

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

BASIC FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

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RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

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, 2004 with comparative information for the year ended June 30, 2003. 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.

COLLEGE OVERVIEW

Ramapo College of New Jersey, located in suburban Mahwah, New Jersey, is a highly selective institution of post-secondary education. RCNJ is one of twelve senior public institutions in the New Jersey system of public higher education. Ramapo 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, 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 2003, the College enrolled 4,378 full-time equivalent undergraduate students and 154 full-time equivalent graduate students. Approximately 57% 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 U.S. News and World Report 2005 edition on *The Best American Colleges and Universities*, ranks Ramapo #1 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."

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

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 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.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

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 improved or worsened during the year.

Government Accounting Standards Board (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: Invested in capital, net of related debt, Restricted and Unrestricted.

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

Restricted net assets consist of nonexpendable and expendable net assets. Nonexpendable net assets are subject to externally imposed stipulations that may be maintained permanently by the College. Expendable net assets are 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. All of the College's restricted net assets are expendable.

Unrestricted net assets are not subject to externally imposed stipulations. They may be designated 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 and initiatives and capital programs.

**SUMMARY COMPARISON OF NET ASSETS
FOR THE FISCAL YEARS ENDED
(dollars in thousands)**

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Assets			
Current assets	\$ 54,009	\$ 87,536	\$ 51,683
Capital assets, net	175,914	143,438	120,239
Other assets	<u>3,900</u>	<u>1,661</u>	<u>4,069</u>
Total assets	<u>233,823</u>	<u>232,635</u>	<u>175,991</u>

RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Liabilities			
Current liabilities	23,344	16,657	23,406
Noncurrent liabilities	<u>155,320</u>	<u>156,930</u>	<u>100,191</u>
Total liabilities	<u>178,664</u>	<u>173,587</u>	<u>123,597</u>
Net assets:			
Invested in capital assets, net of related debt	36,918	35,108	31,837
Expendable restricted	6,764	14,781	15,614
Unrestricted	<u>11,477</u>	<u>9,159</u>	<u>4,943</u>
Total net assets	<u>\$ 55,159</u>	<u>\$ 59,048</u>	<u>\$ 52,394</u>

During fiscal year 2004, RCNJ's total assets increased by \$1.2 million. Capital assets increased \$32.5 million as a result of construction projects either completed or in process at year end, renovations to facilities and the acquisition of technology and other equipment to support academic and student demand. Major projects during the year are the construction of the Bill Bradley Sports and Recreation Center, the construction of the Overlook, a 300 bed student residence building, and renovations to campus buildings. Current assets decreased by \$33.5 million. This was primarily a result of using bond proceeds from the prior fiscal year to pay for the previously mentioned construction.

Total liabilities increased by \$5.1 million in fiscal year 2004. Current liabilities increased \$6.7 million as a result of accrued payment to vendors for construction projects. Payments on outstanding debt obligation caused noncurrent liabilities to decreased by \$1.6 million

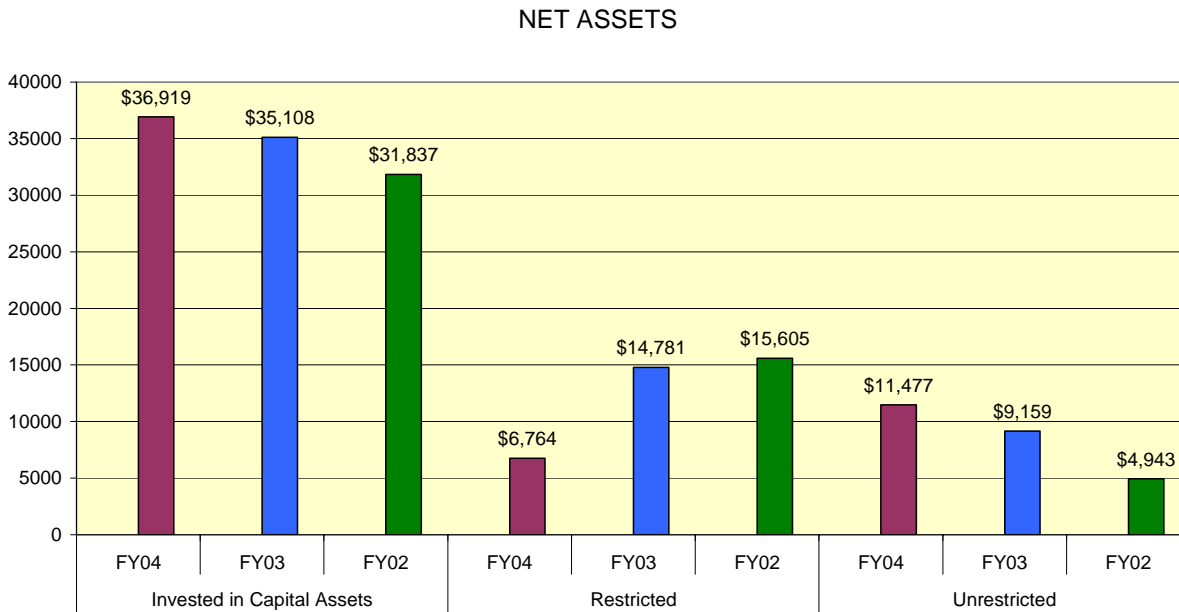
During fiscal year 2004, net assets decreased \$3.9 million. The decrease is primarily from depreciation expense. The College does not budget for depreciation expense, but instead budgets for the actual cash outlays required to fund principal and interest expense on outstanding debt. Depreciation is only a "paper entry", and not a true outlay of costs. Budgeting for depreciation expense would result in much higher tuition increases for students.

RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

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



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.

RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

**SUMMARY COMPARISON OF REVENUES
FOR THE FISCAL YEARS ENDED
(dollars in thousands)**

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Operating revenues:			
Student revenues, net	\$47,676	\$41,606	\$35,562
Grants and contracts	7,525	7,851	8,019
Other	<u>370</u>	<u>225</u>	<u>530</u>
Total operating revenues	<u>55,571</u>	<u>49,682</u>	<u>44,111</u>
Nonoperating revenue:			
State appropriation	28,627	28,172	28,206
Investment and other	<u>1,306</u>	<u>816</u>	<u>968</u>
Total nonoperating revenue	<u>29,933</u>	<u>28,988</u>	<u>29,174</u>
Capital grants and gifts	<u>226</u>	<u>10,501</u>	<u> </u>
Total revenues	<u>\$85,730</u>	<u>\$89,171</u>	<u>\$73,285</u>

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 Revenues

Student revenues are comprised of three main sources: tuition, fees and auxiliary enterprises. Auxiliary enterprises are self-funding activities mostly consisting of Residence Life and the Student Center. Student revenues are reflected net of scholarship allowances. Scholarship allowances represent scholarships applied to student accounts for tuition, fees, and room and board. These scholarships are funded through federal and state grant programs, gifts raised by the Ramapo College Foundation and general College revenues. Ramapo applied \$10.7 million in scholarship allowances for tuition and fees directly to student accounts in fiscal year 2004. In fiscal year 2004, student revenues increased \$6.1 million due to increased student enrollment, an increase of over 500 resident students and an increase in tuition, fees, room and board charges.

RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

Nonoperating Revenues

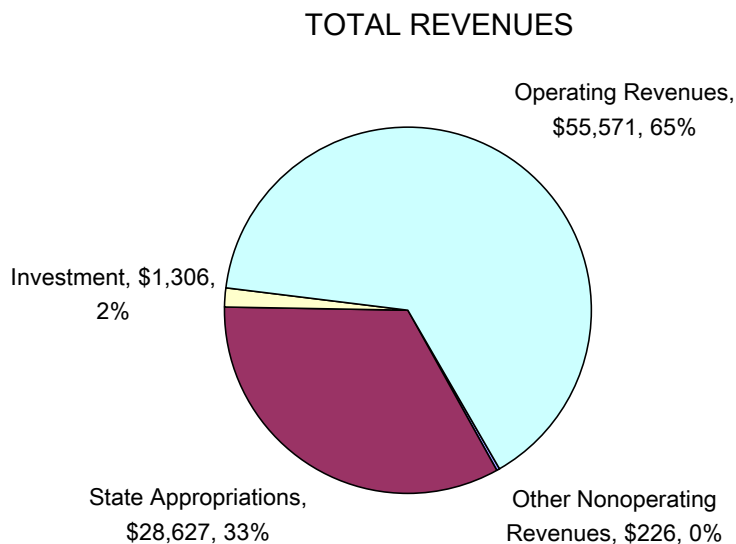
New Jersey State Appropriation

In fiscal year 2004 total State appropriations, including fringe benefits, paid directly by the State increased \$455,000. The direct appropriation to the College's operations actually decreased \$441,000. 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 \$896,000.

Capital Grants and Contracts

Capital grants and contracts had a significant decrease of \$10.3 million in fiscal year 2004. In FY2003, RCNJ received a \$5.4 million grant 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. Also, in fiscal year 2003 two grants were received from the State, the Higher Education Capital Improvement Bond Fund for \$3.3 million and the Equipment Leasing Bond Fund for \$1.8 million. These were special awards for the one year, and consequently were not received in fiscal year 2004.

The following provides a graphical breakdown of total revenues by category by dollars and percentage for the fiscal year ended June 30, 2004 (thousand of dollars):



RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

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.

**SUMMARY COMPARISON OF EXPENSES
FOR THE FISCAL YEARS ENDED
(dollars in thousands)**

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Operating expenses			
Instruction	\$25,296	\$24,187	\$23,352
Academic support	4,464	4,301	3,508
Student services	8,232	7,662	7,357
Institutional support	14,351	12,553	10,920
Student Financial Aid	702	902	841
Operations and Maintenance of Plant	9,395	8,233	7,105
Depreciation	6,576	5,460	4,997
Auxiliary	<u>13,043</u>	<u>12,351</u>	<u>10,536</u>
Total operating expenses	<u>82,059</u>	<u>75,649</u>	<u>68,616</u>
Nonoperating expenses	<u>7,560</u>	<u>6,868</u>	<u>5,496</u>
Total expenses	<u>\$89,619</u>	<u>\$82,517</u>	<u>\$74,112</u>

Salaries and benefits comprise about 63% of the College's total operating expenses. Wage and benefit increases affected all functional areas of the College. Other increases are the result of a migration to a new administrative computing system (total cost to date of \$2.5 million) and additional services to meet a growing student population and an increased number of resident students, primarily due to the opening of the new residence facility, The Village.

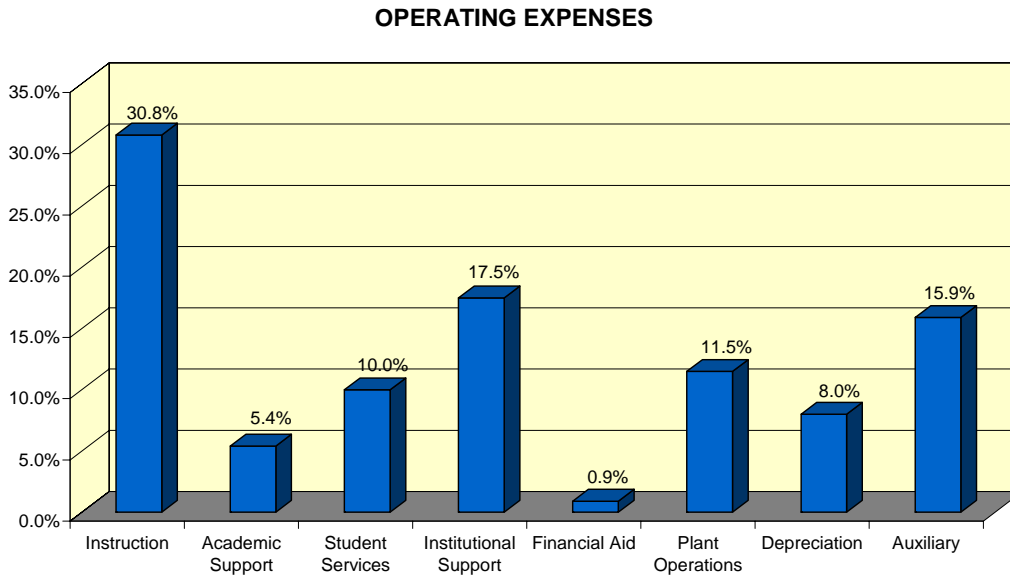
The increase in nonoperating expenses represents interest on debt service due to the issuance of bonds to fund the expansion and renovation of College facilities.

RAMAPO COLLEGE OF NEW JERSEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

The following graph shows each functional area's percentage of total operating expenses for the fiscal year ended June 30, 2004:



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.

**SUMMARY COMPARISON OF CASH FLOWS
FOR THE FISCAL YEARS ENDED
(dollars in thousands)**

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Net cash provided (used) by:			
Operating activities	\$ (17,084)	\$ (14,061)	\$ (20,202)
Noncapital financing activities	28,627	28,172	28,206
Capital financing activities	(15,812)	(8,093)	(13,501)
Investing activities	<u>1,306</u>	<u>816</u>	<u>937</u>
Net increase (decrease) in cash	(2,963)	6,834	(4,560)
Cash – beginning of year	<u>12,757</u>	<u>5,923</u>	<u>10,483</u>
Cash – end of year	<u>\$ 9,794</u>	<u>\$ 12,757</u>	<u>\$ 5,923</u>

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. Cash flows from operating activities will be negative since GASB Statement No. 35 requires State appropriations to be reported as cash flows from noncapital financing activities. Cash flows from capital financing include all capital related activities and related debt activities. Cash flows from investing activities show all sources and uses of cash and cash equivalents related to investments.

More cash was used than received in fiscal year 2004. The College used cash from bonds issued in the prior fiscal year to acquire capital assets.

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.

At June 30, 2004, the College had \$175.9 million invested in capital assets, net of accumulated depreciation of \$57.2 million. Depreciation charges totaled \$6.6 million for fiscal year 2004 compared to \$5.5 million in fiscal year 2003.

**SUMMARY OF CAPITAL ASSETS, NET OF ACCUMULATED DEPRCIATION FOR THE
FISCAL YEARS ENDED
(dollars in thousands)**

	<u>6/30/04</u>	<u>6/30/03</u>	<u>6/30/02</u>
Land	\$ 3,231	\$ 3,231	\$ 3,231
Land improvements	368	358	400
Infrastructure	3,458	3,267	3,301
Buildings and improvements	116,437	115,339	80,790
Equipment	10,446	11,325	10,788
Library collection	1,539	1,469	2,002
Construction in progress	<u>40,435</u>	<u>8,449</u>	<u>19,727</u>
Total	<u>\$175,914</u>	<u>\$143,438</u>	<u>\$120,239</u>

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003
(Continued)

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

- Construction of a Sports and Recreation Center: from bond proceeds \$16,400
- Construction of a 300-bed residence facility: from bond proceeds \$16,285
- Renovation of Library, Academic, Administrative and Student Union buildings:
from bond proceeds \$3,949

At June 30, 2004, the College had \$159.3 million in debt outstanding versus \$158.9 million the previous year. 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. In addition to debt financing, the College is aggressively seeking grants and donations.

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. 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. RCNJ continues to demonstrate its ability to generate the necessary funding to maintain and improve its capacities to meet the increasing academic and social needs of our students.

However, as New Jersey's Public Liberal Arts College, the appropriation from the State is a very important part of the College's funding. There is a direct relationship between the growth of State support and the College's ability to control tuition growth. Declines in State appropriations generally result in increased tuition levels. The level of State support, the impact of collectively bargained wage increases and the ability of student fee supported activities to meet inflationary pressures determine the limits of program expansion, new initiatives and strategic investments.

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. The College continues to monitor the increasing costs of instructional and administrative technology, the increasing demand for institutional scholarships, and the 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.



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ramapo College of New Jersey

We have audited the accompanying basic financial statements of Ramapo College of New Jersey (the College), a component unit of the State of New Jersey, and the discretely presented component unit of the College as of and for the years ended June 30, 2004 and 2003, which collectively comprise the College's basic financial statements as listed in the table of contents. 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 respective financial position of Ramapo College of New Jersey and the discretely presented component unit of the College as of June 30, 2004 and 2003, 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.

As discussed in Note 1, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as of July 1, 2003.

The Management's Discussion and Analysis on pages 1 through 12 is not a required part of the basic financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Connor Davies Munns & Dobbins, llp

September 14, 2004
Paramus, New Jersey

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS

JUNE 30, 2004 AND 2003
(dollars in thousands)

ASSETS

	2004	2003*
Current assets		
Cash and cash equivalents	\$ 9,794	\$ 12,757
Deposits held by Trustees	42,011	72,654
Receivables		
Students, less allowance of \$280 in 2004 and \$307 in 2003	182	277
Loans, less allowance of \$50 in 2004 and \$48 in 2003	95	92
Gifts and grants	766	1,164
Other	729	592
Total receivables	1,772	2,125
Other current assets	432	
Total current assets	54,009	87,536
Noncurrent assets		
Deposits held by Trustees	1,170	985
Student loan receivables, less allowance of \$445 in 2004 and \$440 in 2003	699	676
Deferred financing costs, net	2,031	
Plant facilities, net	175,914	143,438
Total assets	233,823	232,635

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses	13,826	9,194
Deferred revenue	1,127	1,311
Compensated absences - current portion	1,601	1,706
Deposits	526	338
Long-term debt - current portion	6,264	4,108
Total current liabilities	23,344	16,657
Noncurrent liabilities		
Other liabilities	625	546
Compensated absences	805	706
U.S. Government Grants refundable	897	886
Long-term debt	152,993	154,792
Total liabilities	178,664	173,587

NET ASSETS

Invested in capital assets, net of related debt	36,918	35,108
Restricted expendable for:		
Debt service	5,657	12,986
Renewal and replacement	925	1,720
Capital projects	182	75
Unrestricted	11,477	9,159
Total net assets	\$ 55,159	\$ 59,048

* Restated

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

RAMAPO COLLEGE FOUNDATION
(A Component Unit of Ramapo College of New Jersey)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 220,209	\$ 269,681
Investments	2,935,428	2,490,729
Grants receivable	3,120,663	2,376,127
Accounts receivable	6,500	44,279
Unconditional promises to give, net of allowance for doubtful accounts of \$50,000	1,569,887	1,921,215
Interest receivable	391	11,417
Prepaid expenses	<u>11,041</u>	<u>4,216</u>
	<u>\$ 7,864,119</u>	<u>\$ 7,117,664</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 51,569	\$ 38,099
Due to Ramapo College of New Jersey	610,254	647,062
Refundable advances	575,125	679,660
Deferred income	87,375	88,625
Due to agency funds	<u>637</u>	<u>34,242</u>
Total liabilities	<u>1,324,960</u>	<u>1,487,688</u>
Net assets		
Unrestricted	472,819	304,611
Temporarily restricted	3,518,167	2,525,709
Permanently restricted	<u>2,548,173</u>	<u>2,799,656</u>
Total net assets	<u>6,539,159</u>	<u>5,629,976</u>
	<u>\$ 7,864,119</u>	<u>\$ 7,117,664</u>

See accompanying notes to financial statements.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2004 AND 2003

(dollars in thousands)

	<u>2004</u>	<u>2003*</u>
Operating revenues		
Student revenues		
Student tuition and fees	\$ 36,122	\$ 32,043
Auxiliary enterprises	22,266	19,765
Less scholarship allowances	<u>(10,712)</u>	<u>(10,202)</u>
Student revenues, net	<u>47,676</u>	<u>41,606</u>
Federal grants and contracts	3,521	3,906
State and local grants and contracts	4,004	3,945
Other operating revenues	<u>370</u>	<u>225</u>
Total operating revenues	<u>55,571</u>	<u>49,682</u>
Operating expenses		
Instruction	25,296	24,187
Academic support	4,464	4,301
Student services	8,232	7,662
Institutional support	14,351	12,553
Student financial aid and scholarships	702	902
Operations and maintenance of plant	9,395	8,233
Depreciation	6,576	5,460
Auxiliary	<u>13,043</u>	<u>12,351</u>
Total operating expenses	<u>82,059</u>	<u>75,649</u>
Operating loss	<u>(26,488)</u>	<u>(25,967)</u>
Nonoperating revenue (expenses)		
State of New Jersey appropriations	18,979	19,420
State of New Jersey paid fringe benefits	9,648	8,752
Investment income, (net of investment expense of \$495 in 2004 and \$1,286 in 2003)	1,306	816
Interest expense	<u>(7,560)</u>	<u>(6,868)</u>
Net nonoperating revenue	<u>22,373</u>	<u>22,120</u>
Other revenues		
Capital appropriations	126	5,101
Capital gifts	<u>100</u>	<u>5,400</u>
Total other revenues	<u>226</u>	<u>10,501</u>
(Decrease) increase in net assets	(3,889)	6,654
Net assets - beginning of year	<u>59,048</u>	<u>52,394</u>
Net assets - end of year	<u>\$ 55,159</u>	<u>\$ 59,048</u>

*Restated

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

RAMAPO COLLEGE FOUNDATION
(A Component Unit of Ramapo College of New Jersey)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue				
Donations	\$ 206,450	\$ 377,881	\$ 49,746	\$ 634,077
Fund raising	470,648			470,648
Grants		1,098,507		1,098,507
Special events	19,206			19,206
Memberships	2,835			2,835
Program service	25,468			25,468
Other	46,979			46,979
Investment income	4,115	179,731		183,846
Net unrealized gain (loss) on investments		236,649		236,649
Net assets released from restrictions	<u>887,226</u>	<u>(887,226)</u>		
Total support and revenue	<u>1,662,927</u>	<u>1,005,542</u>	<u>49,746</u>	<u>2,718,215</u>
Expenses				
Foundation operations	359,957			359,957
Alumni	68,445			68,445
Scholarships	126,630			126,630
Fund raising	157,732			157,732
College grants awarded	60,958			60,958
Friends	2,392			2,392
Expenses on restricted grants	592,540			592,540
Capital initiatives	<u>126,065</u>			<u>126,065</u>
Total expenses	<u>1,494,719</u>			<u>1,494,719</u>
Other changes in net assets				
Reduction in promises to give		<u>(13,084)</u>	<u>(301,229)</u>	<u>(314,313)</u>
Other changes, net		<u>(13,084)</u>	<u>(301,229)</u>	<u>(314,313)</u>
Change in net assets	<u>168,208</u>	<u>992,458</u>	<u>(251,483)</u>	<u>909,183</u>
Net assets, beginning of year, as originally stated	304,611	2,525,709	2,799,656	5,629,976
Reclassification of agency funds				
Net assets, beginning of year, restated	<u>304,611</u>	<u>2,525,709</u>	<u>2,799,656</u>	<u>5,629,976</u>
Net assets, end of year	<u>\$ 472,819</u>	<u>\$ 3,518,167</u>	<u>\$ 2,548,173</u>	<u>\$ 6,539,159</u>

See accompanying notes to financial statements.

RAMAPO COLLEGE FOUNDATION

(A Component Unit of Ramapo College of New Jersey)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue				
Donations	\$ 230,002	\$4,247,078	\$ 60,130	\$4,537,210
Fund raising	381,700			381,700
Grants		2,444,772		2,444,772
Special events	18,682			18,682
Memberships	6,135			6,135
Program service	26,511			26,511
Other	5,343	2,569		7,912
Investment income	4,931	214,952		219,883
Net unrealized gain (loss) on investments		(54,357)		(54,357)
Net assets released from restrictions	<u>4,734,423</u>	<u>(4,734,423)</u>		
Total support and revenue	<u>5,407,727</u>	<u>2,120,591</u>	<u>60,130</u>	<u>7,588,448</u>
Expenses				
Gift to College	5,400,000			5,400,000
Foundation operations	544,438			544,438
Alumni	58,077			58,077
Scholarships	211,683			211,683
Fund raising	134,356			134,356
College grants awarded	60,937			60,937
Friends	1,206			1,206
Expenses on restricted grants				
Capital initiatives				
Total expenses	<u>6,410,697</u>			<u>6,410,697</u>
Other changes in net assets				
Reduction in promises to give			(280,000)	(280,000)
Transfers	<u>(16,495)</u>	<u>6,495</u>	<u>10,000</u>	
Other changes, net	<u>(16,495)</u>	<u>6,495</u>	<u>(270,000)</u>	<u>(280,000)</u>
Change in net assets	<u>(1,019,465)</u>	<u>2,127,086</u>	<u>(209,870)</u>	<u>897,751</u>
Net assets, beginning of year, as originally stated	1,324,076	237,298	3,009,526	4,570,900
Reclassification of agency funds		<u>161,325</u>		<u>161,325</u>
Net assets, beginning of year, restated	<u>1,324,076</u>	<u>398,623</u>	<u>3,009,526</u>	<u>4,732,225</u>
Net assets, end of year	<u>\$ 304,611</u>	<u>\$2,525,709</u>	<u>\$2,799,656</u>	<u>\$5,629,976</u>

See accompanying notes to financial statements.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2004 AND 2003

(dollars in thousands)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Tuition and fees	\$ 26,417	\$ 22,092
Grants and contracts	7,876	7,533
Payments to suppliers	(22,889)	(14,378)
Payments to employees	(40,820)	(38,338)
Payments for employee benefits	(10,708)	(10,131)
Auxiliary enterprise charges	23,112	19,364
Other	(72)	(203)
Net cash used by operating activities	<u>(17,084)</u>	<u>(14,061)</u>
Cash flows from noncapital financing activities		
State appropriations	28,627	28,172
Federal family education loan program receipts	15,797	13,674
Federal family education loan program disbursements	(15,797)	(13,674)
Net cash provided by noncapital financing activities	<u>28,627</u>	<u>28,172</u>
Cash flows from capital and related financing activities		
Proceeds from capital debt	19,537	73,857
Capital grants	226	10,501
Purchases of capital assets	(39,052)	(28,701)
Principal paid on capital debt and leases	(19,421)	(23,928)
Interest paid on capital debt and leases	(7,560)	(6,868)
(Increase) decrease in deposits held by trustees	30,458	(32,954)
Net cash (used) by capital financing activities	<u>(15,812)</u>	<u>(8,093)</u>
Cash flows from investing activities		
Interest on investments	1,306	816
Net (decrease) increase in cash	(2,963)	6,834
Cash - beginning of year	12,757	5,923
Cash - end of year	<u>\$ 9,794</u>	<u>\$ 12,757</u>
Reconciliation of net operating revenues (expenses) to net cash used by operating activities		
Operating loss	\$ (26,488)	\$ (25,967)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	6,576	5,460
Changes in assets and liabilities		
Receivables, net	330	6,385
Other assets	(2,463)	
Accounts payable	4,632	61
Deferred revenue	56	(74)
Deposits held for others	188	80
Compensated absences	74	(43)
Loans to students and employees	11	37
Net cash used by operating activities	<u>\$ (17,084)</u>	<u>\$ (14,061)</u>

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

RAMAPO COLLEGE FOUNDATION

(A Component Unit of Ramapo College of New Jersey)

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Change in net assets	\$ 909,183	\$ 897,751
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Contributions permanently restricted	(49,746)	(60,130)
Unrealized (gain) loss in fair value of investments	(236,649)	54,357
Realized gain on investments	(142,146)	(118,999)
Grants receivable	(744,537)	(2,288,000)
Accounts receivable	37,780	(114,696)
Unconditional promises to give	351,328	485,203
Interest receivable	11,026	68,969
Prepaid expenses	(6,825)	1,774
Accounts payable	13,470	34,104
Due to Ramapo College of New Jersey	(36,808)	610,583
Deferred income	(1,250)	(49,697)
Refundable advances	(104,535)	(3,974,152)
Due to agency funds	<u>(33,605)</u>	<u>(169,754)</u>
Net cash (used by) operating activities	<u>(33,314)</u>	<u>(4,622,687)</u>
Cash flows from investing activities		
Sale of investments	1,763,107	4,227,890
(Purchases) of investments	<u>(1,829,011)</u>	<u>105,425</u>
Net cash (used) provided by investing activities	<u>(65,904)</u>	<u>4,333,315</u>
Cash flows from financing activities		
Proceeds from permanently restricted contributions	<u>49,746</u>	<u>60,130</u>
Net (decrease) in cash and cash equivalents	(49,472)	(229,242)
Cash and cash equivalents, beginning of year	<u>269,681</u>	<u>498,923</u>
Cash and cash equivalents, end of year	<u>\$ 220,209</u>	<u>\$ 269,681</u>

See accompanying notes to financial statements.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
(dollars in thousands)

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 and Theoretical and Applied Sciences, Administration. The College also offers graduate studies comprised of The Master of Arts in Liberal Studies, The Master of Science in Educational Technology, The Master of Business Administration and The Master of Science in nursing-Nursing Education, which is offered in conjunction with the University of Medicine and Dentistry.

The College is recognized as a public institution of higher education by the State of New Jersey. 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. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the College is considered a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the College are included in the State of New Jersey's Comprehensive Annual Financial Report.

The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as of July 1, 2003. GASB Statement No. 39 establishes criteria for determining whether certain organizations should be reported as component units of the financial reporting entity.

Ramapo College Foundation (the Foundation) is a legally separate component unit of Ramapo College of New Jersey, exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation acts 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 compliment the activities of Ramapo College of New Jersey. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2004 and 2003, the Foundation distributed \$1,089 and \$5,429 to the College for both restricted and unrestricted purposes. Complete financial statements for the Ramapo College Foundation can be obtained from Office of Institutional Advancement at 505 Ramapo Valley Road, Mahwah, NJ 07430.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

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

Summary of Significant Accounting Policies

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

Basis of Presentation

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The College has not elected to apply FASB Statements and Interpretations issued after November 30, 1989.

Ramapo College Foundation is a private nonprofit organization that reports under Financial Accounting Board Standards, including FASB 117, Financial Reporting for Not-for-Profit Organizations. These standards provide for certain revenue recognition and presentation features which may be different from GASB criteria. No modifications have been made to the Foundation's financial information as discretely presented in these statements.

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.

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: Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

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

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

Net Assets (Continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments purchased with an original maturity of three months or less.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

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

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

Cash and Cash Equivalents (Continued)

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.

Deposits Held by Trustees

Deposits held by trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and cash equivalents and U.S. Treasury securities.

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.

	<u>Useful Lives</u>
Land improvements	20
Buildings and improvements	20-50
Equipment	5-10
Infrastructure	7-50

Deferred Revenue

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

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

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

Deferred Financing Costs

The College capitalizes costs incurred in connection with its bonds payable and capital leases and amortizes these costs over the life of the respective obligations. These deferred financing costs are included in noncurrent assets in the accompanying statement of net assets net of amortization of \$8 for June 30, 2004.

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.

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.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

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

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.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Deposits Held by Trustees

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the College as of June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the institution or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which securities are held by a bank's trust department in College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the trustee or by its trust department or agent, but not in the College's name.

All deposits held by bond trustees are classified as a custodial credit risk Category 1. The deposits held by bond trustees under bond indenture agreements are maintained for the following:

	2004	2003
Construction fund	\$28,169	\$56,042
Debt service fund for principal and interest	5,442	8,502
Debt service reserve funds	6,873	6,823
Renewal and replacement fund	925	1,717
Rental pledge fund	<u>1,772</u>	<u>555</u>
	43,181	73,639
Less: current portion	<u>42,011</u>	<u>72,654</u>
Noncurrent deposits held by trustees	<u>\$ 1,170</u>	<u>\$ 985</u>

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

2. Deposits Held by Trustees (Continued)

Deposits held by Trustees are recorded in the financial statements at fair value, as determined by quoted market prices, and consist of the following as of June 30, 2004 and 2003:

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents				
Cash held by trustee	\$41,888	\$41,888	\$69,618	\$69,618
Investments				
U.S. Treasury Bills	122	123	3,043	3,036
U.S. Treasury Notes	<u>1,122</u>	<u>1,170</u>	<u>891</u>	<u>985</u>
	<u>\$43,132</u>	<u>\$43,181</u>	<u>\$73,552</u>	<u>\$73,639</u>

3. Investments

Investments of the discretely presented Foundation consisted of the following:

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term funds	\$ 378,139	\$ 378,139	\$ 324,794	\$ 324,794
Common stock fund equity investments	<u>2,320,641</u>	<u>2,557,289</u>	<u>2,087,066</u>	<u>2,165,935</u>
	<u>\$2,698,780</u>	<u>\$2,935,428</u>	<u>\$2,411,860</u>	<u>\$2,490,729</u>

For additional information regarding the investments of the discretely presented Foundation, please refer to the separately issued Foundation report.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

4. Capital Assets

Capital assets activity for the years ended June 30, 2004 and 2003 consists of the following:

	2004			Ending Balance
	Beginning Balance	Additions	Reductions	
Assets				
Land	\$ 3,231	\$	\$	\$ 3,231
Land improvements	1,481	55		1,536
Buildings and improvements	142,809	5,168		147,977
Equipment	25,816	303	(201)	25,918
Library collection	8,670	334	(560)	8,444
Construction in progress	8,449	31,986		40,435
Infrastructure	<u>5,204</u>	<u>377</u>	<u>—</u>	<u>5,581</u>
Total	<u>195,660</u>	<u>38,223</u>	<u>(761)</u>	<u>233,122</u>
Accumulated depreciation				
Land improvements	1,123	45		1,168
Buildings and improvements	27,470	4,070		31,540
Equipment	14,491	1,999	(1,018)	15,472
Library collection	7,201	264	(560)	6,905
Infrastructure	<u>1,937</u>	<u>198</u>	<u>(12)</u>	<u>2,123</u>
Total	<u>52,222</u>	<u>6,576</u>	<u>(1,590)</u>	<u>57,208</u>
Capital assets, net	<u>\$143,438</u>	<u>\$31,647</u>	<u>\$ 829</u>	<u>\$175,914</u>

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

4. Capital Assets (Continued)

	2003			
	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	<u>5,087</u>	<u>117</u>	<u>—</u>	<u>5,204</u>
Total	<u>168,116</u>	<u>62,902</u>	<u>(35,358)</u>	<u>195,660</u>
Accumulated depreciation				
Land improvements	1,080	43		1,123
Building 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	<u>1,786</u>	<u>151</u>	<u>—</u>	<u>1,937</u>
Total	<u>47,877</u>	<u>5,460</u>	<u>(1,115)</u>	<u>52,222</u>
Capital assets, net	<u>\$120,239</u>	<u>\$57,442</u>	<u>\$(34,243)</u>	<u>\$143,438</u>

Depreciation expense was \$6,576 and \$5,460 for the years ended June 30, 2004 and 2003, respectively.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

5. Other Noncurrent Liabilities

Activity in other noncurrent liabilities for the year ending June 30, 2004 was as follows :

	<u>June 30,</u> <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2004</u>	<u>Current</u> <u>Portion</u>
Other liabilities	\$ 546	\$ 79	\$	\$ 625	\$
Compensated absences	2,412	99	(105)	2,406	1,601
U.S. Government grants refundable	<u>886</u>	<u>11</u>	<u>—</u>	<u>897</u>	<u>—</u>
	<u>\$3,844</u>	<u>\$189</u>	<u>\$(105)</u>	<u>\$3,928</u>	<u>\$1,601</u>

Activity in other noncurrent liabilities for the year ending June 30, 2003 was as follows :

	<u>June 30,</u> <u>2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2003</u>	<u>Current</u> <u>Portion</u>
Other liabilities	\$ 468	\$ 78	\$	\$ 546	\$
Compensated absences	2,265	268	(121)	2,412	1,706
U.S. Government grants refundable	<u>849</u>	<u>37</u>	<u>—</u>	<u>886</u>	<u>—</u>
	<u>\$3,582</u>	<u>\$383</u>	<u>\$(121)</u>	<u>\$3,844</u>	<u>\$1,706</u>

6. Long-Term Debt

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, 2004 and 2003 was \$141,963 and \$104,432, respectively.

The Series 2002A Higher Education 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.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

6. Long-Term Debt (Continued)

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, 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.

The Authority issued Series 2003H for the purpose of partially refunding Series 1999E. The proceeds of this transaction have been irrevocably deposited with the trustee in order to satisfy the scheduled payments of interest and principal. A loss on defeasance of approximately \$2,290 resulted from this transaction and was capitalized and recorded in deferred financing costs in the accompanying statements of net assets as of June 30, 2004.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

6. Long-Term Debt (Continued)

The following principal payments due the Authority were outstanding at June 30, 2004 and 2003.

NJ Educational Facilities Authority Revenue Bonds:	<u>Interest Rate</u>	<u>2004</u>	<u>2003</u>
Series 1973 A, due serially to 2003	5.30% to 5.60%	\$	\$ 115
Series 1998 G, due serially to 2028	4.10% to 4.63%	15,500	15,830
Series 1998 H, due serially to 2013	4.10% to 4.60%	1,510	1,630
Series 1998 I, due serially to 2008	4.10% to 4.50%	550	645
Series 1999 E, due serially to 2009	5.25% to 5.60%	2,420	19,580
Series 2001 D, due serially to 2031	4.80% to 5.00%	40,480	40,480
Series 2001 E, due serially to 2008	3.60% to 4.00%	1,885	2,225
Series 2002 H, due serially to 2032	2.50% to 5.00%	28,610	28,655
Series 2002 I, due serially to 2032	2.50% to 5.00%	2,085	2,145
Series 2002 J, due serially to 2032	2.50% to 5.00%	29,580	29,620
Series 2003 F, due serially to 2013	1.50% to 3.50%	1,820	1,820
Series 2003 G, due serially to 2013	2.00% to 3.71%	9,300	9,300
Series 2003 H, due serially to 2029	4.25% to 5.00%	<u>18,930</u>	<u> </u>
		152,670	152,045
Add amounts representing net premiums		<u>240</u>	<u> </u>
		<u>152,910</u>	<u>152,045</u>
Higher Education Capital Improvement Fund Series 2000 B, due serially to 2020	4.50% to 5.75%	2,305	2,387
Higher Education Dormitory Safety Trust Fund Series 2001 A, due serially to 2016		826	895
Higher Education Capital Improvement Fund Series 2002 A, due serially to 2023	3.00% to 5.25%	1,850	1,849
Higher Education Equipment Leasing Fund Series 2003 A, due serially to 2010	2.50% to 5.00%	467	467
Other	5.12% to 10.7%	<u>899</u>	<u>1,257</u>
		<u>6,347</u>	<u>6,855</u>
Total long-term debt		159,257	158,900
Less: noncurrent portion		<u>152,993</u>	<u>154,792</u>
Total long-term debt-current portion		<u>\$ 6,264</u>	<u>\$ 4,108</u>

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

6. Long-Term Debt (Continued)

Payments due on long-term debt, including mandatory sinking fund payments on the revenue bonds, for the next five years and thereafter are as follows as of June 30, 2004:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 6,264	\$ 6,898
2006	5,344	6,771
2007	5,589	6,596
2008	5,832	6,400
2009	5,421	6,211
2010-2014	25,065	28,032
2015-2019	24,229	22,819
2020-2024	30,222	16,355
2025-2029	35,470	8,632
2030-2033	<u>15,581</u>	<u>1,343</u>
	<u>\$159,017</u>	<u>\$110,057</u>

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.

7. 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 \$10,397 and \$9,430 for fiscal years 2004 and 2003, respectively, of which \$9,648 and \$8,752 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.

RAMAPO COLLEGE OF NEW JERSEY
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NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

8. 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.

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 State of New Jersey issues publicly-available financial reports that include financial statements and required supplementary information for PERS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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, Equitable, Hartford, 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 2004 and 2003 for all employees covered by these programs was approximately \$36,381 and \$34,237, respectively. Total payroll expenditures for all employees was approximately \$40,891 and \$39,031. All of the College's costs relative to these programs are included in the \$10,397 and \$9,430 referred to in Note 7.

RAMAPO COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

9. Compensated Absences

Vacation and Compensatory Time

The College's general policy states that employees are entitled, upon termination, to the current year's unused earned vacation and compensatory time in addition to any unused vacation and compensatory time carried over from the immediate prior year. The liability for unused vacation and compensatory time at June 30, 2004 and 2003, included in accrued liabilities, amounted to approximately \$1,680 and \$1,696, respectively.

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 \$726 and \$716 for June 30, 2004 and 2003, respectively. The College has made payments of approximately \$80 and \$98 for unused sick time in fiscal year 2004 and 2003.

10. Commitments

Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of June 30, 2004 and 2003, are not included in the financial statements. The College has approved contracts in fiscal 2004 and 2003 of approximately \$17,761 and \$38,173, respectively, the majority of which are for construction and renovation projects and will be funded by plant fund assets on deposit with the trustee.

11. Contingencies

The College is involved in various claims and lawsuits arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the College's financial position.

12. 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.