost \$350,000 from 2009 and \$358,000 from 2008.

Expenses

Operating expenses in 2010 decreased 2.3% from 2009 but increased 5.3% from 2008. The decrease in operating expenses from 2009 is primarily related to lower general, administrative and professional fee expenses.

Assets and Liabilities

Net assets increased \$1.025 million, or 10.2% from 2009 to 2010 and \$1.6 million, or 17.4% from 2008 to 2010.

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)

Balance Sheets

| | December 31 | |
|--|--------------------|---------------|
| | 2010 | 2009 |
| Assets | | |
| Current assets: | | |
| Cash | \$ 64,116 | \$ 65,486 |
| Investments, principally U.S. Government obligations | 11,388,904 | 10,145,780 |
| Fees receivable | 8,310 | 79,130 |
| Prepaid expenses and other assets | 17,120 | 41,702 |
| Total current assets | 11,478,450 | 10,332,098 |
| Noncurrent assets: | | |
| Capital assets, at cost, less accumulated depreciation of \$578,497 and \$546,911 during 2010 and 2009, respectively | 140,939 | 168,072 |
| Total assets | \$ 11,619,389 | \$ 10,500,170 |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 292,387 | \$ 315,304 |
| Noncurrent liabilities: | | |
| Postemployment benefits other than pension | 218,480 | 98,480 |
| Project obligations | 36,152 | 39,260 |
| Total noncurrent liabilities | 254,632 | 137,740 |
| Net assets: | | |
| Unrestricted | 10,931,431 | 9,879,054 |
| Invested in capital assets | 140,939 | 168,072 |
| Total net assets | 11,072,370 | 10,047,126 |
| Total liabilities and net assets | \$ 11,619,389 | \$ 10,500,170 |

See accompanying notes.

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

Statements of Revenues, Expenses and
Changes in Fund Net Assets

| | Year Ended December 31 | |
|---------------------------------------|-------------------------------|---------------|
| | 2010 | 2009 |
| Operating revenues: | | |
| Administrative fees | \$ 3,710,465 | \$ 3,360,604 |
| Total operating revenues | 3,710,465 | 3,360,604 |
| Operating expenses: | | |
| Salaries and related expenses | 1,884,807 | 1,840,368 |
| General and administrative expenses | 602,021 | 716,441 |
| Provision for postemployment benefits | 120,000 | 95,554 |
| Professional fees | 92,459 | 109,201 |
| Total operating expenses | 2,699,287 | 2,761,564 |
| Net operating income | 1,011,178 | 599,040 |
| Nonoperating revenue: | | |
| Investment income | 14,066 | 17,755 |
| Net changes in net assets | 1,025,244 | 616,795 |
| Net assets at beginning of year | 10,047,126 | 9,430,331 |
| Net assets at end of year | \$ 11,072,370 | \$ 10,047,126 |

See accompanying notes.

New Jersey Educational Facilities Authority
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Statements of Cash Flows

| | Year Ended December 31 | |
|---|-------------------------------|--------------|
| | 2010 | 2009 |
| Cash flows from operating activities | | |
| Cash received from administrative fees | \$ 3,805,867 | \$ 3,297,753 |
| Cash payments for operating expenses | (2,549,426) | (2,698,188) |
| Net cash provided by operating activities | 1,256,441 | 599,565 |
| Cash flows from investing activities | | |
| Purchase of investments | (42,293,966) | (21,634,090) |
| Sale and maturity of investments | 41,051,396 | 21,026,116 |
| Investment income | 13,512 | 42,511 |
| Net cash used in investing activities | (1,229,058) | (565,463) |
| Cash flows from capital and related financing activities | | |
| Purchase of capital assets | (28,753) | (27,783) |
| Net cash used in capital and related financing activities | (28,753) | (27,783) |
| Net increase (decrease) in cash | (1,370) | 6,319 |
| Cash at beginning of year | 65,486 | 59,167 |
| Cash at end of year | \$ 64,116 | \$ 65,486 |
| Reconciliation of net operating income to net cash provided by operating activities: | | |
| Net operating income | \$ 1,011,178 | \$ 599,040 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 55,886 | 70,024 |
| Changes in assets and liabilities: | | |
| Fees receivable and prepaids | 95,402 | (55,577) |
| Accounts payable | (22,917) | (19,641) |
| Project obligations | (3,108) | (89,835) |
| Postemployment benefits obligation | 120,000 | 95,554 |
| Net cash provided by operating activities | \$ 1,256,441 | \$ 599,565 |
| Supplemental schedule of noncash investing activities | | |
| Change in fair value of investments | \$ 554 | \$ (24,756) |

See accompanying notes.

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

Notes to Financial Statements

December 31, 2010

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.

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.

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

Notes to Financial Statements (continued)

3. Cash and Investments

At year-end, the Authority's bank balance was \$67,698 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:

| | <u>2010</u> | <u>2009</u> |
|--------------------------|----------------------------|----------------------------|
| Investments: | | |
| U.S. Treasury Bills | \$11,387,857 | \$10,145,355 |
| Money Market Mutual Fund | 1,047 | 425 |
| Total investments | <u>\$11,388,904</u> | <u>\$10,145,780</u> |

In 2010 and 2009, the Authority had \$1,047 and \$425, 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

New Jersey Educational Facilities Authority
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Notes to Financial Statements (continued)

3. Cash and Investments (continued)

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, 2010 and 2009, 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, 2010 and 2009, the Authority's investments consisted of U.S. Treasury Bills in the amount of \$11,387,857 and \$10,145,355, 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, 2010 or 2009, 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.

New Jersey Educational Facilities Authority
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Notes to Financial Statements (continued)

3. Cash and Investments (continued)

(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, 2010, the U.S. Treasury Bills had maturities ranging from March 10, 2011 through July 28, 2011.

For the years ended December 31, 2010 and 2009, investment income comprised the following:

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| Interest earnings | \$ 13,512 | \$ 42,511 |
| Net increase(decrease) in fair value of investments | 554 | (24,756) |
| | <u>\$ 14,066</u> | <u>\$ 17,755</u> |

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, 2010, 2009 and 2008 was \$119,428, \$93,726 and \$77,042, 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 5.5% for 2010, 2009 and 2008.

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

New Jersey Educational Facilities Authority
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Notes to Financial Statements (continued)

4. Retirement Plans (continued)

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

New Jersey Educational Facilities Authority
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Notes to Financial Statements (continued)

5. Postemployment Benefits Other Than Pension (continued)

funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost for the year ended December 31, 2010 and 2009 and the related information for the plan are as follows (dollar amounts in thousands):

| | 2010 | 2009 |
|---|--------|-------|
| Annual required contribution | \$ 120 | \$ 95 |
| Contributions made | — | — |
| Increase in net OPEB obligation | 120 | 95 |
| Net OPEB obligation – beginning of year | 98 | 3 |
| Net OPEB obligation – end of year | \$ 218 | \$ 98 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2007 through 2010 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, 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, 2010 and 2009, the fair value of this trust fund was \$1,966,023 and \$1,993,464, respectively. As of December 31, 2010 and 2009, the actuarial liability for benefits was \$2,218,480 and \$2,098,480, respectively, which, due to the establishment of the trust, is now approximately 95% funded. The difference of 5% is reported as a liability on the Authority's books.

The most recent actuarial valuation date is January 1, 2008. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the

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Notes to Financial Statements (continued)

5. Postemployment Benefits Other Than Pension (continued)

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, 2008 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 2012.

At December 31, 2010, the Plan had 19 participants of which 16 were active employees and 3 were retirees. Of the Plan participants, 3 retirees and 2 active employees were eligible to receive benefits.

New Jersey Educational Facilities Authority
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Notes to Financial Statements (continued)

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, 2010, the amount of conduit debt outstanding totaled \$5,473,925,526.

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 Assets

The Authority's net assets represent the excess of assets over liabilities and are 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 Net Assets are the remaining net assets, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to Authority policy and/or directives. Designated assets include funds and assets committed to working capital.

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

Notes to Financial Statements (continued)

8. Net Assets (continued)

The Members of the Authority passed three resolutions between 1995 and 2008 to designate a portion of the Authority's operating fund balance as a reserve to facilitate the normal operations of the Authority and for counsel and consultants, if needed, in the event of difficulties experienced by the Authority or any of its client colleges. At December 31, 2010 the amount designated for this purpose is \$5,500,000.

Changes in Net Assets

The changes in net assets are as follows:

| | Invested in Capital Assets | Unrestricted | Total |
|---------------------------------|---|---------------------|---------------|
| Net assets at December 31, 2008 | \$ 210,313 | \$ 9,220,018 | \$ 9,430,331 |
| Net asset change | – | 616,795 | 616,795 |
| Capital asset additions | 27,783 | (27,783) | – |
| Depreciation | (70,024) | 70,024 | – |
| Net assets at December 31, 2009 | 168,072 | 9,879,054 | 10,047,126 |
| Net asset change | – | 1,025,244 | 1,025,244 |
| Capital asset additions | 28,753 | (28,753) | – |
| Depreciation | (55,886) | 55,886 | – |
| Net assets at December 31, 2010 | \$ 140,939 | \$ 10,931,431 | \$ 11,072,370 |

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, 2008 | \$ – | \$ 1,826 | \$ 1,826 | 0% | \$ 1,415 | 129% |
| January 1, 2006 | – | 2,090 | 2,090 | 0 | 1,269 | 165 |

Note: In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2 million. At December 31, 2010, the fair value of this trust was \$1,966,023.

Supplemental Financial Information

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

Balance Sheets – Trustee Held Funds

| | December 31 | |
|--|-------------------------|-------------------------|
| | 2010 | 2009 |
| Assets | | |
| Cash | \$ – | \$ 729 |
| Investments, principally U.S. Government obligations | 729,451,952 | 574,625,825 |
| Accrued interest receivable | 74,317 | 288,997 |
| Due from colleges and universities | 20,073 | 213,255 |
| Loans and leases receivable | 5,431,878,442 | 5,147,581,178 |
| U.S. Government debt service subsidies receivable | 178,420 | 45,375 |
| | \$ 6,161,603,204 | \$ 5,722,755,359 |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 26,772,994 | \$ 33,757,726 |
| Accrued interest payable | 111,349,887 | 106,499,525 |
| Bonds and notes payable | 5,473,925,526 | 5,184,511,177 |
| Funds held in trust | 549,554,797 | 397,986,931 |
| | \$ 6,161,603,204 | \$ 5,722,755,359 |

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 | |
|--|-------------------------------|----------------|
| | 2010 | 2009 |
| Funds held in trust at beginning of year | \$ 397,986,931 | \$ 911,163,346 |
| Additions: | | |
| Proceeds from sale of bonds and issuance of notes: | | |
| Par amount | 522,831,972 | 492,188,943 |
| Bond premium (discount), net | 22,840,716 | (8,803,828) |
| Annual loan and rental requirements | 422,891,484 | 380,033,459 |
| Investment income | 2,647,094 | 9,505,358 |
| U.S. Government debt service subsidies | 1,292,070 | 276,713 |
| Change in investment valuation reserve | (236,773) | (4,146,948) |
| Total additions | 972,266,563 | 869,053,697 |
| Deductions: | | |
| Debt service: | | |
| Interest | 255,321,477 | 244,643,639 |
| Principal | 171,777,333 | 157,599,212 |
| Project costs | 305,886,301 | 542,918,314 |
| Issuance costs | 4,323,546 | 20,764,312 |
| Administrative fees | 3,154,642 | 3,093,025 |
| College and university (contributions) returned | 7,381,193 | 663,547 |
| Transfers to escrow accounts for defeasance of refunded issues | 72,854,205 | 412,548,063 |
| Total deductions | 820,698,697 | 1,382,230,112 |
| Increase(Decrease) in funds held in trust | 151,567,866 | (513,176,415) |
| Funds held in trust at end of year | \$ 549,554,797 | \$ 397,986,931 |

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)

Notes to Supplemental Financial Statements

December 31, 2010

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, 2010 and 2009:

| | 2010 | 2009 |
|----------------------------------|------------------------------|------------------------------|
| Construction funds | \$ 433,028,449 | \$ 276,160,776 |
| Debt service funds | 17,650,124 | 8,859,617 |
| Debt service reserve funds | 88,636,986 | 95,513,276 |
| Renewal and replacement accounts | 10,239,238 | 17,453,262 |
| | <u>\$ 549,554,797</u> | <u>\$ 397,986,931</u> |

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

Notes to Supplemental Financial Statements (continued)

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:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-----------------------|-----------------------|
| Investments: | | |
| Collateralized investment agreements | \$ 2,474,556 | \$ 1,364,000 |
| U.S. Treasury and agency obligations* | 726,977,396 | 573,261,825 |
| Total investments | <u>\$ 729,451,952</u> | <u>\$ 574,625,825</u> |

* Includes \$148,253,486 and \$123,909,347 of investments in pooled U.S. Treasury funds at December 31, 2010 and 2009, respectively, which are uncategorized.

5. Loans and Leases Receivable

Since its inception, the Authority has issued obligations of \$12,666,342,299 and \$12,143,510,327 as of December 31, 2010 and 2009, 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.

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

Notes to Supplemental Financial Statements (continued)

5. Loans and Leases Receivable (continued)

Restricted fund receivables comprise the following:

| | December 31 | |
|---|-------------------------|-------------------------|
| | 2010 | 2009 |
| Loans: | | |
| Institute for Advanced Study | \$ 57,695,000 | \$ 60,310,000 |
| Princeton University | 1,611,517,500 | 1,403,557,500 |
| Mortgages: | | |
| Caldwell College | 19,035,000 | 19,700,000 |
| Centenary College | 37,971,773 | 24,694,521 |
| College of Saint Elizabeth | 22,990,000 | 23,590,000 |
| Drew University | 65,173,311 | 60,225,943 |
| Fairleigh Dickinson University | 98,106,970 | 101,465,292 |
| Felician College | 9,000,000 | 9,570,000 |
| Georgian Court University | 29,069,124 | 30,282,199 |
| Institute for Defense Analyses | 13,670,000 | 14,135,000 |
| Monmouth University | 13,535,000 | 15,145,000 |
| New Jersey Institute of Technology | 142,202,500 | 131,580,000 |
| Princeton Theological Seminary | 106,000,000 | 39,432,500 |
| Rider University | 49,205,000 | 51,825,000 |
| Saint Peter's College | 42,777,228 | 43,792,428 |
| Seton Hall University | 121,354,748 | 129,486,553 |
| Stevens Institute of Technology | 76,882,500 | 77,192,500 |
| University of Medicine and Dentistry of New Jersey | 258,075,000 | 258,075,000 |
| Leases: | | |
| Kean University | 346,277,791 | 340,206,833 |
| Montclair State University | 350,385,000 | 355,250,000 |
| New Jersey City University (formerly Jersey City State College) | 134,215,000 | 106,345,000 |
| Passaic County Community College | 13,635,000 | - |
| Ramapo College of New Jersey | 226,620,490 | 233,241,219 |
| Rowan University (formerly Glassboro State College) | 320,492,500 | 328,775,000 |
| Thomas Edison State College | 2,395,507 | 2,307,190 |
| The College of New Jersey | 365,385,000 | 324,832,500 |
| The Richard Stockton College of New Jersey | 248,069,000 | 251,741,500 |
| The William Paterson University of New Jersey | 163,882,500 | 170,417,500 |
| Equipment Leasing Fund | 450,000 | 940,000 |
| Higher Education Capital Improvement Fund | 409,105,000 | 432,680,000 |
| Higher Education Facilities Trust Fund | - | 20,460,000 |
| County College Capital Projects Fund | 8,580,000 | 10,485,000 |
| Dormitory Safety Trust Fund | 34,520,000 | 40,170,000 |
| Library Grant Program | 33,605,000 | 35,670,000 |
| | \$ 5,431,878,442 | \$ 5,147,581,178 |

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

Notes to Supplemental Financial Statements (continued)

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 | |
|---------------------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------------|---------------|
| | | | | 2010 | 2009 |
| Bonds Payable | | | | | |
| Caldwell College: | | | | | |
| 2006 Series F | \$ 21,400,000 | 7/1/2032 | Variable | \$ 19,035,000 | \$ 19,700,000 |
| Centenary College: | | | | | |
| 2003 Series A | 14,775,000 | 10/1/2033 | Variable | 10,490,000 | 10,990,000 |
| 2006 Series J | 9,154,113 | 11/1/2036 | Variable | 8,920,363 | 9,040,363 |
| 2007 Series B | 4,784,617 | 11/1/2036 | Variable | 4,587,410 | 4,664,158 |
| 2010 Series D | 13,974,000 | 1/1/2041 | Variable | 13,974,000 | - |
| Drew University: | | | | | |
| 2003 Series C | 20,855,000 | 7/1/2021 | 3.888% | 14,975,000 | 18,110,000 |
| 2007 Series D | 29,135,000 | 7/1/2037 | 4.601% | 27,055,000 | 28,530,000 |
| 2008 Series B | 10,765,000 | 7/1/2017 | 4.234% | 10,165,000 | 10,765,000 |
| 2008 Series I | 40,000,000 | 6/25/2018 | Variable | 8,265,830 | 3,603,443 |
| 2010 Series C | 15,580,000 | 6/1/2024 | Variable | 5,369,981 | - |
| Dormitory Safety Trust Fund: | | | | | |
| Series 2001 A | 67,970,000 | 3/1/2016 | 4.239% | 29,130,000 | 33,985,000 |
| Series 2001 B - taxable | 5,800,000 | 3/1/2016 | 6.117% | 2,480,000 | 2,895,000 |
| Series 2003 A | 5,440,000 | 3/1/2018 | 3.752% | 2,910,000 | 3,290,000 |
| Equipment Leasing Fund: | | | | | |
| Series 2003 A | 12,620,000 | 9/1/2011 | 2.517% | 450,000 | 940,000 |
| Fairleigh Dickinson University: | | | | | |
| 2002 Series D | 63,650,000 | 7/1/2032 | 6.114% | 56,830,000 | 58,100,000 |
| 2004 Series C | 35,285,000 | 7/1/2023 | 5.534% | 28,820,000 | 30,355,000 |
| 2006 Series G | 14,505,000 | 7/1/2028 | 4.954% | 13,215,000 | 13,665,000 |
| 2006 Series H | 2,147,554 | 7/1/2027 | 4.954% | 936,970 | 972,792 |
| Felician College: | | | | | |
| 2006 Series I | 11,445,000 | 11/1/2022 | 4.749% | 9,050,000 | 9,615,000 |
| Georgian Court University: | | | | | |
| 1998 Series, Project B | 6,455,000 | 7/1/2015 | 4.198% | 1,525,000 | 2,170,000 |
| 2003 Series, Project C | 15,215,000 | 7/1/2033 | 5.991% | 905,000 | 905,000 |
| 2007 Series D | 26,980,000 | 7/1/2037 | 5.022% | 26,390,000 | 26,780,000 |
| 2007 Series H | 1,050,000 | 10/1/2022 | 5.296% | 891,624 | 944,699 |

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

| Issue | Original Issue Amount | Final Maturity Date | Net Effective Interest Rate | Amount Outstanding December 31 | |
|--|-----------------------------|---------------------------|--------------------------------|-----------------------------------|---------------|
| | | | | 2010 | 2009 |
| Bonds Payable (continued) | | | | | |
| Higher Education Facilities Trust Fund: | | | | | |
| Series 2005 A | \$ 90,980,000 | 9/1/2010 | 3.286% | \$ — | \$ 20,460,000 |
| Higher Education Capital Improvement Fund: | | | | | |
| Series 2000 A | 132,800,000 | 9/1/2020 | 5.242% | 13,245,000 | 19,375,000 |
| Series 2000 B | 145,295,000 | 9/1/2020 | 5.003% | 14,770,000 | 21,540,000 |
| Series 2002 A | 194,590,000 | 9/1/2022 | 4.599% | 18,685,000 | 25,560,000 |
| Series 2004 A | 76,725,000 | 9/1/2024 | 4.352% | 40,385,000 | 43,390,000 |
| Series 2005 A | 169,790,000 | 9/1/2019 | 4.121% | 168,580,000 | 168,840,000 |
| Series 2006 A | 155,460,000 | 9/1/2024 | 4.421% | 153,440,000 | 153,975,000 |
| Institute for Advanced Study: | | | | | |
| 2001 Series A | 11,000,000 | 7/1/2031 | 5.101% | 2,480,000 | 2,735,000 |
| 2006 Series B | 29,600,000 | 7/1/2031 | 3.990% | 28,600,000 | 28,800,000 |
| 2006 Series C | 20,000,000 | 7/1/2036 | Variable | 18,800,000 | 19,200,000 |
| 2008 Series C | 11,255,000 | 7/1/2021 | 3.619% | 7,815,000 | 9,575,000 |
| Institute for Defense Analyses: | | | | | |
| 2000 Series D | 16,695,000 | 10/1/2030 | Variable | 13,670,000 | 14,135,000 |
| Kean University: | | | | | |
| Series 1998 B | 25,995,000 | 7/1/2027 | 4.872% | 6,245,000 | 6,665,000 |
| Series 2003 D | 75,000,000 | 7/1/2033 | 4.811% | 13,290,000 | 13,290,000 |
| Series 2005 B | 101,915,000 | 7/1/2037 | 4.681% | 23,525,000 | 23,890,000 |
| Series 2007 D | 117,795,000 | 7/1/2039 | 4.553% | 115,955,000 | 117,795,000 |
| 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% | 33,605,000 | 35,670,000 |
| Monmouth University: | | | | | |
| 1993 Series A | 14,365,000 | 7/1/2013 | 5.538% | 3,315,000 | 4,295,000 |
| 1997 Series C | 12,910,000 | 7/1/2022 | 5.732% | 6,970,000 | 7,365,000 |
| 1998 Series D | 8,815,000 | 7/1/2024 | 5.225% | 4,080,000 | 4,265,000 |

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

| Issue | Original Issue Amount | Final Maturity Date | Net Effective Interest Rate | Amount Outstanding December 31 | |
|---|-----------------------------|---------------------------|--------------------------------|-----------------------------------|---------------|
| | | | | 2010 | 2009 |
| 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% | 18,425,000 | 18,625,000 |
| Series 2003 L | 94,540,000 | 7/1/2034 | 4.541% | 27,960,000 | 28,110,000 |
| Series 2006 A | 98,090,000 | 7/1/2036 | 4.816% | 92,505,000 | 94,290,000 |
| Series 2006 B | 9,970,000 | 7/1/2012 | 4.133% | 4,255,000 | 6,235,000 |
| 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% | 5,885,000 | 6,150,000 |
| Series 2008 J | 27,545,000 | 7/01/2038 | 5.100% | 27,545,000 | 27,545,000 |
| New Jersey City University (formerly Jersey City State College): | | | | | |
| Series 1977 C | 8,570,000 | 7/1/2010 | 6.290% | - | 580,000 |
| Series 1999 B | 17,795,000 | 7/1/2025 | 4.807% | - | 12,320,000 |
| Series 2002 A | 15,115,000 | 7/1/2032 | 4.949% | 1,880,000 | 2,215,000 |
| Series 2003 B | 2,300,000 | 7/1/2018 | 5.659% | 1,800,000 | 2,000,000 |
| Series 2007 F | 17,910,000 | 7/1/2032 | 4.337% | 17,480,000 | 17,725,000 |
| Series 2008 E | 68,445,000 | 7/1/2035 | 4.763% | 65,650,000 | 67,075,000 |
| 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 | - |
| Series 2010 G | 18,310,000 | 7/1/2040 | 4.062% ** | 18,310,000 | - |
| New Jersey Institute of Technology: | | | | | |
| Series 2001 G | 62,335,000 | 7/1/2031 | 4.932% | - | 57,085,000 |
| Series 2001 H – taxable | 12,570,000 | 7/1/2016 | 6.259% | 6,425,000 | 7,290,000 |
| Series 2004 B | 73,530,000 | 7/1/2025 | 4.016% | 66,465,000 | 69,590,000 |
| Series 2010 H | 50,965,000 | 7/1/2031 | 4.280% | 50,965,000 | - |
| Series 2010 I | 20,450,000 | 7/1/2040 | 4.304% ** | 20,450,000 | - |
| Passaic County Comm College | | | | | |
| Series 2010 C | 13,635,000 | 7/1/2041 | 5.355% | 13,635,000 | - |
| Princeton Theological Seminary: | | | | | |
| 2002 Series G | 26,125,000 | 7/1/2032 | 4.824% | 25,465,000 | 25,565,000 |
| 2009 Series B | 14,435,000 | 12/1/2032 | 2.878% | 13,505,000 | 14,330,000 |
| 2010 Series A | 68,785,000 | 7/1/2030 | 3.745% | 68,785,000 | - |
| Princeton University: | | | | | |
| 1999 Series A | 45,500,000 | 7/1/2029 | 4.798% | - | 3,575,000 |
| 2000 Series E | 50,000,000 | 7/1/2010 | 5.355% | - | 2,330,000 |
| 2000 Series H | 100,000,000 | 7/1/2010 | 5.336% | - | 2,285,000 |
| 2003 Series D | 114,495,000 | 7/1/2019 | 3.727% | 81,010,000 | 84,345,000 |
| 2003 Series E | 112,510,000 | 7/1/2028 | 3.944% | 57,900,000 | 61,085,000 |
| 2004 Series D | 175,000,000 | 7/1/2029 | 4.497% | 33,375,000 | 37,970,000 |

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

| Issue | Original Issue Amount | Final Maturity Date | Net Effective Interest Rate | Amount Outstanding December 31 | |
|---|-----------------------------|---------------------------|--------------------------------|-----------------------------------|-------------|
| | | | | 2010 | 2009 |
| Bonds Payable (continued) | | | | | |
| Princeton University (continued): | | | | | |
| 2005 Series A | \$ 139,590,000 | 7/1/2030 | 4.405% | \$ 133,955,000 | 134,570,000 |
| 2005 Series B | 114,645,000 | 7/1/2035 | 4.236% | 78,750,000 | 81,015,000 |
| 2006 Series D | 74,290,000 | 7/1/2031 | 4.391% | 68,800,000 | 70,720,000 |
| 2006 Series E | 93,285,000 | 7/1/2027 | 4.504% | 92,375,000 | 92,500,000 |
| 2007 Series E | 325,000,000 | 7/1/2037 | 4.534% | 307,995,000 | 313,885,000 |
| 2007 Series F | 67,620,000 | 7/1/2030 | 4.392% | 67,385,000 | 67,500,000 |
| 2008 Series J | 250,000,000 | 7/1/2038 | 4.391% | 245,590,000 | 250,000,000 |
| 2008 Series K | 208,805,000 | 7/1/2023 | 4.356% | 186,160,000 | 197,535,000 |
| 2010 Series B | 250,000,000 | 7/1/2040 | 4.034% | 250,000,000 | - |
| Ramapo College of New Jersey: | | | | | |
| Series 1998 G | 16,845,000 | 7/1/2028 | 4.832% | 12,785,000 | 13,220,000 |
| Series 1998 H | 2,000,000 | 7/1/2013 | 4.309% | 530,000 | 685,000 |
| Series 2001 D | 40,480,000 | 7/1/2031 | 5.105% | 4,195,000 | 5,135,000 |
| Series 2002 H | 28,655,000 | 7/1/2032 | 4.485% | 16,925,000 | 17,585,000 |
| Series 2002 I | 2,145,000 | 7/1/2032 | 4.485% | 1,210,000 | 1,255,000 |
| Series 2002 J | 29,620,000 | 7/1/2032 | 4.485% | 17,505,000 | 18,185,000 |
| Series 2003 F | 1,820,000 | 7/1/2013 | 3.257% | 730,000 | 960,000 |
| Series 2003 G | 9,300,000 | 7/1/2013 | 3.110% | 2,325,000 | 3,775,000 |
| Series 2003 H | 18,930,000 | 7/1/2029 | 4.346% | 18,010,000 | 18,635,000 |
| Series 2004 E | 53,980,000 | 7/1/2034 | 4.630% | 13,450,000 | 13,680,000 |
| Series 2006 D | 49,085,000 | 7/1/2036 | 4.521% | 35,965,000 | 36,970,000 |
| Series 2006 I | 106,820,000 | 7/1/2036 | 4.417% | 106,165,000 | 106,485,000 |
| Rider University: | | | | | |
| 2002 Series A | 27,560,000 | 7/1/2017 | 4.709% | 15,930,000 | 17,810,000 |
| 2004 Series A | 14,735,000 | 7/1/2034 | 5.301% | 13,375,000 | 13,665,000 |
| 2007 Series C | 22,000,000 | 7/1/2037 | 5.172% | 21,240,000 | 21,630,000 |
| Rowan University (formerly Glassboro State College): | | | | | |
| Series 1983 D | 3,500,000 | 7/1/2013 | 3.000% | 525,000 | 690,000 |
| Series 2000 B | 51,620,000 | 7/1/2010 | 5.566% | - | 1,210,000 |
| Series 2001 B | 8,790,000 | 7/1/2031 | 5.025% | 210,000 | 210,000 |
| Series 2001 C | 60,930,000 | 7/1/2031 | 4.943% | 37,140,000 | 38,850,000 |
| Series 2002 K | 14,920,000 | 7/1/2033 | 4.866% | 665,000 | 665,000 |
| Series 2003 I | 64,910,000 | 7/1/2030 | 4.714% | 5,585,000 | 6,880,000 |
| Series 2004 C | 61,275,000 | 7/1/2034 | 4.697% | 8,680,000 | 8,680,000 |
| Series 2005 D | 51,840,000 | 7/1/2030 | 4.532% | 50,960,000 | 51,360,000 |
| Series 2006 G | 69,405,000 | 7/1/2031 | 4.362% | 66,530,000 | 67,915,000 |
| Series 2007 B | 121,355,000 | 7/1/2034 | 4.266% | 119,500,000 | 119,500,000 |
| Series 2008 B | 35,205,000 | 7/1/2027 | 4.839% | 35,205,000 | 35,205,000 |

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

| Issue | Original Issue Amount | Final Maturity Date | Net Effective Interest Rate | Amount Outstanding December 31 | |
|--|-----------------------------|---------------------------|--------------------------------|-----------------------------------|---------------|
| | | | | 2010 | 2009 |
| Bonds Payable (continued) | | | | | |
| 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% | 2,758,462 | 3,333,462 |
| 2008 Series H | 5,000,000 | 7/1/2018 | 3.925% | 3,965,300 | 4,405,500 |
| Seton Hall University: | | | | | |
| 1999 Refunding Series | 50,450,000 | 7/1/2018 | 5.122% | 23,270,000 | 26,905,000 |
| 2001 Refunding Series A | 22,840,000 | 7/1/2016 | 4.314% | 5,180,000 | 5,845,000 |
| 2001 Refunding Series B | 11,600,000 | 7/1/2016 | 4.314% | 5,275,000 | 6,090,000 |
| 2001 Series Project G | 8,740,000 | 7/1/2026 | 4.598% | 8,740,000 | 8,740,000 |
| 2008 Series D | 49,760,000 | 7/1/2037 | Variable | 48,850,000 | 49,760,000 |
| 2008 Series E | 24,340,000 | 7/1/2037 | 6.127% | 24,340,000 | 24,340,000 |
| 2009 Series C | 7,955,000 | 9/1/2036 | 6.404% | 7,925,000 | 7,955,000 |
| Stevens Institute of Technology: | | | | | |
| 1998 Series I | 17,000,000 | 7/1/2028 | 5.109% | 5,980,000 | 6,285,000 |
| 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% | 36,120,000 | 38,965,000 |
| Series 2008 D | 287,790,000 | 7/1/2035 | 5.086% | 286,790,000 | 287,790,000 |
| Series 2010 A | 3,410,000 | 7/1/2015 | 2.411% | 3,410,000 | - |
| Series 2010 B | 41,090,000 | 7/1/2040 | 4.748% ** | 41,090,000 | - |
| The College of Saint Elizabeth: | | | | | |
| 2008 Series F | 24,090,000 | 7/1/2036 | Variable | 22,990,000 | 23,590,000 |
| The Richard Stockton College of New Jersey: | | | | | |
| Series 1988 A | 3,294,000 | 7/1/2016 | 3.000% | 829,000 | 969,000 |
| Series 2002 B | 8,340,000 | 7/1/2010 | 3.482% | - | 820,000 |
| Series 2005 F | 28,180,000 | 7/1/2028 | 4.458% | 23,715,000 | 24,595,000 |
| Series 2006 F | 50,365,000 | 7/1/2036 | 4.460% | 49,360,000 | 50,365,000 |
| Series 2007 G | 40,250,000 | 7/1/2037 | 4.500% | 39,115,000 | 39,895,000 |
| Series 2008 A | 136,910,000 | 7/1/2038 | 5.309% | 136,910,000 | 136,910,000 |
| 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 |

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

| Issue | Original Issue Amount | Final Maturity Date | Net Effective Interest Rate | Amount Outstanding December 31 | |
|--|-----------------------------|---------------------------|--------------------------------|-----------------------------------|-------------------------|
| | | | | 2010 | 2009 |
| Bonds Payable (continued) | | | | | |
| The William Paterson University of New Jersey: | | | | | |
| Series 1981 B | 5,000,000 | 7/1/2011 | 3.000% | 270,000 | 520,000 |
| Series 2000 A | 26,425,000 | 7/1/2010 | 5.515% | - | 570,000 |
| Series 2002 E | 42,125,000 | 7/1/2027 | 4.714% | 17,610,000 | 19,660,000 |
| Series 2004 A | 30,035,000 | 7/1/2028 | 4.131% | 23,115,000 | 24,320,000 |
| Series 2005 E | 42,295,000 | 7/1/2030 | 4.546% | 40,420,000 | 41,170,000 |
| Series 2008 C | 88,670,000 | 7/1/2038 | 4.724% | 85,860,000 | 87,320,000 |
| Notes Payable | | | | | |
| Princeton University: | | | | | |
| Various Commercial Paper | 120,000,000* | N/A | Variable | 17,110,000 | 12,680,000 |
| Leases Payable | | | | | |
| Kean University | 916,666 | 6/1/2014 | 4.064% | 337,791 | 499,333 |
| Kean University | 10,000,000 | 7/1/2020 | 3.140% | 9,750,000 | - |
| Ramapo College of New Jersey | 1,377,090 | 10/1/2010 | Various | 490 | 58,719 |
| Seton Hall University | 3,371,289 | 5/27/2011 | 3.040% | 719,332 | 2,409,053 |
| Thomas Edison State College | 1,800,000 | 3/8/2012 | 3.647% | 190,033 | 381,496 |
| Thomas Edison State College | 2,700,000 | 9/28/2022 | Variable | 1,538,541 | 1,925,694 |
| Thomas Edison State College | 700,000 | 9/14/2015 | 2.370% | 666,933 | - |
| Treasurer, State of New Jersey, Series 1999 A | 19,295,000 | 9/1/2014 | 4.705% | 1,600,000 | 1,955,000 |
| Essex County, Series 1999 C | 4,570,000 | 9/1/2014 | 5.177% | 1,540,000 | 1,880,000 |
| Hudson County, Series 1999 D | 7,750,000 | 9/1/2014 | 5.177% | 2,610,000 | 3,190,000 |
| Middlesex County, Series 1999 E | 4,370,000 | 9/1/2014 | 5.053% | 1,470,000 | 1,795,000 |
| Passaic County, Series 1999 F | 2,015,000 | 9/1/2014 | 5.125% | 675,000 | 825,000 |
| Hudson County Community College (Chapter 78), Series 1999 G | 2,035,000 | 9/1/2014 | 5.177% | 685,000 | 840,000 |
| | | | | \$ 5,473,925,526 | \$ 5,184,511,177 |

* Maximum authorized amount.

** Build America Bond

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

Notes to Supplemental Financial Statements (continued)

6. Bonds, Notes and Leases Payable (continued)

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

| | |
|-------------------|-------------------------|
| 2011 – 2015 | \$ 933,114,806 |
| 2016 – 2020 | 1,183,132,399 |
| 2021 – 2025 | 1,166,444,274 |
| 2026 – 2030 | 1,042,731,716 |
| 2031 – 2035 | 824,026,131 |
| 2036 – Thereafter | 324,476,210 |
| | <u>\$ 5,473,925,536</u> |

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.

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

Notes to Supplemental Financial Statements (continued)

7. Refunded Bond Issues (continued)

Refunded bonds outstanding at December 31, 2010 comprise the following:

| Issue | Principal Amount Outstanding December 31, 2010 | Refunded Issues | | Debt Service Savings | Refunding Issues | | |
|--|--|---------------------------------|--------------|----------------------------|------------------------|---------------|--------------------------------|
| | | Principal Amount Refunded | Call Date | | Date of Issuance | Issue | Original Amount of Issue |
| Princeton University | | | | | | | |
| 2000 Series E | \$ — | \$ 27,615,000 | 7/1/2010 | \$ 5,434,717 | 10/23/2003 | 2003 Series D | \$ 114,495,000 |
| 2000 Series H | — | 26,700,000 | 7/1/2010 | | | | |
| Higher Educational Capital Improvement Fund | | | | | | | |
| Series 2000 A | — | 59,405,000 | 9/1/2010 | 5,080,385 | 8/10/2005 | Series 2005 A | 169,790,000 |
| Series 2000 B | — | 65,675,000 | 9/1/2010 | | | | |
| Series 2002 A | 41,850,000 | 41,850,000 | 9/1/2012 | | | | |
| Rowan University | | | | | | | |
| Series 2000 B | — | 45,445,000 | 7/1/2010 | 1,912,380 | 4/13/2005 | Series 2005 D | 51,840,000 |
| Princeton University | | | | | | | |
| 2000 Series E | — | 3,935,000 | 7/1/2010 | 4,243,735 | 4/12/2005 | 2005 Series A | 139,590,000 |
| 2000 Series H | — | 45,435,000 | 7/1/2010 | | | | |
| 2003 Series E | 25,000,000 | 25,000,000 | 7/1/2013 | | | | |
| 2004 Series D | 31,470,000 | 31,470,000 | 7/1/2014 | | | | |
| The William Paterson University of New Jersey | | | | | | | |
| Series 2000 A | — | 22,395,000 | 7/1/2010 | 1,420,584 | 11/10/2005 | Series 2005 E | 42,295,000 |
| Series 2002 E | 11,305,000 | 11,305,000 | 7/1/2012 | | | | |
| Institute for Advanced Study | | | | | | | |
| 2001 Series A | — | 7,190,000 | 7/1/2010 | 2,100,572 | 7/19/2006 | 2006 Series B | 11,000,000 |
| Princeton University | | | | | | | |
| 2000 Series H | — | 10,615,000 | 7/1/2010 | 2,755,549 | 8/10/2006 | 2006 Series E | 45,500,000 |
| 2003 Series E | 5,950,000 | 5,950,000 | 7/1/2013 | | | | 100,000,000 |
| 2004 Series D | 49,045,000 | 49,045,000 | 7/1/2014 | | | | 112,510,000 |
| 2005 Series B | 7,820,000 | 7,820,000 | 7/1/2015 | | | | 175,000,000 |
| | | | | | | | 114,645,000 |

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

Notes to Supplemental Financial Statements (continued)

7. Refunded Bond Issues (continued)

| Issue | Principal Amount | Refunded Issues | | Debt Service Savings | Refunding Issues | | |
|---|-------------------------------|---------------------------|-----------|----------------------|------------------|---------------|--------------------------|
| | Outstanding December 31, 2010 | Principal Amount Refunded | Call Date | | Date of Issuance | Issue | Original Amount of Issue |
| 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 2000 A | – | 10,545,000 | 9/1/2010 | 4,438,363 | 10/26/2006 | Series 2006 A | 132,800,000 |
| Series 2000 B | – | 11,405,000 | 9/1/2010 | | | | 145,295,000 |
| Series 2002 A | 102,810,000 | 102,810,000 | 9/1/2012 | | | | 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 | 30,435,000 | 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 | 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 | 7/1/2010 | | | | 78,500,000 |
| Series 2003 E | – | 4,600,000 | 7/1/2010 | | | | 23,425,000 |
| Series 2003 L | 57,425,000 | 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 | 3,120,000 | 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 | 72,755,000 | 77,530,000 | 7/1/2016 | | | | |
| Stevens Institute of Technology | | | | | | | |
| 1998 Series I | 5,130,000 | 6,050,000 | No Call | N/A* | 8/2/2007 | 2007 Series A | 71,060,000 |
| 2002 Series C | 46,150,000 | 49,355,000 | 7/1/2013 | | | | |
| 2004 Series B | 12,085,000 | 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 | | | | |

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

Notes to Supplemental Financial Statements (continued)

7. Refunded Bond Issues (continued)

| Issue | Principal Amount | Refunded Issues | | Debt Service Savings | Refunding Issues | | |
|------------------------------------|-------------------------------|---------------------------|-----------|----------------------|------------------|---------------|--------------------------|
| | Outstanding December 31, 2010 | Principal Amount Refunded | Call Date | | Date of Issuance | Issue | Original Amount of Issue |
| Rowan University | | | | | | | |
| Series 2001 B | \$ 7,035,000 | \$ 7,610,000 | 7/1/2011 | \$ 4,465,765 | 4/5/2007 | Series 2007 B | \$ 121,355,000 |
| Series 2001 C | 7,055,000 | 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 |
| Beth Medrash Govoha | | | | | | | |
| 2000 Series G | – | 7,450,000 | 7/1/2010 | N/A* | N/A | N/A | N/A |
| Drew University | | | | | | | |
| 2003 Series C | 2,390,000 | 2,390,000 | 7/1/2013 | N/A* | 11/15/2010 | 2010 Series C | 15,580,000 |
| 2007 Series D | 1,255,000 | 1,255,000 | 7/1/2013 | | | | |
| New Jersey City University | | | | | | | |
| Series 1999 B | – | 11,615,000 | 10/4/2010 | 1,175,021 | 9/2/2010 | Series 2010 F | 24,065,000 |
| New Jersey Institute of Technology | | | | | | | |
| Series 2001 G | 56,305,000 | 56,305,000 | 7/1/2011 | 3,683,210 | 11/12/2010 | Series 2010 H | 50,965,000 |

* Debt restructuring

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, 2010, and have issued our report thereon dated March 25, 2011. 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.

March 25, 2011

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