RAMAPO COLLEGE OF NEW JERSEY

FINANCIAL STATEMENTS

JUNE 30, 2003

RAMAPO COLLEGE OF NEW JERSEY

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RAMAPO COLLEGE OF NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

This section of the audited financial statements for Ramapo College of New Jersey (RCNJ) presents management's discussion and analysis of the College's financial position for the year ended June 30, 2003 with comparative information for the year ended June 30, 2002. Since the management's discussion and analysis is designed to focus on current activities and currently known facts, it should be read in conjunction with the College's basic financial statements and related footnote disclosures, which follow this section. Management has prepared the financial statements and the related footnote disclosures, along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

COLLEGE OVERVIEW

Ramapo College of New Jersey, located in suburban Mahwah, New Jersey, is a highly selective institution of post-secondary education. Ramapo College of New Jersey, one of twelve senior public institutions in the New Jersey system of public higher education, offers programs in the liberal arts and sciences as well as in business and other professional studies, within a liberal education context at both the bachelor's and master's level. Organized into schools, which provide thematic learning communities, the College presents a curriculum of traditional majors and innovative programs in an interdisciplinary fashion. Supported by global partnerships and telecommunications, international and intercultural education has become central themes in Ramapo's programming. The College purposely involves students in the cultural diversity of the world and of American society.

As of fall 2002, the College enrolled 4,215 full time equivalent undergraduate students and 137 full time equivalent graduate students. Approximately 56% of full time undergraduates live on campus.

The State of New Jersey recognizes Ramapo as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the College. However, Ramapo operates autonomously from the State's activity.

Ramapo College has been nationally recognized for excellence by Barrons' Profiles of American Colleges, The Fiske Guide to Colleges, Kaplan, Money magazine, Peterson's Competitive Colleges, The Princeton Review and US News and World Report.

The annual U.S. News and World Report issue on *The Best American Colleges and Universities* ranks Ramapo #2 among northern comprehensive public colleges. Ramapo was also highlighted as one of the northern comprehensive colleges with a low acceptance rate for freshmen. In the *Unofficial, Unbiased Guide to the 328 Most Interesting Colleges, 2004 Edition*, produced by Kaplan Publishing, Ramapo is listed among the top institutions that have "Changed for the Better", is a "Hidden Treasure" and has the "Most beautiful Rural/Suburban Campus."

USING THE FINANCIAL STATEMENTS

The College's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. In fiscal year 2002 the College adopted GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities", as amended by GASB Statements No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and No. 38, "Certain Financial Statement Note Disclosures". These statements establish standards for external financial reporting for public colleges and universities. These statements focus on the financial condition of the College as a whole and present a long-term view of the College's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as RCNJ's operating results.

These two statements report RCNJ's net assets and changes in them. You can think of RCNJ's net assets – the difference between assets and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. However, in any given year the change in net assets may result from a unique event (such as receipt of proceeds from a grant or a one time spike in expenditures, e.g. unusually snowy winter). Trends therefore are important to watch. Also, you will need to consider not only the trends of net assets but also many other non-financial factors that reflect on the overall health of the College. These factors include such things as freshman class size, number of applicants, selectivity, strength of demand e.g., percent of first year students noting the College was their first year choice, retention rates, graduation rates, the condition of the buildings and grounds, and the safety of the campus.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year. It includes all assets (current and noncurrent), liabilities (current and noncurrent) and net assets (the difference between total assets and total liabilities). Net assets are one indicator of the financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improver or worsened during the year.

Net assets consist of three major categories. The first category, invested in capital, net of related debt, provides the College's equity in property, plant and equipment. The next category is expendable restricted net assets. These are available to RCNJ, but must be spent for the purposes as specified by external entities. These primarily include grants and contracts and capital funds that are subject to regulations or restrictions governing their use. The final category is unrestricted net assets. Unrestricted net assets are available to the College for any lawful purpose, but are internally designated for various academic and student programs.

A summarized comparison of RCNJ's assets, liabilities and net assets for the fiscal years ended June 30, 2003 and 2002 is as follows (thousand of dollars):

	6/30/03	6/30/02
Assets		
Current assets	$ 87,536	$ 51,683
Capital assets, net	143,438	120,239
Other assets	1,661	4,069
Total assets	$232,635	$175,991
Liabilities		
Current liabilities	$ 23,812	$ 23,406
Noncurrent liabilities	149,775	100,191
Total liabilities	$173,587	$123,597
Net assets		
Invested in capital assets, net of related debt	$ 35,108	$ 31,837
Restricted	14,781	15,614
Unrestricted	9,159	4,943
Total net assets	$ 59,048	$ 52,394

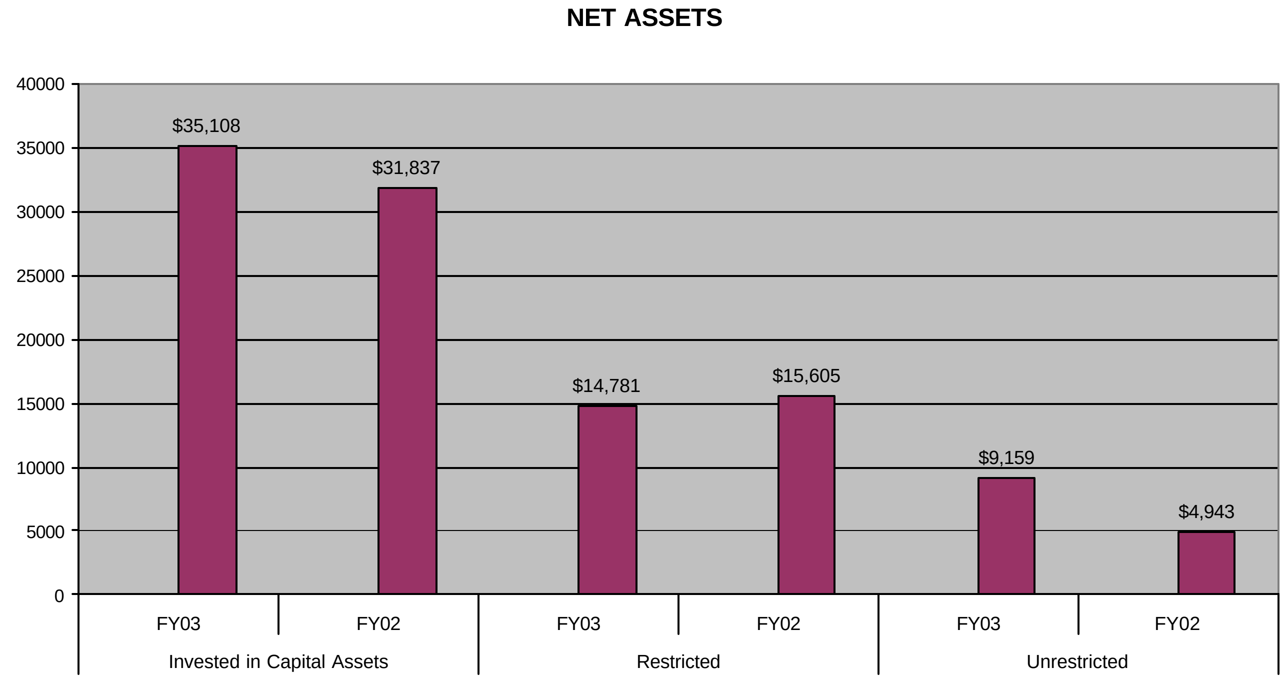
Current assets consist primarily of cash, assets held by trustees under bond agreements for capital activities, and accounts receivables. Other assets consist primarily of long-term investments and receivables. Current liabilities consist primarily of accounts payable and accrued expenses. Noncurrent liabilities consist primarily of long-term debt.

During fiscal year 2003, RCNJ's total assets increased by $56.6 million. Deposits held by bond trustees had a significant increase of $33.0 million due to the issuance of Series 2002A, 2002H, 2002I, 2002J and 2003A. The bond proceeds will finance the construction of the Bill Bradley Sports and Recreation Center, a new 300 bed student residence building, renovations to the Robert A. Scott Student Center and other campus buildings, the purchase of the Havemeyer House, which serves as the president's residence and adds additional conference space, and the purchase of new equipment. Plant facilities, net of accumulated depreciation, increased $23.2 million. This increase is due to the completion of the Village, a 528 bed apartment style student housing complex. Cash and cash equivalents increases of $ 6.8 million were principally due to the collection of other receivables which decreased by $6.8 million.

Total liabilities increased by $50.0 million for the year. The primary cause for the increase was the issuance of the previously mentioned bond issuances. These programs resulted in a total increase of $73.9 million to the outstanding debt obligation. This was offset by payments to existing debt totaling $23.9 million, which includes the early redemption of the Series 1997A at $7.3 million. The proceeds for the payment of Series 1997A were principally the result of a successful capital campaign conducted by the Ramapo College Foundation. The Series 1993D and 1993E were refinanced during this period.

Net assets increased $6.7 million. This increase was due predominately from the capital grant from the State of New Jersey. The increase in unrestricted net assets of $3.9 million was from the return of funds advanced to initiate capital projects for which bond funding was secured of $2.5 million and the net increase of room revenue over expenses of $1.9 million due to the increased population of resident students housed on campus due to the opening of the new residence apartments, the Village.

Graphically displayed is the comparative net asset change by category for the fiscal years shown below (thousand of dollars):



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The purpose of the statement of revenues, expenses and changes in net assets is to present the revenues earned by RCNJ, both operating and nonoperating, and the expenses incurred by RCNJ, both operating and nonoperating.

Revenues

Operating revenues are earned from providing goods and services to the various customers and constituencies of the College. Nonoperating revenues are revenues for which goods or services are not directly provided.

A summarized comparison of the College's revenues for the fiscal years ended June 30, 2003 and 2002 is as follows (thousand of dollars):

	6/30/03	6/30/02
Operating revenues:		
Student tuition and fees, net	$22,242	$18,746
Grants and contracts	7,851	8,019
Auxiliary Enterprises, net	19,364	16,816
Other	225	530
Total operating revenues	49,682	44,111
Nonoperating revenue:		
State appropriation	28,172	28,206
Investment and other	816	968
Total non operating revenue	28,988	29,174
Capital appropriations and gifts	10,501	
Total revenues	$89,171	$73,285

To achieve its mission, RCNJ receives revenue from a variety of sources. The College will continue to aggressively seek funding from all possible sources and manage those resources to fund its operating activities.

Operating Revenues

Student Tuition and Fees

Student tuition and fees are reflected net of scholarship allowances. Scholarship allowances represent scholarships applied to student accounts for tuition and fees. These scholarships are funded through federal and state grant programs, gifts raised by the College and general College revenues. Ramapo applied $8.3 million in scholarship allowances for tuition and fees directly to student accounts. In fiscal year 2003 tuition and fees increased $3.5 million due to increased student enrollment and an increase in tuition and fees charges.

Auxiliary Enterprises

Auxiliary enterprises are self-funding activities mostly consisting of Residence Life and the Student Center. Auxiliary revenue, net of scholarship allowances of $ 1.9 million, increased $2.5 million. The increased revenue resulted primarily from a larger number of residential students increasing housing and food service income.

Nonoperating Revenues

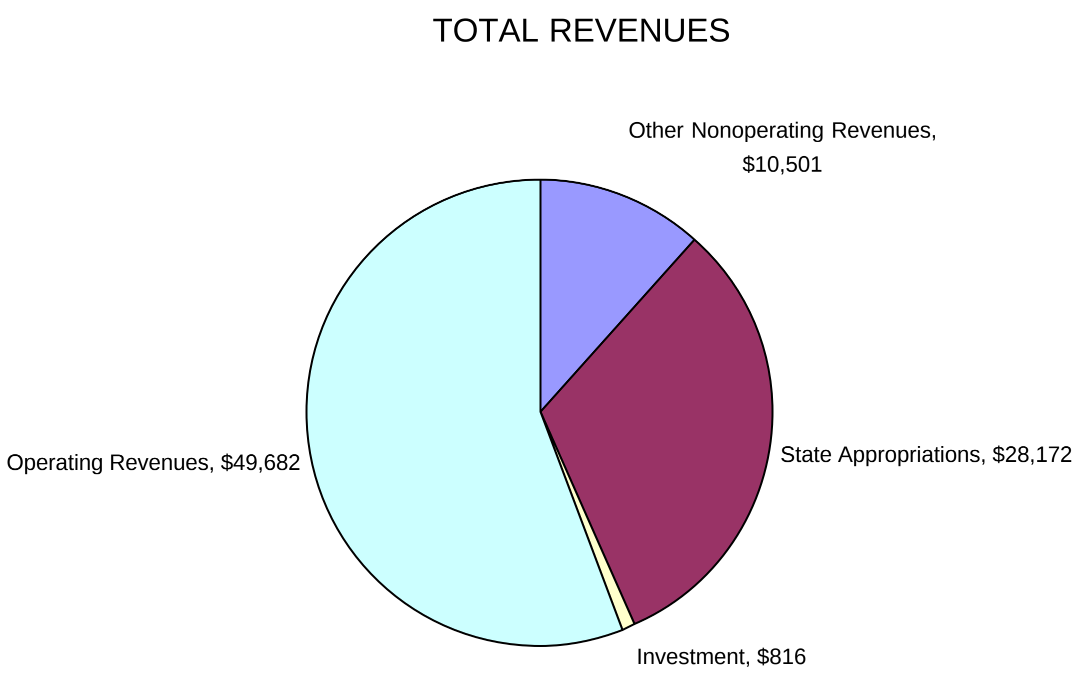
New Jersey State Appropriation

Total State appropriations, including fringe benefits paid directly by the State, decreased $34,000. The direct appropriation to the College's operations actually decreased $845,000. This decrease was the result of a budget reduction made by the State as a result of the State's budget imbalance. This decrease was offset by an increase in the State payments on behalf of the College for fringe benefits of $811,000.

Grants and Contracts

Grant and contract activity increased significantly by $10.5 million. A $5.4 million grant was received from the Ramapo College Foundation for the redemption of the bond Series 1997A which funded the Angelica and Russ Berrie Center for the Performing Arts. Two grants were received from the State, the Higher Education Capital Improvement Bond Fund for $3.7 million and the Equipment Leasing Bond Fund for $1.4 million.

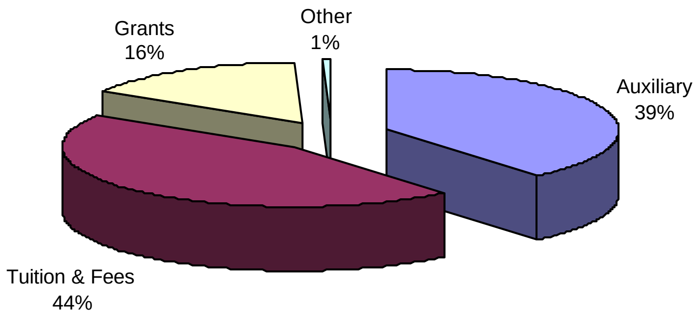
The following provides a graphical breakdown of total revenues by category for the fiscal year ended June 30, 2003 (thousand of dollars):



Operating Revenues

Operating revenues are revenues recognized by RCNJ for providing goods and services directly to its customers, primarily students. This graph shows the percentage of revenue from the major operating sources for the fiscal year ended June 30, 2003:

OPERATING REVENUE



Expenses

Operating expenses are those expenses incurred to acquire or produce goods and services and to carry out the mission of the College. Nonoperating expenses are those for which RCNJ does not receive goods or services in return.

A summarized comparison of the College's expense for the fiscal years ended June 30, 2003 and 2002 is as follows (thousand of dollars):

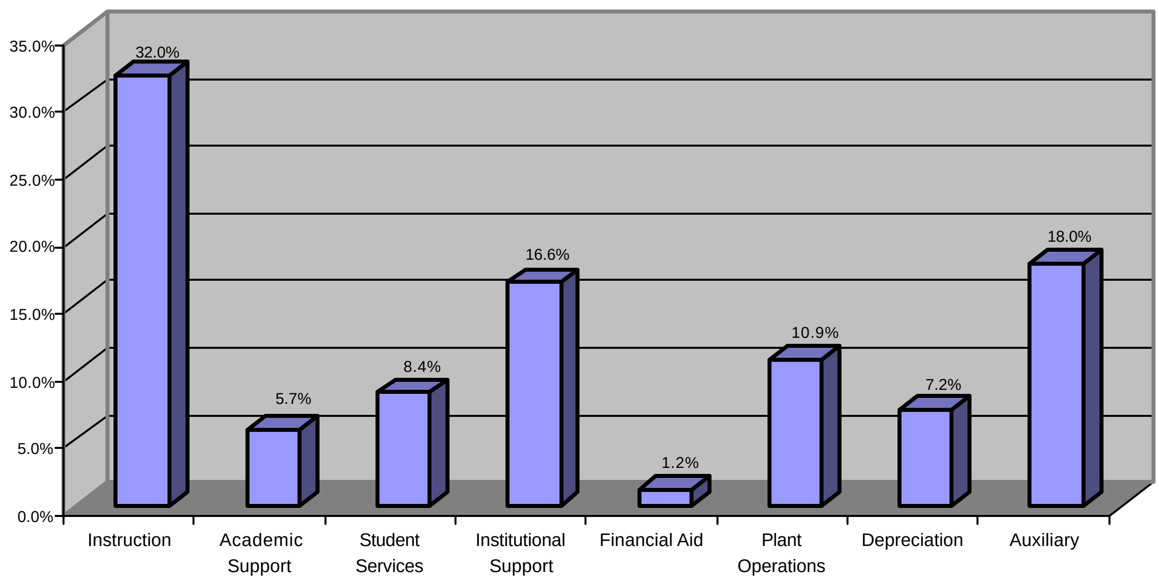
	6/30/03	6/30/02
Operating expenses		
Instruction	$24,187	$23,352
Academic support	4,301	3,508
Student services	6,361	6,186
Institutional support	12,553	10,920
Student financial aid	902	841
Operations and maintenance of plant	8,233	7,105
Depreciation	5,460	4,997
Auxiliary	13,652	11,707
Total operating expenses	75,649	68,616
Nonoperating expenses	6,868	5,496
Total expenses	$82,517	$74,112

Salaries and benefits comprise over 64% of the College's total operating expenses. Salary costs increased due to a mandated 4% cost of living adjustment and related step increases. This increase affected all functional areas of the College. The College is making a concerted effort to shift its resources into academics areas from other functions. This is reflected in the increase seen in Instruction and Academic Support. The College's decision to migrate to a new administrative computing system accounts for the increase in Institutional Support. The cost of this effort to date has been $1.2 million. Operations and Maintenance of Plant is higher due to the increase in the number of resident students which requires more maintenance and security. The increase in Auxiliary Services is primarily due to the furnishing and the operations and maintenance of the new residence facility, The Village.

The increase in nonoperating expenses represents interest on debt service due to the issuance of bonds to fund the expansion and renovation of College facilities.

The following graph shows each functional area's percentage of total operating expenses for the fiscal year ended June 30, 2003:

OPERATING EXPENSES



STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about RCNJ's financial results, by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the fiscal years ended June 30, 2003 and 2002 is as follows (thousand of dollars):

	6/30/03	6/30/02
Net cash used by operations	$(14,061)	$(20,202)
State appropriations	28,172	28,206
Net cash provided by capital financing	24,861	7,948
Net cash used by investing	(32,138)	(20,512)
Net increase (decrease) in cash	$ 6,834	$ (4,560)

Cash used by operations decreased approximately $6.1 million over the prior year. This was due largely to the collection of funds due to the College. Accounts receivable dropped $6.3 million which means that this amount was collected in fiscal 2003 for expenses incurred in prior fiscal years.

Cash provided by capital and related financing activities went up due to the issuance of several series of bonds for which the projects are still in construction. Therefore, the College has the funds awaiting the payment of the construction expenses. The College issued $73.9 million in new debt and received $10.5 in capital gifts for grants. It only used part of these funds to acquire capital assets during the year ($28.7 million) and to pay off existing debt ($23.9 million).

Purchase of investments with the proceeds from various debt issuance resulted in a use of cash of approximately $32.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

In order to meet the needs of the College's academic and community activities, the College must continually reinvest resources in its capital assets to maintain adequate facilities for these programs. The College is implementing its capital plan that has identified and prioritizes our capital needs.

RAMAPO COLLEGE OF NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

At June 30, 2003, the College had $143.4 million invested in capital assets, net of accumulated depreciation of $52.2 million. Depreciation charges totaled $5.5 million for the current fiscal year compared to $5.0 million last year. Details of these assets for the fiscal years ended June 30, 2003 and June 30, 2002 are shown below (thousand of dollars):

Capital Assets, Net, at Year-End

	6/30/03	6/30/02
Land	$ 3,231	$ 3,231
Land improvements	358	400
Infrastructure	3,267	3,301
Buildings and improvements	115,339	80,790
Equipment	11,325	10,788
Library collection	1,469	2,002
Construction in progress	8,449	19,727
Total	$143,438	$120,239

Major capital additions this year and the source of the resources that funded their acquisition included (thousand of dollars):

- Upgrading of the residential apartments for video, voice and data communication: from bond proceeds — $ 1,750
- Construction of a Sports and Recreation Center: from bond proceeds — $ 5,244
- Construction of a 528-bed residence complex: from bond proceeds — $15,779
- Construction of a 300-bed residence facility: from bond proceeds — $ 1,971
- Renovation of Library, Academic, Administrative and Student Union buildings: from bond proceeds — $ 1,639

Debt

At fiscal year-end, the College had $158.9 million in debt outstanding versus $109.0 million the previous year, an increase of 46%. The table below summarizes these amounts by type of debt instrument (thousand of dollars):

Outstanding Debt, at Year-end

	6/30/03	6/30/02
General bonds	$ 37,193	$ 14,032
Auxiliary facility bonds	120,450	93,200
Lease obligations	1,225	1,548
Notes payable	33	192
Total	$158,901	$108,972

As part of its mission, the College is committed to the expansion and renewal of its capital assets through its capital plan which covers major projects through fiscal year 2008, in order to continue to enhance the quality of its academic and student development programming. During fiscal year 2003 the College borrowed about $60.4 million to finance a sports and recreation center, an additional residential facility, renovations to the Student Center and provide permanent financing for a recently acquired property. In addition to debt financing, the College is aggressively seeking grants and donations.

In 2003, the College refinanced a portion of its debt, Series 1993D and 1993E. The College has been able to reduce its debt service cost as a result of this refinancing. The savings are about $775,000 over the remaining life of the bond.

The College's bond rating remained the same at A3 with a positive outlook from Moody's Investors Service and A from Standard & Poor's. RCNJ was in the minority in keeping its stable rating, because many higher educational institutions, which were reviewed in 2003, received lower ratings.

Economic Factors That Will Affect the Future

Management believes that it has the structure in place to have favorable financial results, which will ensure the resources necessary to provide the highest quality educational opportunities. However, as New Jersey's Public Liberal Arts College, the appropriation from the State is a very important part of the College's funding. The recent economic crisis experienced by the State has resulted in a reduction of the appropriation to the College for fiscal year 2004 by approximately 10%. With increasing costs, particularly from contractual obligations for faculty and staff, the College faces critical funding issues.

The College addressed these funding challenges through various means such as the reducing costs, increasing tuition and fee charges, fundraising and the use of debt financing.

RCNJ has increased the number and quality of its undergraduate and graduate students, as witnessed by the enrollment growth in the past several years. Demand for both instruction and on campus housing is at an all time high. The financial position of RCNJ reflects revenue growth in tuition, housing rentals and board charges. The College expects to continue to grow and expand all of its operations, as evidenced by its ambitious capital plan and the debt financing agreements that support it.

The College continues to monitor the increasing costs of instructional and administrative technology, the increasing demand for institutional scholarships, and administrative structure to affect financial efficiencies and preserve administrative effectiveness. College leadership will intensify our examination of budget and expenditure strategies to assure allocation of finances to institutional priorities.

Despite the reduction in state funding, RCNJ's current financial and capital plans indicate that the infusion of additional financial resources and the expenditure controls from the foregoing actions will enable the College to maintain its present level of services and current financial position.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ramapo College of New Jersey

We have audited the accompanying statement of net assets of Ramapo College of New Jersey as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Ramapo College of New Jersey as of June 30, 2003 and 2002, and the changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

August 28, 2003
Paramus, New Jersey

RAMAPO COLLEGE OF NEW JERSEY

STATEMENT OF NET ASSETS

JUNE 30, 2003 AND 2002
(dollars in thousands)

ASSETS

	2003	2002*
Current assets		
Cash and cash equivalents	$ 12,757	$ 5,923
Short-term investments	72,654	37,250
Receivables		
Students, less allowance for doubtful accounts of $307 in 2003 and $272 in 2002	277	201
Loans, less allowance of $48 in 2003 and $56 in 2002	92	58
Gifts and grants	1,164	846
Other	592	7,405
Total receivables	2,125	8,510
Total current assets	87,536	51,683
Noncurrent assets		
Long-term investments	985	3,435
Student loan receivables, less allowance of $440 in 2003 and $452 in 2002	676	634
Plant facilities, net	143,438	120,239
Total assets	$ 232,635	$ 175,991

LIABILITIES

	2003	2002*
Current liabilities		
Accounts payable and accrued expenses	$ 10,899	$ 10,838
Deferred revenue	1,311	1,385
Deposits	338	258
Long-term liabilities - current portion	11,264	10,925
Total current liabilities	23,812	23,406
Noncurrent liabilities		
Other liabilities	1,252	1,295
U.S. Government Grants refundable	886	849
Long-term liabilities	147,637	98,047
Total liabilities	$ 173,587	$ 123,597

NET ASSETS

	2003	2002*
Invested in capital assets, net of related debt	$ 35,108	$ 31,837
Restricted for:		
Grants		9
Debt service	12,986	12,008
Renewal and replacement	1,720	2,119
Capital projects	75	1,165
Unrestricted	9,159	5,256
Total net assets	$ 59,048	$ 52,394

* Restated

See accompanying notes to financial statements and independent auditors' report.

RAMAPO COLLEGE OF NEW JERSEY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2003 AND 2002
(dollars in thousands)

	2003	2002*
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $8,334 in 2003 and $7,337 in 2002)	$ 22,242	$ 18,746
Federal grants and contracts	3,906	3,915
State and local grants and contracts	3,945	4,104
Auxiliary enterprises (net of scholarship allowances of $1,868 in 2003 and $1,760 in 2002)	19,364	16,816
Other	225	530
Total operating revenues	49,682	44,111
Expenses		
Operating expenses		
Instruction	24,187	23,352
Academic support	4,301	3,508
Student services	6,361	6,186
Institutional support	12,553	10,920
Student financial aid and scholarships	902	841
Operations and maintenance of plant	8,233	7,105
Depreciation	5,460	4,997
Auxiliary	13,652	11,707
Total operating expenses	75,649	68,616
Operating loss	(25,967)	(24,505)
Nonoperating revenue (expenses)		
State of New Jersey appropriations	19,420	20,265
State of New Jersey paid fringe benefits	8,752	7,941
Investment income, (net of investment expense of $1,286 in 2003 and $922 in 2002)	816	937
Interest on capital - asset related debt	(6,868)	(5,496)
Other nonoperating revenue		31
Net nonoperating revenue	22,120	23,678
Other revenues		
Capital appropriations	5,101	
Capital gifts	5,400	
Total other revenues	10,501	
Increase (decrease) in net assets	6,654	(827)
Net assets - beginning of year	52,394	53,221
Net assets - end of year	$ 59,048	$ 52,394

*Restated

See accompanying notes to financial statements and independent auditors' report.

RAMAPO COLLEGE OF NEW JERSEY

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2003 AND 2002

(dollars in thousands)

	2003	2002
Cash flows from operating activities		
Tuition and fees	$ 22,092	$ 18,794
Grants and contracts	7,533	7,644
Payments to suppliers	(11,340)	(14,358)
Payments for utilities	(3,038)	(2,675)
Payments to employees	(38,338)	(37,299)
Payments for benefits	(10,131)	(9,367)
Payments for scholarships and fellowships	(469)	(437)
Loans issued to students and employees	(268)	(144)
Collection of loans to students and employees	192	151
Auxiliary enterprise charges	19,364	16,816
Other receipts	342	673
Net cash used by operating activities	(14,061)	(20,202)
Cash flows from noncapital financing activities		
State appropriations	28,172	28,206
Federal family education loan program receipts	13,674	11,758
Federal family education loan program disbursements	(13,674)	(11,758)
Net cash provided by noncapital financing activities	28,172	28,206
Cash flows from capital financing activities		
Proceeds from capital debt	73,857	43,979
Capital grants appropriations	10,501	279
Proceeds from sale of capital assets		523
Purchases of capital assets	(28,701)	(29,125)
Principal paid on capital debt and leases	(23,928)	(2,212)
Interest paid on capital debt and leases	(6,868)	(5,496)
Net cash provided by capital financing activities	24,861	7,948
Cash flows from investing activities		
Proceeds from sales and maturities of investments	26,700	58,248
Interest on investments	816	937
Purchase of investments	(59,654)	(79,697)
Net cash used by investing activities	(32,138)	(20,512)
Net increase (decrease) in cash	6,834	(4,560)
Cash - beginning of year	5,923	10,483
Cash - end of year	$ 12,757	$ 5,923
Reconciliation of net operating revenues (expenses) to net cash used by operating activities		
Operating loss	$ (25,967)	$ (24,505)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	5,460	4,997
Changes in assets and liabilities		
Receivables, net	6,385	(3,532)
Accounts payable	61	2,540
Deferred revenue	(74)	136
Deposits held for others	80	112
Compensated absences	(43)	79
Loans to students and employees	37	(29)
Net cash used by operating activities	$ (14,061)	$ (20,202)

See accompanying notes to financial statements and independent auditors' report.

1. Organization and Summary of Significant Accounting Policies

Organization

Ramapo College of New Jersey (the "College"), a multi-purpose institution of higher education, offers undergraduate studies comprised of the Schools of American and International Studies, Contemporary Arts, Social Science and Human Services, Theoretical and Applied Sciences, Administration and Business and a division of Basic Studies. The College also offers graduate studies comprised of The Master of Arts in Liberal Studies, The Master of Science in Educational Technology and The Master of Business Administration. A joint degree, The Master of Science in Nursing Education, is offered in conjunction with the University of Medicine and Dentistry.

Summary of Significant Accounting Policies

The significant accounting policies employed by the College are described below:

Basis of Presentation

The College adopted Governmental Accounting Standards Board Statement (GASB) No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. As amended by GASB Statements No. 37 and 38 and applied those standards retroactively. Under GASB 35, public colleges and universities are required to report in the same manner as primary government financial statements. The College is required to present a statement of net assets, statement of revenues, expenses and change in net assets and a cash flow statement.

The College has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Net Assets

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories.

1. Organization and Summary of Significant Accounting Policies (Continued)

Invested in capital assets, net of related debt: Plant facilities, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Expendable – Net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.

Unrestricted: Net assets that are not subject to externally-imposed stipulations unrestricted net assets may be designed by specific purposes by action of management to the board of trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic programs, initiatives and capital programs.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. The College reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies (Continued)

Cash and Temporary Cash Investments

Cash and temporary cash investments consists of highly liquid short-term investments purchased with an original maturity of three months or less.

The College invests a certain portion of its cash in the State of New Jersey Cash Management Fund, which permits the overnight sweep of available cash balances directly into a common fund for short-term investments. This is an interest-bearing account from which funds are available upon demand.

Cash and cash equivalents are classified as level of custodial credit risk Category 3. This Category includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the College's name.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. All donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repairs are charged to revenue when incurred.

Capital assets of the College are depreciated using the straight-line method over the following useful lives.

	Useful Lives
Land improvements	20
Buildings and improvements	20-50
Equipment	5-10
Infrastructure	7-50

(dollars in thousands)

1. Organization and Summary of Significant Accounting Policies (Continued)

Investments

Investments represent funds held by a trustee under the terms of various capital lease agreements (see footnote 3) and are stated at their estimated fair value. These investments consist principally of U.S. Government obligations carried at individually identified cost, less amortized premium, or cost plus amortized discount, which approximates market value and cash deposited with trustee. Investments as of June 30, 2003 and 2002 are summarized as follows:

	2003			2002		
Description	Cost	Unrealized Gain	Fair Value	Cost	Unrealized Gain	Fair Value
U.S. Treasury Bills	$ 3,043	$(7)	$ 3,036	$ 6,565	$ 30	$ 6,595
U.S. Treasury Notes	891	94	985	3,262	173	3,435
Cash with trustee	69,618		69,618	30,545	110	30,655
Total	$73,552	$87	$73,639	$40,372	$313	$40,685

During the year ending June 30, 2003 the entity realized a net loss of $133 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. The net (decrease) and increase in fair value of investments during 2003 and 2002 were $(217) and $106, respectively. This amount takes into account all changes in fair value that occurred during each year.

Deferred Revenue

Deferred revenue consists primarily of student tuition and fees collected in advance of the applicable academic term.

Financial Dependency

The College is recognized as a public institution of higher education by the State. This recognition is supported by an annual appropriation between the College and the State whereby the College agrees to render services of public higher education for the State. The College is economically dependent on these appropriations to carry on its operations.

Student Tuition and Fees

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarships expenses.

(dollars in thousands)

1. Organization and Summary of Significant Accounting Policies (Continued)

Grants and Contracts

Federal, State and local grants and contracts revenue is comprised mainly of grant revenues received from the Federal Government and State of New Jersey and are recognized as the related expenses are incurred. Amounts received from grants, which have not yet been earned under the terms of the agreement, are recorded as deferred revenue in the accompanying statement of net assets.

Classification of Revenue

The College's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are those that serve the College's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) most Federal, State and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating and capital appropriations from the State and investment income.

2. Capital Assets

Capital assets at June 30, 2003 and 2002 consists of:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets				
Land	$ 3,231	$	$	$ 3,231
Land improvements	1,480	1		1,481
Buildings and improvements	105,165	37,644		142,809
Equipment	23,363	2,453		25,816
Library collection	10,063		(1,393)	8,670
Construction in progress	19,727	22,687	(33,965)	8,449
Infrastructure	5,087	117		5,204
Total	$168,116	$62,902	$(35,358)	$195,660

(dollars in thousands)

2. Capital Assets (Continued)

Accumulated depreciation				
Land improvements	$ 1,080	$ 43	$	$ 1,123
Buildings and improvements	24,375	3,095		27,470
Equipment	12,575	1,916		14,491
Library collection	8,061	255	(1,115)	7,201
Infrastructure	1,786	151		1,937
Total	47,877	5,460	(1,115)	52,222
Capital assets, net	$120,239	$57,442	$(34,243)	$143,438

Depreciation expense was $5,460 and $4,997 for the years ended June 30, 2003 and 2002, respectively.

3. Noncurrent

Noncurrent liabilities consist of:

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
Notes payable	$ 192	$	$ (159)	$ 33
Lease obligations	1,548		(323)	1,225
Revenue bonds	107,232	73,857	(23,446)	157,643
Total long-term liabilities	$108,972	$73,857	$(23,928)	$158,901
Other liabilities				
Other liabilities	$ 468	$ 78	$	$ 546
Compensated absences	827		(121)	706
U.S. Government Grants refundable	849	37		886
Total other liabilities	2,144	115	(121)	2,138
Total noncurrent obligations	$111,116	$73,972	$(24,049)	$161,039

4. Obligations Under Bonds Payable and Capital Leases

The Board of Trustees of the College, the New Jersey Board of Higher Education and the New Jersey Educational Facilities Authority (the "Authority") have entered into various agreements whereby the College is given use of buildings, improvements and equipment and the College agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. The original cost of these projects included in plant facilities at June 30, 2003 and 2002 was $104,432 and $84,886, respectively.

The Series 2002A Higher Capital Improvement Funds were allocated by the State of New Jersey to various higher education institutions for capital improvement and renovation projects. The funds received were used primarily for renovations to existing College facilities.

The "Series 2002H Project" bonds were issued for the purpose of providing funds to assist the college in completing the constructing, furnishing and equipping of a 528 bed student residence facility and constructing, furnishing and equipping of a 300 bed student residence and related facilities.

The "Series 2002I Project" bonds were issued for the purpose of providing funds to assist the College in projects consisting of alterations, rehabilitation, renovation and improvements to student union facilities.

The "Series 2002J Project" bonds were issued to assist the College to construct and equip a sports and recreation facility, refurbishing the present physical education building and in acquiring and renovating a three-and-a-half story, 10,000 square foot brick home on 4.33 acres of land.

The Series 2003A Equipment Leasing Funds were allocated by the State of New Jersey to various higher education institutions for the purchase of capital equipment.

The Authority issued Series 2003F and 2003G for the purpose of refinancing the following:

Series 1993D
Series 1993E

The proceeds of these transactions have been irrevocably deposited with the trustee in order to satisfy the scheduled payments of interest and principal.

RAMAPO COLLEGE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
(dollars in thousands)
(Continued)

4. Obligations Under Bonds Payable and Capital Leases (Continued)

The following principal payments due the Authority were outstanding at June 30, 2003 and 2002.

NJ Educational Facilities Authority Revenue Bonds:		Interest Rate	2003	2002
Series 1973 A,	due serially to 2003	5.300% to 5.600%	$ 115	$ 225
Series 1993 D,	due serially to 2013	3.500% to 5.500%		2,285
Series 1993 E,	due serially to 2013	3.500% to 5.500%		12,415
Series 1997 A,	due serially to 2007	4.900% to 5.150%		7,330
Series 1998 G,	due serially to 2028	4.100% to 4.625%	15,830	16,150
Series 1998 H,	due serially to 2013	4.100% to 4.600%	1,630	1,745
Series 1998 I,	due serially to 2008	4.100% to 4.500%	645	735
Series 1999 E,	due serially to 2029	5.250% to 5.600%	19,580	19,900
Series 2000 B,	due serially to 2021	4.500% to 5.750%	2,387	2,468
Series 2001 A,	due annually to 2016		895	964
Series 2001 D,	due serially to 2031	4.800% to 5.000%	40,480	40,480
Series 2001 E,	due serially to 2008	3.600% to 4.000%	2,225	2,535
Series 2002A,	due annually to 2022	3.000% to 5.250%	1,849	
Series 2002H,	due serially to 2032	2.500% to 5.000%	28,655	
Series 2002I,	due serially to 2032	2.500% to 5.000%	2,145	
Series 2002J,	due serially to 2032	2.500% to 5.000%	29,620	
Series 2003A,	due annually to 2009	2.500% to 5.000%	467	
Series 2003F,	due serially to 2013	1.500% to 3.500%	1,820	
Series 2003G,	due serially to 2013	2.000% to 3.709%	9,300	
			$157,643	$107,232

The College has pledged all revenues generated from the operation of the residential facilities, the campus life building and from other legally available funds of the College under the aforementioned bond agreements.

The College has entered into various other capital lease agreements for equipment which had an original cost of approximately $2,097 and $2,097 for fiscal year 2003 and 2002, respectively, and has been included in investment in plant in the accompanying balance sheets. The principal payments made under these capitalized lease obligations were $324 and $354 for the years ending June 30, 2003 and 2002, respectively.

(dollars in thousands)

4. Obligations Under Bonds Payable and Capital Leases (Continued)

The following is a schedule of future minimum aggregate principal and interest payments during the next five fiscal years and thereafter as of June 30, 2003:

Years ending June 30,	
2004	$ 11,264
2005	11,028
2006	12,308
2007	12,293
2008	12,218
Years through 2031	219,467
Total minimum lease payments	278,578
Less: amount representing interest	119,710
Net present value of minimum lease payments under capitalized leases	$158,868

5. Obligations Under Notes Payable

	2003	2002
The Board of Trustees of the College, the New Jersey Board of Higher Education and the Authority have entered into a promissory note in the original amount of $295 for the purchase of equipment. This note is to be repaid in twenty quarterly installments of $15 plus interest at 5.49%, final payment due in December 2002.	$	$ 30
The Board of Trustees of the College, the New Jersey Board of Higher Education and the Authority have entered into a promissory note in the original amount of $600 for the purchase of equipment. This note is to be repaid in twenty-three quarterly installments of $33, including interest at 4.18%, final payment due in September 2003.	33	162
	$33	$192

(dollars in thousands)

5. Obligations Under Notes Payable (Continued)

The College has pledged all revenues derived from its technology fee, general revenues and any funds appropriated to the College by the State and available for the financing of equipment.

Maturities of the notes payable for each of the years succeeding June 30, 2003 are as follows:

Year ending June 30,	Amount
2004	$33

6. Employee Benefit Programs

The majority of the College's employees are covered under various pension agreements through the State and certain private plans. The costs of these pension agreements and certain other fringe benefits were $9,430 and $8,658 for fiscal years 2003 and 2002, respectively, of which $8,752 and $7,941 were paid by the State on behalf of the College and are included in the accompanying financial statements as part of revenue under the caption "Government Appropriations" and as expenditures which are distributed to the various expenditure categories.

The State of New Jersey is also required to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or a disability regardless of years of service. Prior to July 1, 1997, the State incurred the total cost of medical benefits, subsequent to this date, the State incurs only the employer cost of such benefits. These expenditures are not included in the College's financial statements.

7. Retirement Plans

The College has two retirement systems for its employees - the Public Employee's Retirement System (PERS), and the Alternate Benefit Program (ABP). Generally, all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage to both full-time and part-time employees of the State or public agency provided the employee is not a member of another state-administered retirement system. Membership is mandatory for such employees and vesting occurs after ten years of service. The employee contribution is 3% of salary.

7. Retirement Plans (Continued)

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55 of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available to members at reduced benefits.

The ABP provides coverage for all academic and professional employees. Under provisions of N.J.S.A. 18A-96, the ABP includes a pension plan funded through individually owned annuities issued by one of six carriers, Teacher's Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), ING, Lincoln Life, MetLife, Citistreet and Valic.

ABP Plans are privately operated annuity programs providing retirement and death benefits for or on behalf of professionals and faculty members electing to participate in these retirement programs. Faculty and professional employees other than career service employees are eligible to participate. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary on a before tax basis. Employer contributions are 8%.

The total payroll for fiscal years 2003 and 2002 for all employees covered by these programs was approximately $34,237 and $32,560, respectively. Total payroll expenditures for all employees was approximately $39,031 and $37,365. All of the College's costs relative to these programs are included in the $9,430 and $8,658 referred to in Note 5.

8. Compensated Absences

Vacation Time

The College's general policy states that employees are entitled, upon termination, to the current year's unused earned vacation time in addition to any unused vacation time carried over from the immediate prior year. The liability for unused vacation time at June 30, 2003 and 2002, included in accrued liabilities, amounted to approximately $1,614 and $1,524, respectively.

(dollars in thousands)

8. Compensated Absences (Continued)

Accumulated Unpaid Sick Leave

Cash payments for unused accumulated sick leave are made to eligible employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the adjusted hourly pay rate in effect during the last year of employment, up to a maximum of $15. Employees separating from the College prior to retirement are not eligible for payment. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay during illness or injury. Included in the financial statements is the estimated accrued liability for unused sick time of $716 and $741 for June 30, 2003 and 2002, respectively. The College has made payments of approximately $98 and $78 for unused sick time in fiscal year 2003 and 2002.

9. Commitments

Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of June 30, 2003 and 2002, are not included in the financial statements. The College has approved contracts in fiscal 2003 and 2002 of approximately $38,173 and $19,587, respectively, the majority of which are for construction and renovation projects and will be funded by plant fund assets on deposit with the trustee.

10. Transactions With Affiliates

The accompanying financial statements do not include the activities of the Ramapo College Foundation (the "Foundation"), a privately incorporated organization that has as its purpose to stimulate, solicit, secure and promote the receipt of resources from grants, bequests and gifts offered by individuals, corporations and foundations and use such resources to enhance, support and complement the activities of the College. The Foundation also includes the accounts and activities of the Alumni Association of Ramapo College and the Friends of Ramapo.

Transactions and ending balances between the College and the Foundation for the years ended June 30, 2003 and 2002 were approximately as follows:

	2003	2002
Receivable from the Foundation to the College	$627	$36
Funds received by the College from the Foundation	$5,429	$665

11. Commitments and Contingencies

The College is involved in certain legal proceedings, the dispositions of which are not presently determinable. However, any unfavorable outcome would either be borne by the College or the State, depending on the outcome. Any material loss would be covered by the State.

12. Tax Status

The College is an organization as described in Section 501 (c) (1) of the Internal Revenue Code and therefore is exempt from Federal income taxes under Section 501 (a) of the Code.

13. Comparative Financial Statements

The financial statements include certain reclassifications and restatements in accordance with the adoption of GASB No. 35. U.S. Government Grants refundable has been reclassified to the noncurrent liability section of the statement of net assets.