

FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)
Year Ended December 31, 2008
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, 2008

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ROGER L. ANDERSON
Executive Director

Report of Management

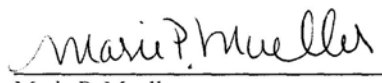
Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and, consequently, they reflect certain amounts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


Roger L. Anderson
Executive Director


Marie P. Mueller
Controller

March 18, 2009

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, 2008 and 2007, 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. An audit includes 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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2009, 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.

Ernst + Young LLP

March 18, 2009

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

Management's Discussion and Analysis

Year Ended December 31, 2008

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, 2008 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, 2007 and December 31, 2008 and between December 31, 2006 and December 31, 2008:

	2008	2007	2006	Increase (Decrease) 2007 to 2008	Increase (Decrease) 2006 to 2008
Current assets	\$ 9,686,984	\$ 10,905,763	\$ 9,242,534	(11.18%)	4.81%
Noncurrent assets	210,313	243,907	274,089	(13.77%)	(23.27%)
Total assets	9,897,297	11,149,670	9,516,623	(11.23%)	4.00%
Current liabilities	334,945	289,182	273,500	15.82%	22.47%
Noncurrent liabilities	132,021	2,441,484	2,390,529	(94.59%)	(94.48%)
Total liabilities	466,966	2,730,666	2,664,029	(82.90%)	(82.47%)
Total net assets	\$ 9,430,331	\$ 8,419,004	\$ 6,852,594	12.01%	37.62%

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Fund Net Assets, and changes between 2007 and 2008 and between 2006 and 2008:

	2008	2007	2006	Increase (Decrease) 2007 to 2008	Increase (Decrease) 2006 to 2008
Operating revenues:					
Administrative fees	\$ 3,351,932	\$ 3,824,201	\$ 4,037,789	(12.35%)	(16.99%)
Total operating revenues	3,351,932	3,824,201	4,037,789	(12.35%)	(16.99%)
Operating expenses:					
Salaries and related expenses	1,817,110	1,565,108	1,585,051	16.10%	14.64%
Provision for (benefit from) postemployment benefits	(220,790)	155,570	1,069,835	-	-
General expenses	967,372	972,264	1,036,157	(0.50%)	(6.64%)
Total operating expenses	2,563,692	2,692,942	3,691,043	(4.80%)	(30.54%)
Net operating income	788,240	1,131,259	346,746	(30.32%)	127.32%
Nonoperating revenues (expenses):					
Investment income	223,087	439,498	334,709	(49.24%)	(33.35%)
Loss on asset disposal	-	(4,347)	-	(100.00%)	N/A
Change in net assets	1,011,327	1,566,410	681,455	(35.44%)	48.41%
Net assets beginning of year	8,419,004	6,852,594	6,171,139	22.86%	36.43%
Net assets end of year	\$ 9,430,331	\$ 8,419,004	\$ 6,852,594	12.01%	37.62%

Analysis of Overall Financial Position and Results of Operations

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

Financial Highlights:

- 2008 financing activity set a new record of over \$1.2 billion of debt issued for educational institutions.
- Net Assets increased \$1,011,327, or 12.0% in 2008.

- The Authority's 2008 operating margin (operating income as a percentage of operating revenues) was 23.5%.
- At 12/31/2008, Net Assets represent 3.68 times 2008 Total Operating Expenses.

During 2008 and 2007, demand for the Authority's services remained strong and its financing activity continued at record levels. Amid the turbulence in the financial markets during 2008, the Authority worked with New Jersey's colleges and universities to restructure those issues most affected. The State's public and private institutions have continued to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment to accommodate growing demand for higher education.

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. Although total issuance continues to increase, total revenues for 2008 decreased 12.4% and 17.0% from 2007 and 2006, respectively. These decreases are the result of the Authority's decision not to charge initial fees on restructuring issues in 2008 and the 20% rate reduction implemented in 2007.

Expenses

Despite another record-setting year in financing activities, operating expenses in 2008 decreased 4.8% and 30.5% from 2007 and 2006, respectively. The decreases in operating expenses are primarily related to reductions in the provisions for postemployment benefits.

Assets and Liabilities

Net assets increased \$1.0 million, or 12.0% from 2007 to 2008 and \$2.6 million, or 37.6% from 2006 to 2008. Additionally, during 2008 the Authority established and funded a trust for postemployment benefits in the amount of \$2.0 million, thus reducing the liability on its balance sheet.

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
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Balance Sheets

	December 31	
	2008	2007
Assets		
Current assets:		
Cash	\$ 59,167	\$ 62,244
Investments, principally U.S. Government obligations	9,562,562	10,344,662
Fees receivable	39,772	469,291
Prepaid expenses	25,483	29,566
Total current assets	9,686,984	10,905,763
Noncurrent assets:		
Capital assets, at cost, less accumulated depreciation of \$476,887 and \$477,172 during 2008 and 2007, respectively	210,313	243,907
Total assets	\$ 9,897,297	\$ 11,149,670
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 334,945	\$ 289,182
Noncurrent liabilities:		
Postemployment benefits other than pension	2,926	2,223,716
Project obligations	129,095	217,768
Total noncurrent liabilities	132,021	2,441,484
Net assets:		
Unrestricted	9,220,018	8,175,097
Invested in capital assets	210,313	243,907
Total net assets	9,430,331	8,419,004
Total liabilities and net assets	\$ 9,897,297	\$ 11,149,670

See accompanying notes.

New Jersey Educational Facilities Authority
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Statements of Revenues, Expenses and
Changes in Fund Net Assets

	Year Ended December 31	
	2008	2007
Operating revenues:		
Administrative fees	\$ 3,351,932	\$ 3,824,201
Total operating revenues	3,351,932	3,824,201
Operating expenses:		
Salaries and related expenses	1,817,110	1,565,108
General and administrative expenses	792,909	834,373
Provision for (benefit from) postemployment benefits	(220,790)	155,570
Professional fees	174,463	137,891
Total operating expenses	2,563,692	2,692,942
Net operating income	788,240	1,131,259
Nonoperating revenue (expense):		
Investment income	223,087	439,498
Loss on asset disposal	-	(4,347)
Net changes in net assets	1,011,327	1,566,410
Net assets at beginning of year	8,419,004	6,852,594
Net assets at end of year	\$ 9,430,331	\$ 8,419,004

See accompanying notes.

New Jersey Educational Facilities Authority
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Statements of Cash Flows

	Year Ended December 31	
	2008	2007
Cash flows from operating activities		
Cash received from administrative fees	\$ 3,781,451	\$ 3,488,587
Cash payments for operating expenses	(4,744,442)	(2,542,386)
Net cash (used in) provided by operating activities	(962,991)	946,201
Cash flows from investing activities		
Purchase of investments	(18,412,872)	(19,680,043)
Sale and maturity of investments	19,146,172	18,354,543
Investment income	271,887	446,565
Net cash provided by (used in) investing activities	1,005,187	(878,935)
Cash flows from capital and related financing activities		
Purchase of capital assets	(45,273)	(58,169)
Net cash used in capital and related financing activities	(45,273)	(58,169)
Net (decrease) increase in cash	(3,077)	9,097
Cash at beginning of year	62,244	53,147
Cash at end of year	\$ 59,167	\$ 62,244
Reconciliation of net operating income to net cash (used in) provided by operating activities:		
Net operating income	\$ 788,240	\$ 1,131,259
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation	78,867	84,004
Changes in assets and liabilities:		
Fees receivable and prepaids	433,602	(335,699)
Accounts payable	45,763	15,682
Project obligations	(88,673)	(83,160)
Postemployment benefits obligation	(2,220,790)	134,115
Net cash (used in) provided by operating activities	\$ (962,991)	\$ 946,201
Supplemental schedule of noncash investing activities		
Change in fair value of investments	\$ (48,800)	\$ (7,067)

See accompanying notes.

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

Notes to Financial Statements

December 31, 2008

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.

Depreciation

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 \$94,131 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:

	2008	2007
Investments:		
U.S. Treasury Bills	\$ 9,560,395	\$10,297,370
Money Market Mutual Fund	2,167	47,292
Total investments	\$ 9,562,562	\$10,344,662

In 2008 and 2007, the Authority had \$2,167 and \$47,292, 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

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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 investment 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, 2008 and 2007, 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, 2008 and 2007, the Authority's investments consisted of U.S. Treasury Bills in the amount of \$9,560,395 and \$10,297,370, 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, 2008 or 2007, 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, 2008, the U.S. Treasury Bills had maturities ranging from January 2, 2009 through July 2, 2009.

For the years ended December 31, 2008 and 2007, investment income comprised the following:

	<u>2008</u>	<u>2007</u>
Interest earnings	\$ 271,887	\$ 446,565
Net decrease in fair value of investments	(48,800)	(7,067)
	<u>\$ 223,087</u>	<u>\$ 439,498</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. The Authority's required contribution and pension expense for the years ended December 31, 2008, 2007 and 2006 was \$77,042, \$40,057 and \$19,112, 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 2008, 5.0% to 5.5% for 2007 and 5% for 2006.

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

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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.

During 2006, the Authority adopted 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, 2008 and 2007 and the related information for the plan are as follows (dollar amounts in thousands):

	2008	2007
Annual required contribution (benefit)	\$ (221)	\$ 156
Contributions made – payment for benefits during year	(2,000)	(22)
(Decrease) increase in net OPEB obligation	(2,221)	134
Net OPEB obligation – beginning of year	2,224	2,090
Net OPEB obligation – end of year	\$ 3	\$ 2,224

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2006 through 2008 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, 2006	\$ 1,070	1.96%	\$ 2,090
December 31, 2007	\$ 156	14.20%	\$ 2,224
December 31, 2008	\$ (221)	N/A	\$ 3

As of December 31, 2008 and 2007, the actuarial liability for benefits was \$2,002,926 and \$2,223,716, respectively. In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2,000,000. At December 31, 2008 the fair value of this trust fund was \$2,007,536 which, due to the establishment of the trust, is no longer 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 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

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Notes to Financial Statements (continued)

5. Postemployment Benefits Other Than Pension (continued)

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, 2007 actuarial valuation, the Authority adopted the provisions of GASB 45 and, accordingly, changed the method used to calculate its expected liability for OPEB under the plan from the projected unit credit method to the entry age method. In addition, the Authority decreased the discount rate used from 5.75% to 4%. Each of these changes caused the accrued actuarial liability for benefits under the plan to increase. As a result of implementing GASB 45, the Authority experienced an overall increase in the actuarial accrued liability of \$875,000 during the year ended December 31, 2006. The Authority elected to amortize the increase in the actuarial accrued liability that resulted from the implementation of GASB 45 over one year. This amount when combined with 2006 normal cost of \$73,000 and interest on the Net OPEB obligation of \$122,000 resulted in the 2006 annual required contribution of \$1,070,000. 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, 2008, 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.

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

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Notes to Financial Statements (continued)

6. Conduit Debt (continued)

financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2008, the amount of conduit debt outstanding totaled \$5,128,518,947.

7. Commitments and Contingencies

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$258,000 through November 16, 2010.

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.

On December 21, 2005, the Members of the Authority passed a resolution to designate \$4,500,000 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. On February 27, 2008, the Authority's Members passed a resolution to increase by \$1,000,000 (to \$5,500,000) the amount designated for this purpose.

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

Notes to Financial Statements (continued)

8. Net Assets (continued)

Changes in Net Assets

The changes in net assets are as follows:

	Invested in Capital Assets	Unrestricted	Total
Net assets at December 31, 2006	\$ 274,089	\$ 6,578,505	\$ 6,852,594
Net asset change	–	1,566,410	1,566,410
Capital asset additions	58,169	(58,169)	–
Loss on disposal	(4,347)	4,347	–
Depreciation	(84,004)	84,004	–
Net assets at December 31, 2007	243,907	8,175,097	8,419,004
Net asset change	–	1,011,327	1,011,327
Capital asset purchases	45,273	(45,273)	–
Depreciation	(78,867)	78,867	–
Net assets at December 31, 2008	<u>\$ 210,313</u>	<u>\$ 9,220,018</u>	<u>\$ 9,430,331</u>

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, 2008, the fair value of this trust was \$2,007,536.

Supplemental Financial Information

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

Balance Sheets – Trustee Held Funds

	December 31	
	2008	2007
Assets		
Cash	\$ 111,367	\$ 98,647
Investments, principally U.S. Government obligations	1,112,379,745	1,121,897,919
Accrued interest receivable	2,653,234	776,063
Due from colleges and universities	362,576	185,602
Loans and leases receivable	5,095,051,447	4,822,410,068
U.S. Government debt service subsidies receivable	48,013	341,443
	\$ 6,210,606,382	\$ 5,945,709,742
Liabilities		
Accounts payable and accrued expenses	\$ 72,917,749	\$ 47,836,213
Accrued interest payable	98,006,340	82,112,451
Bonds and notes payable	5,128,518,947	4,854,470,068
Funds held in trust	911,163,346	961,291,010
	\$ 6,210,606,382	\$ 5,945,709,742

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	
	2008	2007
Funds held in trust at beginning of year	\$ 961,291,010	\$ 753,574,251
Additions:		
Proceeds from sale of bonds and issuance of notes:		
Par amount	1,213,270,268	1,079,748,710
Bond premium, net	27,918,544	13,857,586
Annual loan and rental requirements	372,063,734	331,355,960
Investment income	54,492,149	25,212,888
College and university contributions (returned)	(2,801,255)	(2,527,279)
U.S. Government debt service subsidies	763,965	1,157,462
Change in investment valuation reserve	1,622,622	531,486
Total additions	1,667,330,027	1,449,336,813
Deductions:		
Debt service:		
Interest	264,038,179	201,695,883
Principal	167,036,240	131,178,304
Project costs	498,132,908	338,220,064
Issuance costs	14,859,088	11,400,196
Administrative fees	3,016,399	2,919,298
Transfers to escrow accounts for defeasance of refunded issues	770,374,877	556,206,309
Total deductions	1,717,457,691	1,241,620,054
(Decrease) increase in funds held in trust	(50,127,664)	207,716,759
Funds held in trust at end of year	\$ 911,163,346	\$ 961,291,010

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, 2008

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Construction funds	\$ 796,466,300	\$ 836,437,711
Debt service funds	12,096,384	14,870,953
Debt service reserve funds	84,446,763	90,278,957
Renewal and replacement accounts	18,153,899	19,703,389
	<u>\$ 911,163,346</u>	<u>\$ 961,291,010</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>2008</u>	<u>2007</u>
Investments:		
Collateralized investment agreements	\$ 80,207,230	\$ 507,700,448
U.S. Treasury and agency obligations*	1,032,172,515	614,197,471
Total investments	<u>\$ 1,112,379,745</u>	<u>\$ 1,121,897,919</u>

* Includes \$250,028,040 and \$135,749,925 of investments in pooled U.S. Treasury funds at December 31, 2008 and 2007, respectively, which are uncategorized.

5. Loans and Leases Receivable

Since its inception, the Authority has issued obligations of \$11,651,321,384 and \$10,438,051,116 as of December 31, 2008 and 2007, 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	
	2008	2007
Loans:		
Institute for Advanced Study	\$ 62,735,000	\$ 64,790,000
Princeton University	1,441,817,500	1,236,725,000
Mortgages:		
Beth Medrash Govoha	–	7,530,000
Caldwell College	20,340,000	20,950,000
Centenary College	25,332,881	25,873,730
College of Saint Elizabeth	24,090,000	25,310,000
Drew University	60,326,807	61,207,500
Fairleigh Dickinson University	105,189,263	108,766,909
Felician College	10,110,000	10,685,000
Georgian Court University	31,257,577	32,005,246
Institute for Defense Analyses	14,585,000	15,015,000
Monmouth University	16,815,000	18,565,000
New Jersey Institute of Technology	136,237,500	139,735,000
Princeton Theological Seminary	41,525,000	42,445,000
Rider University	54,320,000	56,520,000
Saint Peter's College	44,509,428	39,901,927
Seton Hall University	131,737,500	140,600,000
Stevens Institute of Technology	77,490,000	77,872,500
University of Medicine and Dentistry of New Jersey	102,710,000	106,170,000
Leases:		
Bloomfield College	–	20,372
Kean University	318,909,610	319,995,365
Montclair State University	331,877,500	335,890,000
New Jersey City University (formerly Jersey City State College)	109,555,000	110,905,000
Ramapo College of New Jersey	239,843,496	245,241,682
Rider University	125,000	367,500
Rowan University (formerly Glassboro State College)	334,790,000	338,925,000
Rutgers, The State University	–	217,500
Thomas Edison State College	3,013,385	3,708,337
The College of New Jersey (formerly Trenton State College)	328,460,000	326,370,000
The Richard Stockton College of New Jersey	254,659,000	151,074,000
William Paterson University of New Jersey	176,755,000	98,792,500
Equipment Leasing Fund	4,745,000	13,320,000
Higher Education Capital Improvement Fund	455,105,000	476,475,000
Higher Education Facilities Trust Fund	39,920,000	58,435,000
Higher Education Technology Infrastructure Fund	–	6,165,000
County College Capital Projects Fund	12,670,000	14,755,000
Dormitory Safety Trust Fund	45,830,000	51,490,000
Library Grant Program	37,665,000	39,595,000
	\$ 5,095,051,447	\$ 4,822,410,068

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	
				2008	2007
Bonds Payable					
Beth Medrash Govoha:					
2000 Series G	\$ 8,505,000	7/1/2030	6.720%	\$ —	\$ 7,610,000
Caldwell College:					
2006 Series F	21,400,000	7/1/2032	Variable	20,340,000	20,950,000
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	11,470,000	11,935,000
2006 Series J	9,154,113	11/1/2036	Variable	9,127,863	9,154,113
2007 Series B	4,784,617	11/1/2036	Variable	4,735,018	4,784,617
Drew University:					
1998 Series C	27,935,000	7/1/2017	4.936%	—	13,495,000
2003 Series C	20,855,000	7/1/2021	3.888%	18,835,000	19,530,000
2007 Series D	29,135,000	7/1/2037	4.601%	28,985,000	29,135,000
2008 Series B	10,765,000	7/1/2017	4.234%	10,765,000	—
2008 Series I	40,000,000	6/25/2018	Variable	2,331,807	—
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	38,840,000	43,695,000
Series 2001 B - taxable	5,800,000	3/1/2016	6.117%	3,310,000	3,725,000
Series 2003 A	5,440,000	3/1/2018	3.752%	3,680,000	4,070,000
Equipment Leasing Fund:					
Series 2001 A	87,385,000	9/1/2009	3.089%	1,755,000	8,280,000
Series 2003 A	12,620,000	9/1/2011	2.517%	2,990,000	5,040,000
Fairleigh Dickinson University:					
2002 Series D	63,650,000	7/1/2032	6.114%	59,320,000	60,485,000
2004 Series C	35,285,000	7/1/2023	5.534%	31,825,000	33,230,000
2006 Series G	14,505,000	7/1/2028	4.954%	14,095,000	14,505,000
2006 Series H	2,147,554	7/1/2027	4.954%	1,509,263	2,036,909
Felician College:					
2006 Series I	11,445,000	11/1/2022	4.749%	10,155,000	10,685,000

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	
				2008	2007
Bonds Payable (continued)					
Georgian Court University:					
1998 Series, Project B	\$ 6,455,000	7/1/2015	4.198%	\$ 2,785,000	\$ 3,370,000
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%	26,980,000	26,980,000
2007 Series H	1,050,000	10/1/2022	5.296%	995,077	1,042,746
Higher Education Facilities					
Trust Fund:					
Series 2005 A	90,980,000	9/1/2010	3.286%	39,920,000	58,435,000
Higher Education Technology					
Infrastructure Fund:					
Series 1998 A	55,000,000	9/1/2008	4.518%	–	6,165,000
Higher Education Capital					
Improvement Fund:					
Series 2000 A	132,800,000	9/1/2020	5.242%	25,200,000	30,745,000
Series 2000 B	145,295,000	9/1/2020	5.003%	27,975,000	34,125,000
Series 2002 A	194,590,000	9/1/2022	4.599%	32,105,000	38,335,000
Series 2004 A	76,725,000	9/1/2024	4.352%	46,245,000	48,955,000
Series 2005 A	169,790,000	9/1/2019	4.121%	169,090,000	169,330,000
Series 2006 A	155,460,000	9/1/2024	4.421%	154,490,000	154,985,000
Institute for Advanced Study:					
1997 Series F	16,310,000	7/1/2021	5.111%	–	12,210,000
2001 Series A	11,000,000	7/1/2031	5.101%	2,980,000	2,980,000
2006 Series B	29,600,000	7/1/2031	3.990%	28,900,000	29,600,000
2006 Series C	20,000,000	7/1/2036	Variable	19,600,000	20,000,000
2008 Series C	11,255,000	7/1/2021	3.619%	11,255,000	–
Institute for Defense Analyses:					
2000 Series D	16,695,000	10/1/2030	Variable	14,585,000	15,015,000
Kean University:					
Series 1974 B	7,960,000	7/1/2008	6.272%	–	515,000
Series 1998 B	25,995,000	7/1/2027	4.872%	7,065,000	7,450,000
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%	24,240,000	24,385,000
Series 2007 D	117,795,000	7/1/2039	4.553%	117,795,000	117,795,000
Series 2007 E	156,240,000	7/1/2037	Variable	156,240,000	156,240,000

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	
				2008	2007
Bonds Payable (continued)					
Library Grant Program:					
Series 2002 A	\$ 45,000,000	9/1/2022	4.560%	\$ 37,665,000	\$ 39,595,000
Monmouth University:					
1993 Series A	14,365,000	7/1/2013	5.538%	5,220,000	6,090,000
1997 Series C	12,910,000	7/1/2022	5.732%	7,740,000	8,095,000
1998 Series D	8,815,000	7/1/2024	5.225%	4,745,000	5,240,000
Montclair State University:					
Series 1974 D	6,425,000	7/1/2008	6.173%	–	445,000
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%	18,825,000	18,825,000
Series 2003 L	94,540,000	7/1/2034	4.541%	28,255,000	28,395,000
Series 2006 A	98,090,000	7/1/2036	4.816%	96,005,000	97,650,000
Series 2006 B	9,970,000	7/1/2012	4.133%	8,140,000	9,970,000
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%	6,150,000	6,150,000
New Jersey City University (formerly Jersey City State College):					
Series 1977 C	8,570,000	7/1/2010	6.290%	1,120,000	1,630,000
Series 1999 B	17,795,000	7/1/2025	4.807%	13,005,000	13,655,000
Series 2002 A	15,115,000	7/1/2032	4.949%	2,215,000	2,215,000
Series 2003 A	47,850,000	7/1/2032	Variable	–	47,650,000
Series 2003 B	2,300,000	7/1/2018	5.659%	2,150,000	2,300,000
Series 2005 A	21,575,000	7/1/2035	3.726%	–	20,250,000
Series 2006 C	5,950,000	7/1/2036	Variable	–	5,950,000
Series 2007 F	17,910,000	7/1/2032	4.337%	17,910,000	17,910,000
Series 2008 E	68,445,000	7/1/2035	4.763%	68,445,000	–
Series 2008 F	6,175,000	7/1/2036	7.039%	6,175,000	–
New Jersey Institute of Technology:					
Series 2001 G	62,335,000	7/1/2031	4.932%	57,830,000	58,550,000
Series 2001 H – taxable	12,570,000	7/1/2016	6.259%	8,110,000	8,880,000
Series 2004 B	73,530,000	7/1/2025	4.016%	72,570,000	73,530,000
Princeton Theological Seminary:					
1997 Series A	22,485,000	7/1/2022	4.988%	16,330,000	17,135,000
2002 Series G	26,125,000	7/1/2032	4.824%	25,665,000	25,760,000

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	
				2008	2007
Bonds Payable (continued)					
Princeton University:					
1999 Series A	\$ 45,500,000	7/1/2029	4.798%	\$ 4,675,000	\$ 5,725,000
1999 Series B	50,000,000	7/1/2019	4.980%	2,335,000	4,565,000
2000 Series E	50,000,000	7/1/2020	5.355%	4,535,000	6,625,000
2000 Series H	100,000,000	7/1/2030	5.336%	4,460,000	6,525,000
2001 Series B	100,000,000	7/1/2021	Variable	–	79,200,000
2002 Series B	100,000,000	7/1/2031	Variable	–	83,290,000
2003 Series D	114,495,000	7/1/2019	3.727%	85,205,000	90,420,000
2003 Series E	112,510,000	7/1/2028	3.944%	64,120,000	67,010,000
2003 Series F	75,000,000	7/1/2023	Variable	–	63,325,000
2004 Series D	175,000,000	7/1/2029	4.497%	42,325,000	46,455,000
2005 Series A	139,590,000	7/1/2030	4.405%	135,160,000	135,735,000
2005 Series B	114,645,000	7/1/2035	4.236%	83,220,000	85,360,000
2006 Series D	74,290,000	7/1/2031	4.391%	72,550,000	74,290,000
2006 Series E	93,285,000	7/1/2027	4.504%	92,620,000	92,735,000
2007 Series E	325,000,000	7/1/2037	4.534%	319,550,000	325,000,000
2007 Series F	67,620,000	7/1/2030	4.392%	67,610,000	67,620,000
2008 Series J	250,000,000	7/1/2038	4.391%	250,000,000	–
2008 Series K	208,805,000	7/1/2023	4.356%	208,805,000	–
Ramapo College of New Jersey:					
Series 1998 G	16,845,000	7/1/2028	4.832%	13,635,000	14,035,000
Series 1998 H	2,000,000	7/1/2013	4.309%	835,000	980,000
Series 1998 I	955,000	7/1/2008	4.044%	–	120,000
Series 1999 E	19,900,000	7/1/2029	5.774%	455,000	890,000
Series 2001 D	40,480,000	7/1/2031	5.105%	6,040,000	6,040,000
Series 2001 E	2,535,000	7/1/2008	4.037%	–	405,000
Series 2002 H	28,655,000	7/1/2032	4.485%	18,230,000	18,610,000
Series 2002 I	2,145,000	7/1/2032	4.485%	1,300,000	1,345,000
Series 2002 J	29,620,000	7/1/2032	4.485%	18,850,000	19,495,000
Series 2003 F	1,820,000	7/1/2013	3.257%	1,185,000	1,400,000
Series 2003 G	9,300,000	7/1/2013	3.110%	5,175,000	6,540,000
Series 2003 H	18,930,000	7/1/2029	4.346%	18,775,000	18,915,000
Series 2004 E	53,980,000	7/1/2034	4.630%	13,680,000	13,680,000
Series 2006 D	49,085,000	7/1/2036	4.521%	37,940,000	37,940,000
Series 2006 I	106,820,000	7/1/2036	4.417%	106,790,000	106,820,000

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	
				2008	2007
Bonds Payable (continued)					
Rider University:					
1971 Series A	\$ 3,700,000	7/1/2009	6.895%	\$ 250,000	\$ 485,000
2002 Series A	27,560,000	7/1/2017	4.709%	19,595,000	21,295,000
2004 Series A	14,735,000	7/1/2034	5.301%	13,940,000	14,210,000
2007 Series C	22,000,000	7/1/2037	5.172%	22,000,000	22,000,000
Rowan University (formerly Glassboro State College):					
Series 1974 E	6,080,000	7/1/2009	6.944%	415,000	805,000
Series 1983 D	3,500,000	7/1/2013	3.000%	850,000	1,005,000
Series 2000 B	51,620,000	7/1/2030	5.566%	2,360,000	3,460,000
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%	40,470,000	42,025,000
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%	7,820,000	7,820,000
Series 2003 J	4,555,000	7/1/2008	2.258%	–	1,005,000
Series 2003 K	14,700,000	7/1/2033	Variable	–	14,700,000
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%	51,655,000	51,840,000
Series 2006 G	69,405,000	7/1/2031	4.362%	69,250,000	69,405,000
Series 2006 H	20,000,000	7/1/2036	Variable	–	20,000,000
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	–
Rutgers, The State University:					
Series 1974 A	6,725,000	7/1/2008	5.945%	–	435,000
Saint Peter's College:					
2007 Series G	36,053,465	7/1/2027	4.217%	36,053,466	36,053,465
2007 Series I	3,848,462	1/1/2013	3.925%	3,628,462	3,848,462
2008 Series H	5,000,000	7/1/2018	3.925%	4,827,500	–
Seton Hall University:					
1998 Series, Project F	7,620,000	7/1/2021	5.189%	7,620,000	7,620,000
1999 Refunding Series	50,450,000	7/1/2018	5.122%	30,355,000	33,630,000
2001 Refunding Series A	22,840,000	7/1/2016	4.314%	6,485,000	7,100,000
2001 Refunding Series B	11,600,000	7/1/2016	4.314%	6,875,000	7,635,000
2001 Series Project G	8,740,000	7/1/2026	4.598%	8,740,000	8,740,000
2005 Series Project C	57,750,000	7/1/2037	Variable	–	57,750,000
2006 Series A	20,750,000	7/1/2019	Variable	–	20,450,000
2008 Series D	49,760,000	7/1/2037	Variable	49,760,000	–
2008 Series E	24,340,000	7/1/2037	6.127%	24,340,000	–

New Jersey Educational Facilities Authority
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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	
				2008	December 31 2007
Bonds Payable (continued)					
Stevens Institute of Technology:					
1998 Series I	\$ 17,000,000	7/1/2028	5.109%	\$ 6,575,000	\$ 7,050,000
2007 Series A	71,060,000	7/1/2034	4.977%	71,060,000	71,060,000
The College of New Jersey (formerly Trenton State College):					
Series 1976 D	5,580,000	7/1/2008	6.853%	–	415,000
Series 1999 A	146,455,000	7/1/2029	4.948%	–	143,855,000
Series 2002 C	53,155,000	7/1/2019	4.480%	42,375,000	45,140,000
Series 2002 D	138,550,000	7/1/2035	4.167%	–	138,550,000
Series 2008 D	287,790,000	7/1/2035	5.086%	287,790,000	–
The College of Saint Elizabeth:					
2000 Series C	12,000,000	7/1/2030	Variable	–	10,400,000
2006 Series K	15,000,000	7/1/2036	Variable	–	15,000,000
2008 Series F	24,090,000	7/1/2036	Variable	24,090,000	–
The Richard Stockton College of New Jersey:					
Series 1973 D	5,700,000	7/1/2008	5.885%	–	365,000
Series 1988 A	3,294,000	7/1/2016	3.000%	1,104,000	1,234,000
Series 2002 B	8,340,000	7/1/2010	3.482%	1,690,000	2,530,000
Series 2005 C	31,150,000	7/1/2035	3.870%	–	31,150,000
Series 2005 F	28,180,000	7/1/2028	4.458%	25,445,000	26,250,000
Series 2006 F	50,365,000	7/1/2036	4.460%	50,365,000	50,365,000
Series 2007 G	40,250,000	7/1/2037	4.500%	40,250,000	40,250,000
Series 2008 A	136,910,000	7/1/2038	5.309%	136,910,000	–
University of Medicine and Dentistry of New Jersey:					
Series 1995 B	143,645,000	12/1/2025	5.319%	89,565,000	92,685,000
Series 1999 C	15,720,000	12/1/2029	5.321%	13,145,000	13,485,000
William Paterson University of New Jersey:					
Series 1974 C	4,025,000	7/1/2008	6.272%	–	260,000
Series 1976 A	5,685,000	7/1/2009	7.644%	445,000	860,000
Series 1981 B	5,000,000	7/1/2011	3.000%	765,000	1,000,000
Series 1998 D	6,575,000	7/1/2021	4.994%	–	5,095,000
Series 1999 D	12,785,000	7/1/2019	5.162%	615,000	1,205,000
Series 2000 A	26,425,000	7/1/2030	5.515%	1,105,000	1,605,000
Series 2002 E	42,125,000	7/1/2027	4.714%	21,605,000	23,465,000
Series 2004 A	30,035,000	7/1/2028	4.131%	25,475,000	26,610,000

New Jersey Educational Facilities Authority
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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 2008	2007
Bonds Payable (continued)					
William Paterson University of New Jersey (continued):					
Series 2005 E	\$ 42,295,000	7/1/2030	4.546%	\$ 41,270,000	\$ 41,370,000
Series 2008 C	88,670,000	7/1/2038	4.724%	88,670,000	–
Notes Payable					
Princeton University:					
Various Commercial Paper	120,000,000*	N/A	Variable	12,680,000	12,680,000
Leases Payable					
Bloomfield College	315,000	4/1/2008	5.900%	–	20,372
Kean University	916,666	6/1/2014	4.064%	654,610	842,865
Ramapo College	1,377,090	10/1/2010	Various	113,496	189,182
Thomas Edison State College	1,800,000	3/8/2012	3.647%	700,538	1,008,337
Thomas Edison State College	2,700,000	9/28/2022	Variable	2,312,847	2,700,000
Treasurer, State of New Jersey, Series 1999 A	19,295,000	9/1/2014	4.705%	2,290,000	2,610,000
Atlantic County, Series 1999 B	3,045,000	9/1/2009	4.799%	370,000	720,000
Essex County, Series 1999 C	4,570,000	9/1/2014	5.177%	2,205,000	2,520,000
Hudson County, Series 1999 D	7,750,000	9/1/2014	5.177%	3,745,000	4,275,000
Middlesex County, Series 1999 E	4,370,000	9/1/2014	5.053%	2,105,000	2,400,000
Passaic County, Series 1999 F	2,015,000	9/1/2014	5.125%	970,000	1,105,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000	9/1/2014	5.177%	985,000	1,125,000
				\$ 5,128,518,947	\$4,854,470,068

* Maximum authorized amount.

New Jersey Educational Facilities Authority
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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:

2009 – 2013	\$ 816,699,196
2014 – 2018	1,043,807,323
2019 – 2023	1,152,749,750
2024 – 2028	927,172,453
2029 – 2033	754,983,056
2034 – 2038	425,822,169
2039	7,285,000
	<u>\$ 5,128,518,947</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.

During 2008, the Beth Medrash Govoha Issue, Series 2000 G, was refunded by Economic Development Authority Bonds.

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
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Notes to Supplemental Financial Statements (continued)

7. Refunded Bond Issues (continued)

Refunded bonds outstanding at December 31, 2008 comprise the following:

Issue	Principal Amount Outstanding December 31, 2008	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Princeton University Issues							
1999 Series B	\$ 25,440,000	\$ 25,440,000	7/1/2009	\$ 5,434,717	10/23/2003	2003 Series D	\$ 114,495,000
2000 Series E	27,615,000	27,615,000	7/1/2010				
2000 Series H	26,700,000	26,700,000	7/1/2010				
Ramapo College of New Jersey Issue							
1999 Series E	16,825,000	16,825,000	7/1/2009	554,426	1/29/2004	Series 2003 H	18,930,000
Higher Educational Capital Improvement Fund Issues							
Series 2000 A	59,405,000	59,405,000	9/1/2010	5,080,385	8/10/2005	Series 2005 A	169,790,000
Series 2000 B	65,675,000	65,675,000	9/1/2010				
Series 2002 A	41,850,000	41,850,000	9/1/2012				
Rowan University Issues							
2000 Series B	43,405,000	45,445,000	7/1/2010	1,912,380	4/13/2005	Series 2005 D	51,840,000
Princeton University Issues Partial Refundings							
1999 Series A	10,400,000	10,400,000	7/1/2009	4,243,735	4/12/2005	2005 Series A	139,590,000
1999 Series B	5,535,000	5,535,000	7/1/2009				
2000 Series E	3,935,000	3,935,000	7/1/2010				
2000 Series H	45,435,000	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 Richard Stockton College of New Jersey Issues							
Series 1998 C	–	11,875,000	7/1/2008	1,452,794	10/27/2005	Series 2005 F	28,180,000
The William Paterson University of New Jersey Issues							
Series 1999 D	8,125,000	8,125,000	7/1/2009	1,420,584	11/10/2005	Series 2005 E	42,295,000
Series 2000 A	22,395,000	22,395,000	7/1/2010				
Series 2002 E	11,305,000	11,305,000	7/1/2012				
New Jersey City University Issues							
1999 Series B	450,000	450,000	7/1/2009	-	2/16/2006	Series 2006 C	5,950,000
Fairleigh Dickinson University Issues							
1998 Series G	–	13,970,000	7/1/2008	551,612	6/29/2006	Series 2006 G	14,505,000
Institute for Advanced Study Issues							
1997 Series G	–	21,070,000	7/1/2008	2,100,571	7/19/2006	2006 Series B	26,565,000
2001 Series A	6,730,000	7,190,000	7/1/2000				11,000,000

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

7. Refunded Bond Issues (continued)

Issue	Principal Amount Outstanding December 31, 2008	Refunded Issues		Debt Service Savings	Refunding Issues		Original Amount of Issue
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	
Princeton University Issues							
1999 Series A	\$ 16,815,000	16,815,000	7/1/2009	\$ 2,755,549	8/10/2006	2006 Series E	\$ 45,500,000
2000 Series H	10,615,000	10,615,000	7/1/2010				100,000,000
2003 Series E	5,950,000	5,950,000	7/1/2013				112,510,000
2004 Series D	49,045,000	49,045,000	7/1/2014				175,000,000
2005 Series B	7,820,000	7,820,000	7/1/2015				114,645,000
Rowan University Issues							
2002 Series K	4,805,000	4,805,000	7/1/2012	738,003	11/16/2006	Series 2006 G	14,920,000
2003 Series I	17,225,000	17,385,000	7/1/2013				64,910,000
Higher Education Capital Improvement Fund Issues							
2000 Series A	10,545,000	10,545,000	9/1/2010	4,438,363	10/26/2006	2006 Series A	132,800,000
2000 Series B	11,405,000	11,405,000	9/1/2010				145,295,000
2002 Series A	102,810,000	102,810,000	9/1/2012				194,590,000
2004 Series A	22,760,000	22,760,000	9/1/2014				76,725,000
Ramapo College of New Jersey Issues							
2001 Series D	30,435,000	32,130,000	7/1/2011	3,510,943	11/28/2006	2006 Series I	40,480,000
2002 Series H	7,930,000	8,795,000	7/1/2012				28,655,000
2002 Series I	570,000	615,000	7/1/2012				2,145,000
2002 Series J	8,205,000	8,835,000	7/1/2012				29,620,000
2004 Series E	40,300,000	40,300,000	7/1/2014				53,980,000
2006 Series D	11,145,000	11,145,000	7/1/2016				49,085,000
Montclair University Issues							
2001 Series F	18,695,000	18,695,000	7/1/2011	6,194,157	12/14/2006	2006 Series J	18,695,000
2002 Series F	56,125,000	56,125,000	7/1/2010				78,500,000
2003 Series E	4,600,000	4,600,000	7/1/2010				23,425,000
2003 Series L	61,005,000	64,290,000	7/1/2014				94,540,000
New Jersey City University Issues							
Series 1998 E	—	6,020,000	7/1/2008	696,503	4/4/2007	Series 2007 F	17,910,000
Series 2002 A	11,175,000	11,785,000	7/1/2012				
Drew University							
1998 Series C	—	6,350,000	7/1/2008	204,170	4/12/2007	2007 Series D	29,135,000
Kean University Issues							
Series 1998 A	—	9,310,000	7/1/2008	14,985,307	4/13/2007	Series 2007 E	156,240,000
Series 2001 A	3,990,000	4,790,000	7/1/2011				
Series 2003 D	57,555,000	60,395,000	7/1/2013				
Series 2005 B	76,000,000	77,530,000	7/1/2016				

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

7. Refunded Bond Issues (continued)

Issue	Principal Amount	Refunded Issues		Debt Service Savings	Refunding Issues		
	Outstanding December 31, 2008	Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Stevens Institute of Technology							
Issues							
1998 Series I	\$ 5,635,000	6,050,000	No Call	N/A*	8/2/2007	2007 Series A	\$ 71,060,000
2002 Series C	48,335,000	49,355,000	7/1/2013				
2004 Series B	12,590,000	12,825,000	7/1/2014				
Princeton University Partial Refundings							
1999 Series A	5,305,000	5,305,000	7/1/2009	\$ 2,361,004	6/19/2007	2007 Series F	67,620,000
2003 Series E	4,270,000	4,270,000	7/1/2013				
2004 Series D	36,805,000	36,805,000	7/1/2014				
2005 Series A	2,095,000	2,095,000	7/1/2015				
2005 Series B	17,625,000	17,625,000	7/1/2015				
Rowan University Issues							
Series 2001 B	7,430,000	7,610,000	7/1/2011	4,465,765	4/5/2007	Series 2007 B	121,355,000
Series 2001 C	7,555,000	7,850,000	7/1/2011				
Series 2002 K	8,045,000	8,340,000	7/1/2012				
Series 2003 I	34,055,000	35,615,000	7/1/2013				
Series 2004 C	51,195,000	51,595,000	7/1/2014				
Georgian Court University							
2003 Series Project C	13,330,000	13,585,000	7/1/2013	1,034,788	7/19/2007	2007 Series D	26,980,000
Saint Peter's College							
Series 1998 B	–	28,690,000	7/1/2008	1,137,603	12/28/2007	2007 Series G	36,053,466
Princeton University Current Refundings							
Series 2001 B	–	75,000,000	12/1/2008	N/A*	11/5/2008	2008 Series K	208,805,000
Series 2002 B	–	79,425,000	12/1/2008	N/A*			
Series 2003 F	–	60,185,000	12/1/2008	N/A*			
Seton Hall Partial Refunding							
Series 2005 C	21,737,500	21,737,500	1/8/2009	N/A*	12/11/2008	Series 2008	24,340,000
Seton Hall Partial Refunding 2005 C and Current Refunding							
2006 A	28,287,500	28,287,500	1/8/2009	N/A*	12/11/2008	Series 2008 D	49,760,000
Series 2005 C	20,200,000	20,200,000	1/8/2009				
Series 2006A							
Beth Medrash Govoha							
Series 2000 G	7,450,000	7,450,000	7/1/2010	N/A*	N/A	N/A	N/A

* 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, 2008, and have issued our report thereon dated March 18, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 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, for which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ernst + Young LLP

March 18, 2009