

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Basic Financial Statements,  
Management's Discussion and Analysis and  
Schedules of Expenditures of Federal and  
State of New Jersey Awards

June 30, 2010

(With Independent Auditors' Reports Thereon)

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Financial Statements

June 30, 2010 and 2009

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**Montclair State University**  
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## **Management's Discussion and Analysis**

### **Introduction**

This section of the Annual Financial Report for Montclair State University (the University) presents management's discussion and analysis of the University's financial activity during fiscal years ended June 30, 2010 and 2009 and comparative amounts for the year ended June 30, 2008. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the University's basic financial statements and footnotes that immediately follow this section.

### **University Overview**

Montclair State University, the second largest university in New Jersey, offers the advantages of a large university – a broad undergraduate curriculum which fosters critical thinking and life-long learning, a wide variety of applied graduate programs that address the needs of the region, a rapidly expanding focus on professional education and a diverse faculty and student body – combined with a small college's attention to students. The University's faculty is committed to learning through creative teaching informed by highly regarded scholarship and service to the community.

The University was founded as Montclair State Normal School in 1908 with a two-year curriculum. The curriculum was expanded to four years in 1927 when the institution became Montclair State Teachers College. Recognizing the expanding mission of the institution, the teachers college became Montclair State College in 1958. The expanded mission was formally recognized when the State identified the University as a comprehensive institution in 1966. In 1994 the New Jersey Board of Higher Education conferred university status on the University in recognition of the quality and breadth of the institution and the extent of its graduate offerings.

Since its founding, the University has earned a reputation for excellence and innovation. With its strong emphasis on the liberal arts and the sciences, in 1937 it became the first teachers college accredited by the Middle States Association as a liberal arts institution. As evidence of the continuing excellence of its programs and faculty, the University was authorized in 1932 to award the master's degree and in 1998 to award the doctoral degree.

With close to 400 majors, minors, concentrations and certificate programs distributed among 55 undergraduate and 48 graduate majors (including 6 doctoral programs), the University provides a comprehensive and relevant array of programs to over 18,000 undergraduate and graduate students. In addition to a broad range of traditional programs, the University offers, programs in more contemporary and evolving areas such as molecular biology, cognitive science, and applied linguistics as well as cross-disciplinary programs in areas such as justice studies, bioinformatics and environmental management. The University's doctoral program in pedagogy, which allows outstanding teachers to remain in the classroom after they have reached the pinnacle in academic achievement, is unique in the nation. The PhD in Environmental Management combines interdisciplinary research in the sciences with training in management and policy formation. The ScD in Audiology occupies one of the finest clinical and research facilities in the tri-state region.

The Montclair State University Foundation, Inc. (the Foundation) was established as a nonprofit corporation to provide an independent instrument of control of funds, from other than state resources, which support the purpose and mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and state taxes. Because the Foundation's resources have historically only been used by or for the benefit of the University, the Foundation is considered a component unit and is discreetly presented in the University's financial statements.

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**Financial Highlights**

At June 30, 2010, the University's net assets increased to \$298.6 million from \$268.6 million at June 30, 2009. Operating expenses for the year ended June 30, 2010, were \$274.9 million, an increase of \$15 million over fiscal year 2009. Operating expenses for the year ended June 30, 2009, were \$259.9 million, an increase of \$8.8 million over fiscal year 2008. For the year ended June 30, 2010, the largest increases in operating expenses were in instructional, operations and maintenance and student aid expenses. The increase in instructional expenses is attributable to additional faculty added during the fiscal year. Student aid increased with increases to programs such as MSU Scholars and graduate assistantships among others. There was also an increase in operations and maintenance of plant due to increased maintenance and rental costs as well as contractual wage increases. Other increases in the various categories are the result of increases in contractual wages as well as increases that resulted from growing enrollments and operations.

For the year ended June 30, 2009, the largest increase in operating expenses was in instructional expenses. This increase is attributable to additional faculty added during the fiscal year as well as contractual salary increases. There was a decrease in operations and maintenance of plant due to a decrease in utility costs. Institutional expenses increased due to increases in contractual wages as well as increases that resulted from growing enrollments and related operations. Depreciation expense increased as a result of the Recreation Center being in service for the entire year.

Operating revenues for the year ended June 30, 2010, were \$ 235.4 million, an increase of \$16.1 million over fiscal year 2009. Operating revenues for the year ended June 30, 2009, were \$219.3 million, an increase of \$18.7 million over fiscal year 2008. The increase in operating revenues for 2010 is the result of increased enrollments and tuition rates as well as increases in federal, state and local grants and contracts.

In 2009, the increase in net student revenues was the result of increased enrollments and tuition rate increases.

Nonoperating and other revenues, including capital gifts and grants, for the year ended June 30, 2010, were \$83.4 million; an increase of \$2.1 million over fiscal year 2009. This increase is attributable to an increase in investment income as well as capital gifts.

Nonoperating and other revenues, including capital gifts and grants, for the year ended June 30, 2009, were \$81.2 million; a decrease of \$6.8 million from fiscal year 2008. This decrease is primarily the result of decreased investment income. Market conditions have had a negative impact on the University's portfolio.

There are currently no other known facts, decisions or conditions that are expected to have a significant effect on the University's financial position (net assets) or results of operation (revenues, expenses, and changes in net assets).

**Financial Statements**

The University's financial report includes three 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 are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

**Montclair State University**  
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**Statement of Net Assets**

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year. Assets and liabilities are classified as current and noncurrent. Capital assets are carried at cost and depreciated over their respective useful lives. Net assets are the residual interest in the University's assets after the liabilities are deducted. Total net assets is one indicator of the financial condition of the University, while a change in net assets indicates whether the financial condition has improved or deteriorated.

A summary of the University's assets, liabilities and net assets (in millions) at June 30, 2010, 2009 and 2008 follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 99.7	\$ 163.5	\$ 189.5
Noncurrent assets			
Capital assets, net	497.5	444.0	408.0
Assets held under bond indenture agreements	2.9	3.1	3.1
Investments	118.5	79.1	35.3
Other	<u>8.1</u>	<u>8.1</u>	<u>8.2</u>
Total Assets	<u>\$726.7</u>	<u>\$697.8</u>	<u>\$644.1</u>
Current liabilities	57.2	52.3	49.3
Noncurrent liabilities	<u>370.9</u>	<u>376.9</u>	<u>354.2</u>
Total liabilities	<u>428.1</u>	<u>429.2</u>	<u>403.5</u>
Net Assets			
Investment in capital assets, net	\$160.6	\$133.9	\$125.0
Restricted	13.1	12.7	12.7
Unrestricted	<u>124.9</u>	<u>122.0</u>	<u>102.9</u>
Total Net Assets	<u>\$298.6</u>	<u>\$ 268.6</u>	<u>\$240.6</u>

This schedule is prepared from the University's statements of net assets that are presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

Total current assets decreased by \$63.8 million during the year ended June 30, 2010. The decrease is the result of decreases in cash and cash equivalents as well as assets held under bond indenture agreements. The decrease in cash and cash equivalents is offset by an increase in investments while the decrease in assets held under bond indenture agreements is related to the increased draw down of funds for construction projects which results in the increase in capital assets. At June 30, 2009 current assets had decreased by \$26 million from 2008. That decrease was primarily the result of a decrease in cash and cash equivalents.

Total noncurrent assets increased by \$92.7 million during the year ended June 30, 2010 and \$79.7 million during the year ended June 30, 2009. A substantial part of the increase in both years is the result of increases in investments of \$39.4 million in 2010 and \$43.8 million in 2009. Changes in market conditions dictated a change in investment strategy. In the recent past, short term rates produced greater returns for the University, at this time some of our assets are being invested on a longer term basis. The increase in capital assets of \$53.5 million is the result of construction activity on Cali School of Music and CarParc Diem among others.

In 2009 there was also an increase of approximately \$36 million to capital assets as a result of increased construction activity including the Cali School of Music, Panzer Gymnasium and Francis A. Sinatra Hall among others.

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During the year ended June 30, 2010, total assets increased \$28.9 million to \$726.7 million. This increase is primarily attributable to an increase in investments as a result of operations and capital assets as a result of ongoing construction projects.

During the year ended June 30, 2009, total assets increased \$53.6 million to \$697.8 million. This increase is primarily attributable to an increase in investments as a result of operations and capital assets as a result of ongoing construction projects such as the Cali School of Music, Panzer Gymnasium and Francis A. Sinatra Hall.

Total current liabilities increased \$4.9 million during the year ended June 30, 2010. The increase is primarily the result of increased accounts payable for capital projects and accrued liabilities at year end.

Total current liabilities increased \$3 million during the year ended June 30, 2009. The increase is the result of increased accounts payable and accrued liabilities at year end with a shift between expenses from vendors and capital projects which coincides with the increased construction activity in 2009.

Noncurrent liabilities decreased by \$6 million during the year ended June 30, 2010 as a result of a decrease in bonds payable and other long term debt.

Noncurrent liabilities increased \$22.6 million during the year ended June 30, 2009 as a result of the issuance of the Series 2008 J Bonds to finance Francis A. Sinatra Hall.

**Statements of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenue earned and expenses incurred, both operating and nonoperating, during the fiscal year.

Operating revenues are those revenues received for providing goods and services. Operating expenses are incurred to acquire goods and services in order to carry out the University's mission. Nonoperating revenue is revenue earned for which goods and services were not provided, such as state appropriations and interest income.

A summary of the University's revenues, expenses, and changes in net assets (in millions) for the years ended June 30, 2010, 2009, and 2008 follows:

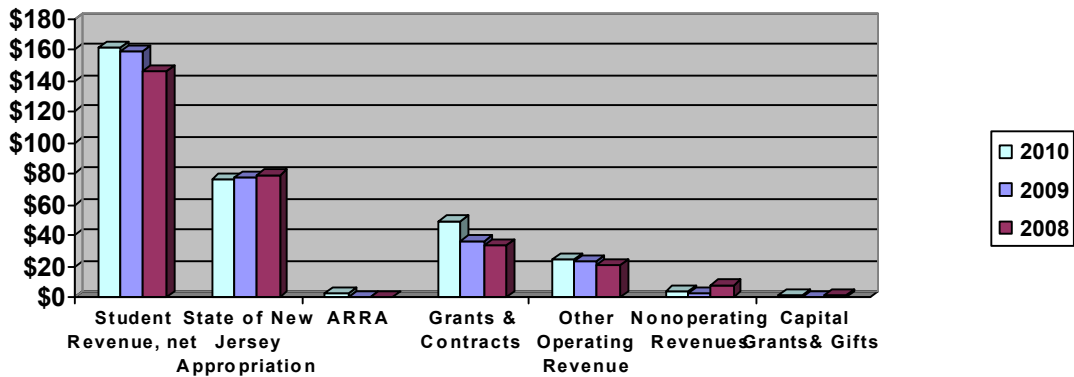
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues			
Net student revenues	\$161.4	\$159.1	\$146.5
Other	<u>74.0</u>	<u>60.2</u>	<u>54.1</u>
Total Operating Revenues	235.4	219.3	200.6
Less operating expenses	<u>274.9</u>	<u>259.9</u>	<u>251.1</u>
Operating Loss	<u>(39.5)</u>	<u>(40.6)</u>	<u>(50.5)</u>
Nonoperating and Other Revenues			
State appropriations			
General	40.5	45.0	48.6
Fringe benefit	35.9	33.2	30.6
Federal appropriations	2.3	0	0
Other	<u>4.7</u>	<u>3.0</u>	<u>8.8</u>
Nonoperating revenue	83.4	81.2	88.0
Less nonoperating expenses	<u>13.9</u>	<u>12.7</u>	<u>12.6</u>
Net nonoperating and other revenues	<u>69.5</u>	<u>68.5</u>	<u>75.4</u>
Increase in net assets	30.0	28.0	24.9
Net assets, beginning of year	<u>268.6</u>	<u>240.6</u>	<u>215.7</u>
Net assets, end of year	<u>\$298.6</u>	<u>\$268.6</u>	<u>\$240.6</u>

**Montclair State University**  
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**Revenues**

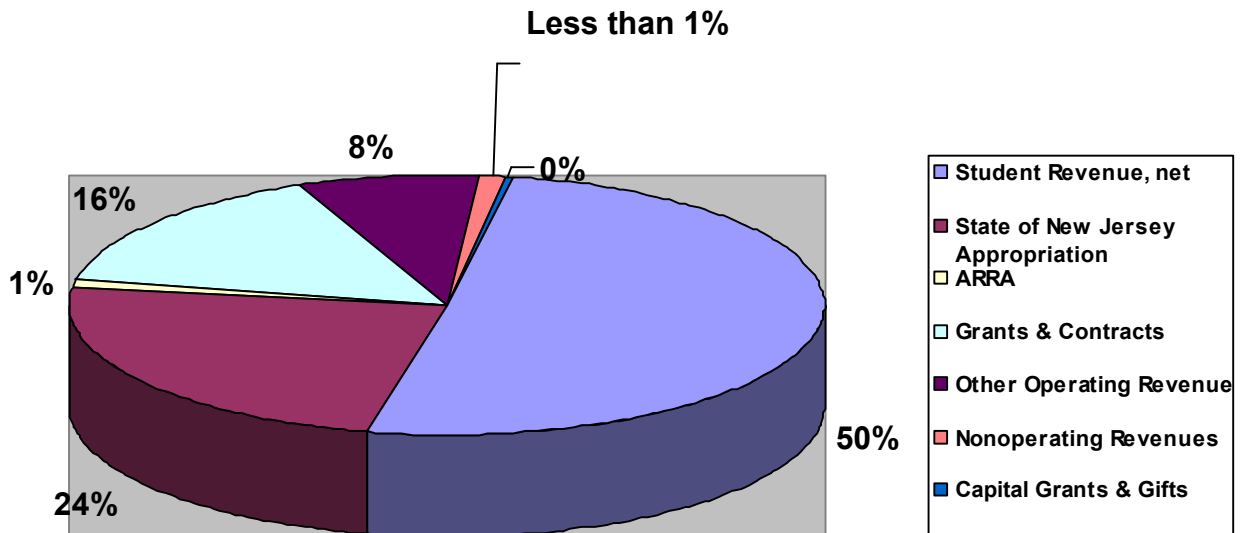
The University derives its revenues from a variety of sources, the largest source being tuition, fees and residence life, net of scholarship allowance. The following chart illustrates the components of University revenues for the years ended June 30, 2010 and 2009, and comparative amounts for the year ended June 30, 2008 (amounts in millions).

**Montclair State University Revenues**



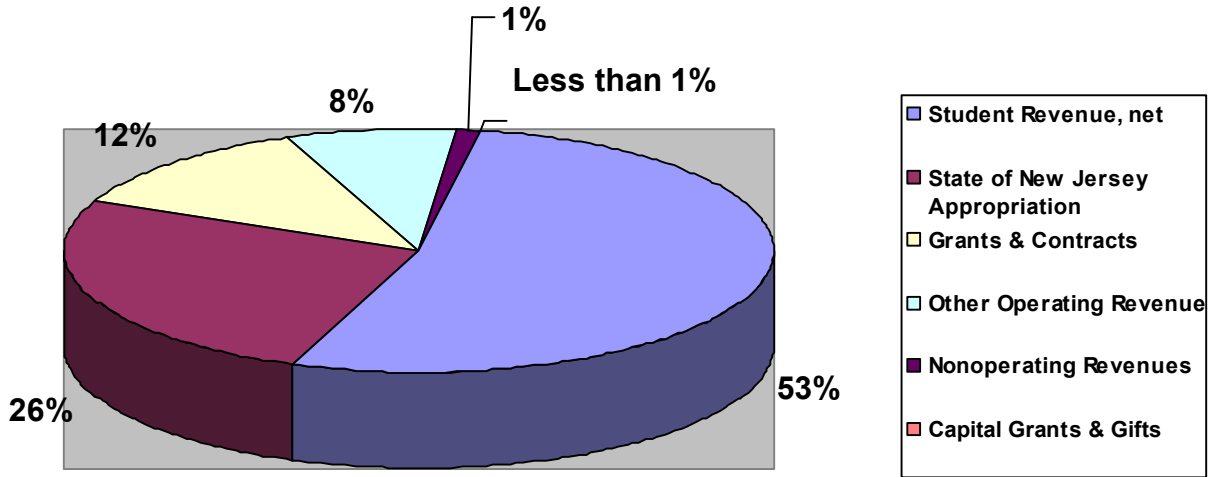
As State funding declines, there is an increasing burden on tuition and fees rates. The following charts illustrate the changing components of University revenues for the years ended 2009 and 2008.

**Montclair State University Revenues 2010**



**Montclair State University**  
(A Component Unit of The State of New Jersey)

**Montclair State University  
Revenues 2009**



Student revenue, net of scholarship allowance, increased \$2.3 million or 1.4% in 2010 over 2009. Net Student Revenues are affected by changes in enrollments, rates and the scholarship allowance. In 2010, credit hour enrollments were up approximately 3.7% over 2009 while tuition rates were increased by 3% for undergraduates. The scholarship allowance increased by \$9 million in 2010 as a result of increased financial aid. As a result of current economic conditions, there was an increase in students with demonstrated need. Aid, as well as student loans increased dramatically in 2010.

Student revenue, net of scholarship allowance, increased \$12.6 million or 8.6% in 2009 over 2008. Increased enrollments, coupled with increases in tuition and fee rates account for this change. Credit hour enrollments were up approximately 5.8% over 2008 while tuition rates were increased by 7%.

The State of New Jersey appropriations continue to be affected by the economic climate in the state. The second largest source of revenue for the University is subject to volatility as evidenced by the changes in funding over the years. In 2010 the State appropriation decreased by \$1.8 million. In 2009 the State appropriation decreased by \$890,000, while in 2008, the State appropriation increased by \$3.9 million.

In 2010, the University received \$2.3 million as a result of the American Recovery and Reinvestment Act. In addition to this allotment, the University also experienced an increase in TAG funds as a result of this program.

For the years ended June 30, 2010, 2009, and 2008, revenues from grants and contracts were \$49.5 million, \$36.6 million and \$33.8 million, respectively. The major grant programs and sponsors at the Federal level include Pell, College Work Study, and Federal Supplemental Educational Opportunity Grants, among others. Major State of New Jersey grant programs include Tuition Aid Grant (TAG), Educational Opportunity Fund and Urban Scholarships. In 2010 there was a significant increase in Pell and TAG. The current economic climate has resulted in students with greater need and therefore more aid was granted in these programs.

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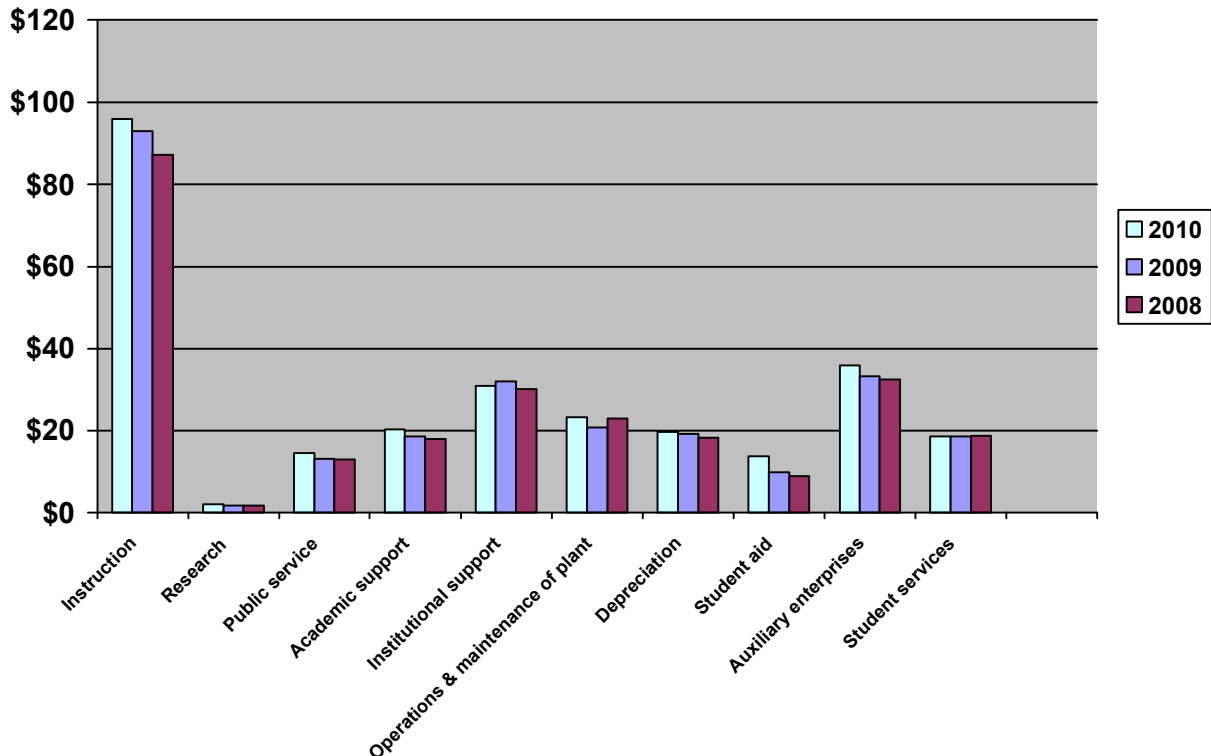
**Expenses**

Operating expenses are those expenses paid by the University to acquire or produce goods and services to fulfill its mission. The University incurred total operating expenses of \$274.9 million and \$259.9 million 2010 and 2009, respectively.

The University's operating expenses by functional classification (in millions) for June 30, 2010, 2009 and 2008 were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Expenses:			
Instruction	\$ 95.9	\$ 93.0	\$ 87.2
Research	2.1	1.8	1.7
Public services	14.5	13.1	13.0
Academic support	20.3	18.5	17.9
Student services	18.5	18.5	18.8
Institutional support	30.9	31.9	30.1
Operation and maintenance of plant	23.3	20.8	22.9
Depreciation	19.7	19.2	18.2
Student aid	13.7	9.8	8.9
Auxiliary enterprises	<u>36.0</u>	<u>33.3</u>	<u>32.4</u>
Total Operating Expenses	<u>\$274.9</u>	<u>\$259.9</u>	<u>\$251.1</u>

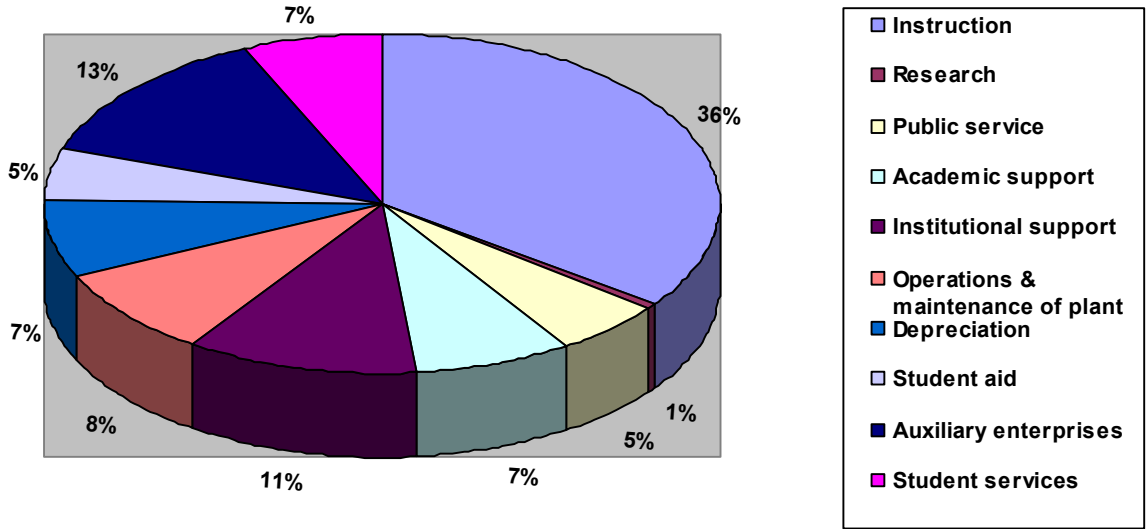
**Montclair State University**  
**Operating Expenses**



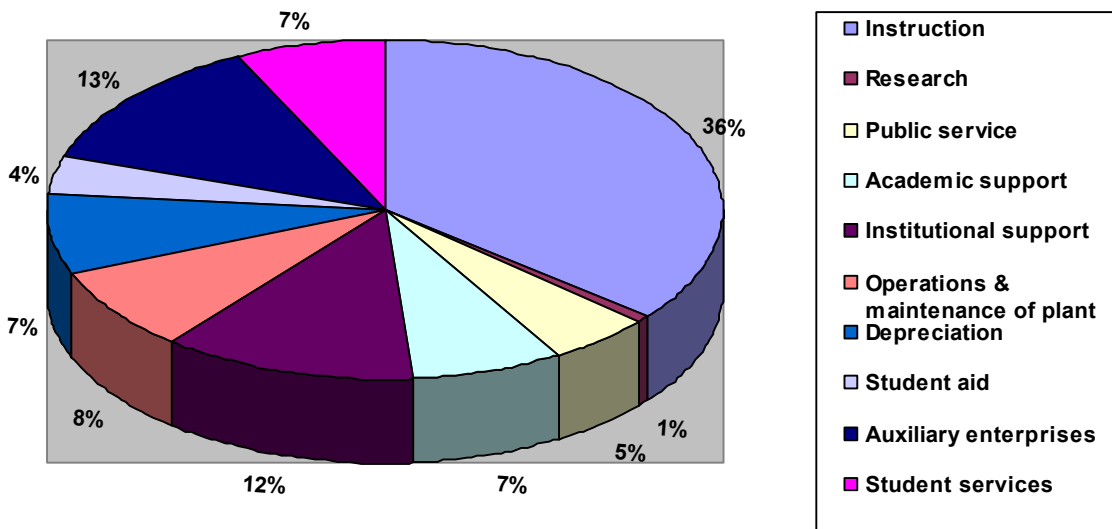
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The following charts illustrate the distribution of operating expenses for 2010 and 2009.

**Montclair State University Operating Expenses 2010**



**Montclair State University Operating Expenses 2009**



**Montclair State University**  
(A Component Unit of The State of New Jersey)

Operating expenses increased \$15 million in fiscal 2010 over fiscal year 2009. Instructional expenses increased by \$2.9 million primarily as a result of new faculty. Operations and maintenance of plant increased by \$2.5 million over 2009 as a result of increased rental for a new audiology facility, contractual wage increases and increased maintenance and other costs as a result of growing enrollments, number of facilities to maintain and operations. Student aid increased \$3.9 million over 2009. The largest increases were in graduate assistantships and MSU Scholars. Auxiliary enterprises increased \$2.7 million over 2009. The increase is primarily the result of increases in food services and residence hall furnishings.

Operating expenses increased \$8.8 million in fiscal year 2009 compared to fiscal year 2008. The majority of the increase is related to instructional expenses which increased by \$5.9 million. This increase is primarily the result of contractual increases for faculty as well as an increase in headcount. The success of the Beijing Disney Program continues to grow which has resulted in increased expenses. This program also has a positive impact on University revenues. Institutional expenses increased by approximately \$1.8 million over 2008. The increase is due partially to contractual salary increases for the various departments. Some of the increases in expenses have been offset by a decrease in operations and maintenance of plant which decreased by \$2.1 million. This decrease is the result of decreased utility costs. Utility cost decreased by \$2.9 million in 2009. Panzer Gymnasium and the Chapin School of Music were not in service in 2009 due to new construction. Prices for natural gas also declined and the Cogen plant consistently produced the majority of electricity for the main campus. Depreciation expenses increased by \$1 million in 2009 as a result of the Recreation Center being in service for an entire year coupled with other completed projects that were put into service.

**Capital Assets and Debt Activities**

The University's investment in capital assets, net of accumulated depreciation, was \$497.5 million and \$444 million at June 30, 2010 and 2009, respectively. Accumulated depreciation totaled \$200.5 million and \$181 million at June 30, 2010 and 2009 respectively. Depreciation charged to operations totaled \$19.7 million and \$19.2 million in 2010 and 2009, respectively.

Significant construction activity continued in 2010. The John J. Cali School of Music, a project which transformed a former dormitory and classroom building into a state-of-the-art teaching, practice and performance facility, opened this year. A new parking garage, CarParc Diem, with 1,535 parking spaces, also opened this year.

During 2009 there also was a considerable amount of construction activity on campus. The primary projects under construction were the Cali School of Music, Panzer Gymnasium and Francis A. Sinatra Hall.

At June 30, 2010, the majority of construction in progress was Francis A. Sinatra Hall which is scheduled to open in the fall; Panzer Gymnasium; and the BellTower Initiative which will replace the University's current business systems with a self-service, web based system that will enhance the management of information, standardize processes and improve compliance.

During 2010 the university completed negotiations with a private developer to design, construct, finance and manage an on campus residence and dining facility. A residential community which will provide 1,978 additional beds and dining facilities in a complex of buildings on the north end of campus is scheduled to open in the fall of 2011.

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At June 30, 2009, the majority of construction in progress was the Cali School of Music, Panzer Gymnasium and Francis A. Sinatra Hall while at June 30, 2008 the majority of construction in progress was the Cali School of Music.

The University issued Montclair State University Bonds Issue, Series 2008J in January of 2009 to finance a new student housing complex. This facility, Francis A. Sinatra Hall, will provide 300 additional beds in suite style living. This complex will be ready for students in the fall 2010 semester.

The components of the University's investment in capital assets at June 30 are:

**Investment in Capital Assets**  
**At June 30,**  
**(Dollars in millions)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 15.9	\$ 15.9	\$ 15.7
Construction in progress	83.8	71.5	21.8
Infrastructure	33.5	33.0	32.9
Buildings and improvements	469.2	414.8	412.6
Equipment	77.8	72.0	69.9
Other capital assets	<u>17.8</u>	<u>17.8</u>	<u>17.1</u>
Total	<u>698.0</u>	<u>625.0</u>	<u>570.0</u>
Accumulated depreciation:			
Infrastructure	10.3	9.0	7.8
Buildings and improvements	122.7	111.3	100.4
Equipment	59.8	54.0	48.7
Other capital assets	<u>7.7</u>	<u>6.7</u>	<u>5.1</u>
Total	<u>200.5</u>	<u>181.0</u>	<u>162.0</u>
Total Capital Assets, Net	<u>\$497.5</u>	<u>\$444.0</u>	<u>\$408.0</u>

**Economic Factors that could affect the Future**

The major components of the University's operating revenue are changing as State support, as a percentage of the total revenues, continues to decline. The State continues to face an economic crisis which affects future appropriations to the University. Reduced appropriations in the future will place an increased burden on tuition and fees to fund the operating costs of the University. The University will continue to seek new and enhanced revenue streams and operating efficiencies to maintain its ability to increase total net assets to meet the growth and needs of its students. The University remains committed to its mission of serving the educational needs of New Jersey with programs characterized by academic rigor and currency in the development of knowledge in its applications.



## Independent Auditors' Report

### The Board of Trustees Montclair State University

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Montclair State University Foundation, Inc., a component unit of Montclair State University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Montclair State University Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion. The financial statements of the discretely presented Foundation, a component unit of the University were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Montclair State University as of June 30, 2010 and 2009, and the respective changes in financial position and its cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010 on our consideration of Montclair State University's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 10 is not a required part of the basic financial statements but is supplementary 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedules of expenditures of federal awards and New Jersey state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants/State Grants and State Aid* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*O'Connor Davis Hanna & Dobbins, LLP*

Paramus, New Jersey  
August 31, 2010

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Net Assets

Business - Type Activities - University Only

June 30,  
(dollars in thousands)

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 33,058	\$ 67,001
Investments		486
Assets held under bond indenture agreements	54,462	85,361
Receivables		
Students, less allowance for doubtful accounts of \$3,714 in 2010 and \$3,509 in 2009	1,583	2,173
Loans, less allowance for doubtful loans of \$87 in 2010 and \$141 in 2009	393	674
Grants and contracts	4,088	1,783
State of New Jersey	2,968	2,824
Accrued interest	248	459
Other receivables	1,406	1,135
Total Receivables	10,686	9,048
Other current assets	1,457	1,571
Total Current Assets	99,663	163,467
Noncurrent assets		
Investments	118,501	79,081
Assets held under bond indenture agreements	2,953	3,079
Loans receivable, less allowance for doubtful loans of \$744 in 2010 and \$682 in 2009	3,362	3,252
Capital assets, net	497,546	444,040
Other noncurrent assets	4,630	4,846
Total Noncurrent Assets	626,992	534,298
Total Assets	\$ 726,655	\$ 697,765
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses		
Vendors	\$ 7,768	\$ 7,996
Capital projects	7,664	6,377
Employees	6,282	6,752
Interest payable	8,224	8,227
Compensated absences - current portion	4,720	3,387
Total Accounts Payable and Accrued Expenses	34,658	32,739
Bonds payable and other long-term debt - current portion	7,014	5,944
Deferred tuition, fees, and deposits	11,578	10,405
Deferred revenue from grantors	2,950	2,271
Assets held on behalf of others	1,023	958
Total Current Liabilities	57,223	52,317
Noncurrent liabilities		
Bonds payable and other long-term debt - noncurrent portion	365,467	371,651
Compensated absences - noncurrent portion	1,711	1,545
Assets held on behalf of Federal government for loan programs	3,664	3,653
Total Noncurrent Liabilities	370,842	376,849
Total Liabilities	428,065	429,166
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	160,620	133,844
Restricted expendable for		
Loans	473	473
Debt service and debt service reserve	12,555	12,264
Unrestricted	124,942	122,018
Total Net Assets	\$ 298,590	\$ 268,599

**Montclair State University Foundation, Inc.**  
(A Component Unit of Montclair State University)

Statements of Financial Position

June 30,

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash	\$ 10,923,378	\$ 333,287
Unconditional promises to give, net	3,558,263	5,549,156
	14,481,641	5,882,443
Investments, at market value	38,349,800	42,432,033
Total Assets	\$ 52,831,441	\$ 48,314,476
<b>LIABILITIES</b>		
Accounts payable	\$ 2,132,265	\$ 1,237,476
Encumbrances	-	20,000
Total Liabilities	2,132,265	1,257,476
<b>NET ASSETS</b>		
Unrestricted	(6,116,482)	2,855,398
Temporarily restricted	23,213,103	17,744,738
Permanently restricted	33,602,555	26,456,864
Total Net Assets	50,699,176	47,057,000
Total Liabilities and Net Assets	\$ 52,831,441	\$ 48,314,476

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities-University Only

Years Ended June 30,  
(dollars in thousands)

	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>		
Net student revenues		
Student tuition and fees	\$ 156,397	\$ 147,892
Residence life - room and board, including pledged revenues of \$24,775 in 2010 and \$23,402 in 2009	40,351	37,610
Less scholarship allowance	35,334	26,372
Net Student Revenues	161,414	159,130
Federal grant and contracts	25,771	15,963
State of New Jersey grants and contracts	22,287	18,771
Nongovernmental grants and contracts	1,479	1,846
Sales and services of educational departments	6,907	6,548
Auxiliary enterprises	15,443	15,173
Other operating revenues	2,110	1,910
Total Operating Revenues	235,411	219,341
<b>OPERATING EXPENSES</b>		
Instruction	95,946	93,070
Research	2,110	1,842
Public service	14,575	13,111
Academic support	20,264	18,557
Student services	18,457	18,473
Institutional support	30,914	31,912
Operations and maintenance of plant	23,276	20,764
Depreciation	19,664	19,175
Student aid	13,696	9,775
Residence life and auxiliary enterprises	36,044	33,298
Total Operating Expenses	274,946	259,977
Operating Loss	(39,535)	(40,636)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State of New Jersey appropriations		
General appropriation	40,467	45,014
Fringe benefit appropriation	35,898	33,244
Federal appropriations		
American Recovery and Reinvestment Act	2,273	-
Investment income, net of investment expenses of \$297 in 2010 and \$123 in 2009	3,438	2,541
Unrealized and realized gains (losses) on investment securities	(162)	313
Interest on indebtedness	(13,166)	(12,099)
Administrative costs	(600)	(553)
Other nonoperating revenues	77	74
Net Nonoperating Revenues	68,225	68,534
Income Before Other Revenues	28,690	27,898
Capital gifts and grants	1,301	115
Increase in Net Assets	29,991	28,013
<b>NET ASSETS</b>		
Beginning of year	268,599	240,586
End of year	\$ 298,590	\$ 268,599

See notes to financial statements

**Montclair State University Foundation, Inc.**  
(A Component Unit of Montclair State University)

Statement of Activities

Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions, net	\$ -	\$ 3,884,815	\$ 596,604	\$ 4,481,419
Other support	20,455	106,979	-	127,434
Annual fund	294,708	-	-	294,708
In-kind contribution	127,222	-	-	127,222
Net investment return	2,764,935	1,545,895	-	4,310,830
Net assets released from restrictions				
Satisfaction of scholarship restrictions	1,866,212	(1,866,212)	-	-
Satisfaction of program restrictions	<u>3,062,228</u>	<u>(3,062,228)</u>	-	-
Total Revenues, Gains and Other Support	<u>8,135,760</u>	<u>609,249</u>	<u>596,604</u>	<u>9,341,613</u>
<b>EXPENSES</b>				
Program Services				
Program funds	379,297	-	-	379,297
Grant funds	1,425,397	-	-	1,425,397
Scholarship funds	279,957	-	-	279,957
Capital funds	1,230,100	-	-	1,230,100
Quasi-endowment funds	534,946	-	-	534,946
Endowment funds, spendable	1,078,721	-	-	1,078,721
MSU Annual Scholarship	108,246	-	-	108,246
Alumni Magazine	25,000	-	-	25,000
Direct support of Development Office (travel)	155	-	-	155
Management and General				
Investment fees	125,594	-	-	125,594
Salaries	112,520	-	-	112,520
Salaries, in-kind contribution	94,477	-	-	94,477
Rent, in-kind contribution	32,745	-	-	32,745
Contracted accounting services	45,000	-	-	45,000
Auditing fees	27,200	-	-	27,200
Bad debt expense	149,392	-	-	149,392
Planned giving	12,471	-	-	12,471
Donor cultivation	10,239	-	-	10,239
Bonding/insurance fees	8,070	-	-	8,070
Legal fees	2,960	-	-	2,960
Meetings and memberships	2,720	-	-	2,720
Printing and postage	1,749	-	-	1,749
Miscellaneous	<u>12,481</u>	-	-	<u>12,481</u>
Total Expenses	<u>5,699,437</u>	<u>-</u>	<u>-</u>	<u>5,699,437</u>
Changes in Net Assets	2,436,323	609,249	596,604	3,642,176
Reclassifications	(11,408,203)	4,859,116	6,549,087	-
<b>NET ASSETS</b>				
Beginning	<u>2,855,398</u>	<u>17,744,738</u>	<u>26,456,864</u>	<u>47,057,000</u>
Ending	<u>\$ (6,116,482)</u>	<u>\$ 23,213,103</u>	<u>\$ 33,602,555</u>	<u>\$ 50,699,176</u>

See notes to financial statements

**Montclair State University Foundation, Inc.**  
(A Component Unit of Montclair State University)

Statement of Activities

Year Ended June 30, 2009

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions, net	\$ 1,334,045	\$ 5,560,974	\$ 1,030,154	\$ 7,925,173
Other support	94,419	102,683	-	197,102
Annual fund	133,595	-	-	133,595
In-kind contribution	99,285	-	-	99,285
Earnings from investments	415,485	941,887	-	1,357,372
Gain (loss) on sale of securities	-	(1,681,090)	-	(1,681,090)
Unrealized (loss) gain on securities	(80,131)	(1,938,486)	(2,843,769)	(4,862,386)
Net assets released from restrictions				
Satisfaction of scholarship restrictions	2,298,930	(2,298,930)	-	-
Satisfaction of program restrictions	966,905	(966,905)	-	-
Total Revenues, Gains and Other Support	5,262,533	(279,867)	(1,813,615)	3,169,051
<b>EXPENSES</b>				
Program Services				
Custody fund	317,879	-	-	317,879
Scholarships, noninterest bearing	148,439	-	-	148,439
Phonathon and special events	339,733	-	-	339,733
Special program funds	1,444,202	-	-	1,444,202
Special scholarship funds	388,721	-	-	388,721
Building and special funds	33,858	-	-	33,858
Donor designated endowments	910,882	-	-	910,882
Program Grants				
Direct support of MSU	10,500	-	-	10,500
Direct support of MSU Alumni Association	20,649	-	-	20,649
Direct support of Alumni Chapter Development	40,000	-	-	40,000
Alumni Magazine	4,337	-	-	4,337
Management and General				
Investment fees	111,532	-	-	111,532
Salaries	86,060	-	-	86,060
Rent	13,225	-	-	13,225
Auditing fees	22,000	-	-	22,000
Accounting fees	45,000	-	-	45,000
Bad debt expense	239,100	-	-	239,100
Accounting software upgrade	11,025	-	-	11,025
Planned giving	13,880	-	-	13,880
Printing and postage	22,020	-	-	22,020
Miscellaneous	7,489	-	-	7,489
Legal fees	6,000	-	-	6,000
Meetings and memberships	1,305	-	-	1,305
Bonding/insurance fees	3,517	-	-	3,517
Donor cultivation	16,170	-	-	16,170
Total Expenses	4,257,523	-	-	4,257,523
Changes in Net Assets	1,005,010	(279,867)	(1,813,615)	(1,088,472)
Transfers	235,015	(395,915)	160,900	-
<b>NET ASSETS</b>				
Beginning	1,615,373	18,420,520	28,109,579	48,145,472
Ending	\$ 2,855,398	\$ 17,744,738	\$ 26,456,864	\$ 47,057,000

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities-University Only

Years Ended June 30,  
(dollars in thousands)

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 122,790	\$ 120,220
Grants and contracts	47,922	37,231
Payments for salaries	(137,790)	(134,236)
Payments for fringe benefits	(17,893)	(17,258)
Payments to suppliers	(52,287)	(50,617)
Payments for utilities	(10,334)	(9,848)
Payments for student aid	(13,750)	(9,591)
Loans issued to students	(218)	(510)
Collection of loans from students	381	402
Auxiliary enterprises charges		
Residence life	40,396	37,601
Other	15,443	15,173
Sales and services of educational departments	6,907	6,548
Other receipts	2,204	1,962
Net Cash from Operating Activities	3,771	(2,923)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State of New Jersey appropriations	53,541	59,291
Federal appropriations	2,273	-
Student organization agency transactions	64	(6)
Other receipts	78	74
Net Cash from Noncapital Financing Activities	55,956	59,359
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital gifts and grants	1,301	115
Proceeds from capital debt	453	28,237
Principal paid on capital debt	(5,607)	(5,780)
Interest paid on capital debt	(13,128)	(11,770)
Purchases of capital assets	(71,883)	(49,984)
Administrative costs	(384)	(592)
Withdrawals with bond trustees	31,025	5,722
Net Cash from Capital Financing Activities	(58,223)	(34,052)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	33,586	111,135
Purchases of investments	(71,111)	(154,874)
Interest on investments	2,078	3,321
Net Cash from Investing Activities	(35,447)	(40,418)
Net Decrease in Cash and Cash Equivalents	(33,943)	(18,034)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	67,001	85,035
End of year	\$ 33,058	\$ 67,001

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities-University Only

Years Ended June 30,

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (39,535)	\$ (40,636)
Adjustments to reconcile operating loss to net cash from operating activities		
Fringe benefit appropriation	22,679	20,675
Depreciation expense	19,664	19,175
Provision for bad debts	222	(43)
Changes in assets and liabilities		
Student receivables	376	(410)
Loans receivable	163	(108)
Grants receivable	(2,304)	(176)
Other receivable	(270)	(14)
Other current assets	114	881
Accounts payable and accrued expenses	632	(2,298)
Deferred tuition, fees and deposits	1,174	(855)
Deferred revenue from grantors	679	577
Compensated absences - noncurrent portion	166	60
Assets held on behalf of Federal government for loan programs	<u>11</u>	<u>249</u>
Net Cash from Operating Activities	<u>\$ 3,771</u>	<u>\$ (2,923)</u>

See notes to financial statements

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**1. Organization**

Montclair State University (the University) is recognized as a public institution of higher education by the State of New Jersey (the State). With its emphasis on the liberal arts and sciences, the University, in 1937, became one of the first teachers' colleges accredited by the Middle States Association of Colleges and Schools. Responding to enrollment growth in the late forties and fifties with an expanded curriculum and faculty, the campus became Montclair State College in 1958, and a comprehensive, multipurpose institution in 1966. Recognizing the strengths of its academic programs and faculty and the commitment to excellence in instruction and research, the State of New Jersey Board of Higher Education designated Montclair State a teaching university on April 27, 1994.

The University is an instrumentality of the State with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University, which is financially dependent on the State, is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, establishes additional guidance on the assessment of potential component units in determining the financial reporting entity. In accordance with GASB Statement No. 39, the operations of Montclair State University Foundation, Inc. are included in the accompanying basic financial statements (see note 11).

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Interpretations, Accounting Principles Board Opinion, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**2. Summary of Significant Accounting Policies (continued)**

***Basis of Presentation (continued)***

GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, 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 must be maintained permanently by the University.
  - Expendable* – Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net assets not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

***Measurement Focus and Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**2. Summary of Significant Accounting Policies (continued)**

***Use of Estimates***

The presentation of financial statements in conformity with U.S. generally accepted accounting principles 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 highly liquid short-term investments purchased with an original maturity of three months or less.

***Investments***

Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchase and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

***Capital Assets***

Capital assets with acquisition costs of at least \$5,000 and useful lives of at least three years are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired under lease agreements are classified as capital leases and are recorded as capital assets.

Capital assets of the University are depreciated using the straight-line method over the following useful lives:

	<u>Useful lives</u>
Buildings	50 years
Building improvements	20 years
Infrastructure	25 years
Land improvements	25 years
Equipment, furniture and vehicles	3 - 10 years

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**2. Summary of Significant Accounting Policies *(continued)***

***Capital Assets (continued)***

The University owns works of art and other collectibles valued at approximately \$1.6 million as of June 30, 2010 and 2009. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

***Deferred Financing Costs***

The University capitalizes costs incurred in connection with its bonds and amortizes these costs over the life of the respective obligations. These deferred costs are included in other noncurrent assets in the accompanying statements of net assets. Accumulated amortization amounted to \$3.3 million and \$2.8 million in 2010 and 2009, respectively.

***Assets Held on Behalf of Others***

The University holds cash and cash equivalents as custodian primarily for various student organizations.

***Revenue Recognition***

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid, and are recognized in the period earned. Student tuition and fees collected in advance of the academic year are recorded as deferred tuition and fees in the accompanying financial statements.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey and Federal governments 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 from grantors in the accompanying financial statements.

Revenue from state appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**2. Summary of Significant Accounting Policies *(continued)***

***Classification of Revenue***

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions, such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, net of scholarship allowances; sales and services of auxiliary enterprises; and 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 net investment income.

***Tax Status***

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

***Reclassification***

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

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash, assets held under bond indenture agreements and investments.

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury; agencies, and other municipal or political subdivisions of the State; commercial paper; bankers acceptances; revenue obligations of public authorities; debt instruments of banks; collateralized notes and mortgages; certificates of deposit; repurchase agreement; equity and convertible equity securities; and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such things as minimum capital, dividend paying history, credit history, and other evaluation factors.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

Cash, investments and assets held under bond indenture agreements as of June 30, 2010 and 2009 are classified in the statements of net assets as follows (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 33,058	\$ 67,001
Assets held under bond indenture agreements	57,415	88,440
Investments	<u>118,501</u>	<u>79,567</u>
	<u>\$ 208,974</u>	<u>\$ 235,008</u>

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, cash and cash equivalents were held by depositories and amounted to \$5.6 million and \$5.9 million, respectively, of which \$0.6 million and \$0.6 million was FDIC insured, and \$5.0 million and \$5.3 million was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution, or by trust department or agent but not in the University's name.

The University participates in the State of New Jersey Cash Management fund wherein amounts contributed by the University are combined with funds from other state institutions into a large scale investment program. The carrying amount and fair value of cash and cash equivalents at June 30, 2009 and 2008 was \$19.8 and \$47.9, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's investment policy requires that any repurchase agreements held in the portfolio be collateralized at least 102% with U.S. Government securities or mortgage-backed securities. The maximum term of these agreements will be 90 days, and the collateral must be marked-to-market daily.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits stipulates that the portfolio shall be managed to have a targeted duration within a band +/- 20% of the Merrill Lynch 1-3 Year Treasury Index. The final maturity of each security within the portfolio shall not exceed five years, with the exception that for mortgage-backed securities and asset-backed securities, the average life of the security may not exceed five years. As of June 30, 2010, the University had the following investments and maturities (dollars in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>		
		<u>less than 1</u>	<u>1 - 5</u>	<u>greater than 5</u>
U.S. treasuries	\$ 95,148	\$ -	\$ 95,148	\$ -
U.S. agencies	1,452	-	328	1,124
Debt securities	<u>21,901</u>	<u>1,983</u>	<u>18,776</u>	<u>1,142</u>
Total	<u>\$ 118,501</u>	<u>\$ 1,983</u>	<u>\$114,252</u>	<u>\$ 2,266</u>

As of June 30, 2009, the University had the following investments and maturities (dollars in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>		
		<u>less than 1</u>	<u>1 - 5</u>	<u>greater than 5</u>
U.S. treasuries	\$ 63,210	\$ -	\$ 63,210	\$ -
U.S. agencies	1,945	-	485	1,460
Debt securities	<u>14,412</u>	<u>487</u>	<u>11,211</u>	<u>2,714</u>
Total	<u>\$ 79,567</u>	<u>\$ 487</u>	<u>\$ 74,906</u>	<u>\$ 4,174</u>

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

***Interest Rate Risk (continued)***

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the Authority). As of June 30, 2010, investments were in U.S. treasuries of \$41.9 million, and money market funds of \$15.5 million. As of June 30, 2009, investments were in U.S. treasuries of \$73.2 million, money market funds of \$15.3 million, all maturing within one year.

***Credit Risk***

Securities must be rated investment grade or better by a nationally recognized credit rating agency at the time of purchase. Split rated credits will be considered to have the lower credit rating. Money market instruments must be rated A-1 or P-1 or better at the time of purchase.

In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the University and provide an evaluation and plan of action. If bonds in the portfolio are downgraded below investment grade, the investment manager(s) may continue to hold up to 2% in aggregate market value of these securities.

Temporary cash balances may be invested in a money market instrument (A-1/P-1 or better, less than 390 days).

As of June 30, 2010, \$21.8 million in debt securities were rated AAA, and \$0.1 million in debt securities were rated AA, respectively, by Moody's. As of June 30, 2009, \$14.2 million in debt securities were rated AAA, and \$0.2 million in debt securities were rated AA, respectively, by Moody's.

***Concentration of Credit Risk***

This is the risk associated with the amount of investments the University has with any one issuer. Except for treasuries, agency debentures, agency pass-throughs, agency REMIC's, and asset-backed securities, no more than 2% of the portfolio shall be invested in securities of a single issuer. Asset-backed securities are limited to 5% per issuer.

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

***Concentration of Credit Risk (continued)***

Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and cash equivalents and U.S. Government obligations. Assets held under bond indenture agreements are maintained for the following (dollars in thousands):

	2010	2009
Project and construction fund	\$ 41,928	\$ 73,197
Debt service fund for principal and interest	12,534	12,110
Debt service reserve fund	2,953	3,079
Excess rental pledge	-	54
	57,415	88,440
Less current portion	54,462	85,361
Noncurrent Assets Held Under Bond Indenture Agreements	\$ 2,953	\$ 3,079

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Notes to Financial Statements

June 30, 2010 and 2009

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2010 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Depreciable assets:				
Infrastructure	\$ 33,032	\$ 473	\$ -	\$ 33,505
Buildings and improvements	414,773	54,831	382	469,222
Equipment	72,042	5,947	200	77,789
Other	<u>17,844</u>	<u>15</u>	<u>-</u>	<u>17,859</u>
Total Depreciable Assets	<u>537,691</u>	<u>61,266</u>	<u>582</u>	<u>598,375</u>
Less accumulated depreciation on:				
Infrastructure	9,078	1,253	-	10,331
Buildings and improvements	111,272	11,463	38	122,697
Equipment	53,959	5,999	200	59,758
Other	<u>6,742</u>	<u>949</u>	<u>-</u>	<u>7,691</u>
Total Accumulated Depreciation	<u>181,051</u>	<u>19,664</u>	<u>238</u>	<u>200,477</u>
Depreciable Assets, Net	<u>356,640</u>	<u>41,602</u>	<u>344</u>	<u>397,898</u>
Nondepreciable assets:				
Land	15,897	-	-	15,897
Construction in progress	<u>71,503</u>	<u>70,914</u>	<u>58,666</u>	<u>83,751</u>
Total Nondepreciable Assets	<u>87,400</u>	<u>70,914</u>	<u>58,666</u>	<u>99,648</u>
Total Capital Assets, Net	<u>\$ 444,040</u>	<u>\$ 112,516</u>	<u>\$ 59,010</u>	<u>\$ 497,546</u>

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**4. Capital Assets (continued)**

Capital asset activity for the year ended June 30, 2009 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Depreciable assets:				
Infrastructure	\$ 32,905	\$ 127	\$ -	\$ 33,032
Buildings and improvements	412,646	2,127	-	414,773
Equipment	69,315	2,817	90	72,042
Other	<u>17,765</u>	<u>79</u>	<u>-</u>	<u>17,844</u>
Total Depreciable Assets	<u>532,631</u>	<u>5,150</u>	<u>90</u>	<u>537,691</u>
Less accumulated depreciation on:				
Infrastructure	7,760	1,318	-	9,078
Buildings and improvements	100,421	10,851	-	111,272
Equipment	48,055	5,994	90	53,959
Other	<u>5,729</u>	<u>1,013</u>	<u>-</u>	<u>6,742</u>
Total Accumulated Depreciation	<u>161,965</u>	<u>19,176</u>	<u>90</u>	<u>181,051</u>
Depreciable Assets, Net	<u>370,666</u>	<u>(14,026)</u>	<u>-</u>	<u>356,640</u>
Nondepreciable assets:				
Land	15,646	251	-	15,897
Construction in progress	<u>21,757</u>	<u>52,487</u>	<u>2,741</u>	<u>71,503</u>
Total Nondepreciable Assets	<u>37,403</u>	<u>52,738</u>	<u>2,741</u>	<u>87,400</u>
Total Capital Assets, Net	<u>\$ 408,069</u>	<u>\$ 38,712</u>	<u>\$ 2,741</u>	<u>\$ 444,040</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2010 approximated \$137 million and are expected to be funded primarily from unrestricted resources and bond proceeds. During 2010 and 2009, the University capitalized interest expenses of \$5.9 million and \$5.2 million, respectively, offset by interest income of \$.3 million and \$1.3 million, respectively, in construction in progress in the accompanying statements of net assets.

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Notes to Financial Statements

June 30, 2010 and 2009

**5. Bonds Payable and Other Long-Term Debt**

***Bonds Payable***

The University is obligated under various revenue bonds issued by the Authority to finance various construction, renovations, and capital acquisitions. The University has pledged net revenue, fees, charges, and rentals derived from the related auxiliary enterprises as security for certain revenue bonds. The following bonds payable of the Authority related to the University were outstanding as of June 30, 2010 and 2009 (dollars in thousands):

	Interest rates	2010	2009
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2002 F Revenue Bonds, due serially to 2032	3.875 - 5.20	\$ 22,375	\$ 22,375
Series 2003 E Revenue Bonds, due serially to 2033	3.875 - 5.20	18,625	18,825
Series 2003 L Revenue Bonds, due serially to 2033	2.250 - 5.125	28,110	28,255
Series 2006 A Revenue Bonds, due serially to 2036	4.00-5.00	94,290	96,005
Series 2006 B Revenue Bonds, due serially to 2012	4.00-5.00	6,235	8,140
Series 2006 J Revenue Bonds, due serially to 2034	4.00-5.25	154,110	154,110
Series 2007 A Revenue Bonds, due serially to 2021	5.25	6,150	6,150
Series 2008 J Revenue Bonds, due serially to 2038	3.00-5.25	27,545	27,545
Bonds payable		357,440	361,405
Plus: Bond premium		5,478	5,769
Less: Deferred loss on bond refinancing		(2,823)	(3,151)
Bond discount		(466)	(483)
Total bonds payable		\$359,629	\$363,540

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**5. Bonds Payable and Other Long-Term Debt (continued)**

***Bonds Payable (continued)***

On January 23, 2009 the Authority issued \$27,545,000 Series 2008J Revenue Bonds with interest rates of 3.0% to 5.25%. The Series 2008 J Revenue bonds are planned to be used to finance the construction of a student housing facility comprised of one six-story residence hall with shuttle pick-up drop-off loop, a service yard and a parking lot with approximately 40 parking spaces. The proceeds of the 2008 J Revenue Bonds are planned to be used to pay capitalized interest and certain costs and expenses in connection with the issuance of the Bonds.

***Other Long-Term Debt***

The following other long-term debt was outstanding as of June 30, 2010 and 2009 (dollars in thousands):

	<u>Interest rates</u>	<u>2010</u>	<u>2009</u>
Series 2000 Higher Education Capital Improvement Fund, due serially to 2020	5.00 - 5.75%	\$ 2,722	\$ 2,900
Series 2001 A Equipment Leasing Fund Revenue Bonds, due serially to 2009	4.98	-	149
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25	4,656	4,835
Dormitory Safety Trust Fund Bonds, due serially to 2016	4.50 - 5.00	400	457
Note payable for land purchase, due serially to 2019	4.75 - 5.00	1,718	1,813
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	1,055	1,115
New Jersey Environmental Infrastructure, due serially to 2022	3.00 - 5.25	638	664
Obligations under capital leases, due in equal monthly installments through 2013	2.40 - 4.53	<u>1,661</u>	<u>2,122</u>
Total other long-term debt		<u>\$ 12,850</u>	<u>\$ 14,055</u>

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**5. Bonds Payable and Other Long-Term Debt (continued)**

***Future Principal and Interest Payments***

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2010 (dollars in thousands):

	Principal	Interest and fees
Year ending June 30:		
2011	\$ 7,069	\$ 17,922
2012	9,045	17,630
2013	12,088	17,197
2014	10,075	16,790
2015	12,717	16,319
2011 - 2015 Subtotal	50,994	85,858
2016 - 2020	60,675	72,769
2021 - 2025	71,742	56,678
2026 - 2030	94,450	37,502
2031 - 2035	75,480	13,384
2036 - 2039	16,950	1,446
	\$ 370,291	\$ 267,637

**6. Summary of Changes in Noncurrent Liabilities**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2010 (dollars in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable and other long-term debt	\$ 377,595	\$ 452	\$ (5,566)	\$ 372,481	\$ 7,014
Compensated absences (see note 10)	4,932	1,846	(347)	6,431	4,720
Assets held on behalf of Federal government for loan programs	3,653	11	-	3,664	-
Total Noncurrent Liabilities	\$ 386,180	\$ 2,309	\$ (5,913)	\$ 382,576	\$ 11,734

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**6. Summary of Changes in Noncurrent Liabilities (continued)**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2009 (dollars in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable and other					
long-term debt	\$ 355,083	\$ 28,951	\$ (6,439)	\$ 377,595	\$ 5,944
Compensated absences (see note 9)	4,644	593	(305)	4,932	3,387
Assets held on behalf of Federal government for loan programs	<u>3,404</u>	<u>249</u>	<u>-</u>	<u>3,653</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 363,131</u>	<u>\$ 29,793</u>	<u>\$ (6,744)</u>	<u>\$ 386,180</u>	<u>\$ 9,331</u>

**7. Retirement Plans**

University employees participate in three major retirement plans: Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company, and VALIC. PERS and PFRS are cost-sharing, multiple-employer plans administered by the State of New Jersey. The ABP is administered by separate boards of trustees. 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, including postretirement healthcare, to substantially all full-time employees of the State of public agencies, provided the employee is not a member of another State-administered retirement system.

PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and state firemen appointed after June 30, 1994.

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June 30, 2010 and 2009

**7. Retirement Plans (continued)**

ABP presently makes contributions to TIAA/CREF, Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company, and VALIC. ABP alternatives are administered by separate boards of trustees.

In addition to the three plans referred to above, certain faculty members of the University participates in Teachers' Pension and Annuity Fund (TPAF), which is a State of New Jersey cost-sharing, single employer defined benefit plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including postretirement healthcare, to substantially all full-time public school employees in the State of New Jersey. The plan's eligibility requirements are similar to PERS' requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS.

The state of New Jersey issues publicly-available financial reports that include financial statements and required supplementary information for PERS, PFRS and TPAF. 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.

As employees of the State of New Jersey, University employees receive certain postretirement benefits other than pensions. In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the State of New Jersey will be recording the liability for these other postemployment benefits for all its employees on its financial statements. Accordingly the liability for these obligations is not included in financial statements of the University.

***PERS and PFRS Funding Policies***

PERS and PFRS members are required to contribute 5.0% and 8.5%, respectively, of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State of New Jersey contributes to PERS and PFRS on behalf of the University. Employers were not required to contribute in 2009 or 2008 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS and PFRS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

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Notes to Financial Statements

June 30, 2010 and 2009

**7. Retirement Plans (continued)**

***Alternate Benefit Program (ABP) Information***

ABP provides the choice of six investment carriers, which are privately operated, defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. 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 University employees are required to contribute 5% of salary, and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8% of salary. During the years ended June 30, 2010 and 2009, ABP received employee contributions of approximately \$4.4 million and \$4.0 million, respectively, and employer contributions of approximately \$7.0 million and \$6.4 million, respectively, which were based on participating employee salaries of \$87.0 million and \$80.0 million, respectively. Employer contributions to ABP are paid by the State of New Jersey and are shown in the accompanying financial statements as appropriations revenue and as expenses.

**8. Contingent Liabilities**

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

**9. Fringe Benefit Appropriation**

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of University employees. For the years ended June 30, 2010 and 2009, such benefits amounted to approximately \$36 million and \$33 million, respectively, and are included in appropriations revenue and expenses in the accompanying financial statements.

**Montclair State University**  
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Notes to Financial Statements

June 30, 2010 and 2009

**10. Compensated Absences**

The University recorded a liability for compensated absences in the amount of \$6.4 million and \$4.9 million as of June 30, 2010 and 2009, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2010 and 2009, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2010 and 2009, the University paid approximately \$139 thousand and \$130 thousand, respectively, in sick leave payments for employees who retired.

**11. Montclair State University Foundation, Inc.**

Montclair State University Foundation, Inc. (the Foundation) is a nonstock corporation organized as a not-for-profit entity under the provisions of Title 15 of the New Jersey statutes. The Foundation was established for the benefit of the University to aid in obtaining additional resources to meet the needs of the University. The Foundation strives to raise funds from subscriptions, gifts bequests and devises and uses such funds as appropriately determined by its board of trustees. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under an independent board of trustees. Because the Foundation's resources can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. For the years ended June 30, 2010 and 2009, total gifts given to the University from the Foundation amounted to \$4.0 million and \$2.8 million, respectively. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

**MONTCLAIR STATE UNIVERSITY**  
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Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA (1) Number	Non - ARRA (2)	ARRA (2)	Current Year Expenditures
<b>Student Financial Assistance Cluster:</b>				
Direct Programs:				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grant Program	84.007	\$ 580,334	-	\$ 580,334
Federal Family Education Loan Program	84.032	82,068,166	-	82,068,166
Federal Work-Study Program (including administrative cost allowance of \$86,809)	84.033	522,489		522,489
Federal Perkins Loan Program	84.038	236,276		236,276
Federal Pell Grant Program	84.063	18,479,935		18,479,935
Federal Teach Grant	84.286	48,000		48,000
Academic Competitiveness Grants	84.375	686,529		686,529
National Science & Mathematics Access to Retain Talent	84.376	593,397		593,397
Total Student Financial Assistance Cluster				103,215,126
<b>Research and Development Cluster:</b>				
Direct Programs:				
U.S. Department of Education				
Research in Special Education	84.324A	43,836		43,836
U.S. Department of Health and Human Services				
M Biomedical Research and Research Training	93.859	328,145		328,145
Substance Abuse and Mental Health Services	93.243	451,916		451,916
Research Infrastructure				
Cancer Control	93.389	262,361		262,361
Extramural Research Programs in the Neurosciences and Research Related to Deafness and Communication Disorders	93.399	27,974		27,974
Neurological Disorders	93.173	124,230		124,230
NIH Exploratory/Developmental Research Grant Program	93.853	1,674		1,674
NIH Exploratory/Developmental Research Grant Program	93.864	91,824		91,824
Trans- NIH Recovery Act Research Support, Recovery Act (ARRA)	93.701		\$ 73,644	73,644
National Aeronautics and Space Administration				
Aerospace Education Services Program	43.001	22,954		22,954
Technology Transfer	43.002	112,569		112,569
National Science Foundation				
Geosciences	47.050	3,052		3,052
Computer and Information Science and Engineering	47.070	253,645		253,645
Social, Behavioral, and Economic Sciences	47.075	49,752		49,752
Biological Sciences	47.074	290		290
Polar programs				
Direct	47.078	145,135		145,135
Trans-NSF Recovery Act Research Support, Recovery Act (ARRA)	47.082		242,510	242,510
Department of the Interior - U.S. Geological Survey				
Assistance to State Water Resources Research Institutes	15.805	14,601		14,601
Department of Defense				
Basic Scientific Research	12.431	48,817		48,817
U.S. Environmental Protection Agency				
Regional Wetland Program Development Grants	66.461	352		352
Environmental Education Grants	66.951	6,272		6,272
National Oceanic and Atmospheric Administration				
Coastal Zone Management Estuarine Research Reserves				
Direct	11.420	315		315
Indirect Programs:				
National Science Foundation				
Biological Sciences				
Passed through Rutgers The State University (Grant # DBI-0923950)	47.074	33,596		33,596
Polar programs				
Passed through University of Nebraska (Grant # ANT0342484)	47.078	2,320		2,320
Passed through Northern Illinois University (ANDRILL Grant)	47.078	962		962
Mathematical and Physical Sciences				
Passed Through Brigham Young University	47.049	10,401		10,401
Department of Defense				
Passed through University of Maryland	12.900	11,624		11,624
Total Research and Development Cluster				2,364,771

**MONTCLAIR STATE UNIVERSITY**  
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Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA (1) Number	Non - ARRA (2)	ARRA (2)	Current Year Expenditures (Continued)
Other Federal Awards:				
Direct Programs:				
U.S. Department of Education				
Transition to Teaching	84.350B	106,029		106,029
Upward Bound	84.047A	216,826		216,826
Safe and Drug-free Schools and Communities	84.184A	1,000		1,000
Congressionally Directed	84.116Z	241,521		241,521
Teacher Quality Partnership	84.336	495,042		495,042
National Science Foundation				
Education and Human Resources				
Direct	47.076	616,792		616,792
National Endowment for the Arts				
Promotion of the Arts	45.024	100,000		100,000
Indirect Programs:				
U.S. Department of Education				
Passed through the State of New Jersey				
State Fiscal Stabilization Fund, Recovery Act (ARRA)				
Education Stabilization Fund, Operating Aid, Recovery Act (ARRA)	84.394		2,273,000	2,273,000
Government Services Fund, TAG Program, Recovery Act (ARRA)	84.397		3,890,500	3,890,500
National Science Foundation				
Education and Human Resources				
Passed through Rutgers University (Grant # HRD- 0902132)	47.076	75,961		75,961
Passed through University of Cornell (Grant # DRL-0814364)	47.076	51,121		51,121
Mathematical and Physical Sciences	47.049	3,122		3,122
Passed through Brigham Young University (Grant # DMS-0636648)	47.049	174		174
Total Other Federal Awards				8,071,088
<b>Total Expenditures of Federal Awards</b>		<b>\$ 107,171,331</b>	<b>\$ 6,479,654</b>	<b>\$ 113,650,985</b>

(1) Catalog of Federal Domestic Assistance number

(2) American Recovery and Reinvestment Act

See accompanying notes to schedules of expenditures of Federal awards and State financial assistance

**MONTCLAIR STATE UNIVERSITY**  
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Schedule of Expenditures of State Financial Assistance  
Year ended June 30, 2010

<u>State of New Jersey grantor/ pass-through grantor/program or cluster title</u>	<u>Grant/Account or other I.D. number</u>	<u>Grant amount</u>	<u>Grant period</u>	<u>Current Year Expenditures</u>
N.J. Department of Treasury – Office of Student Assistance				
Student Financial Assistance Cluster:				
Tuition Aid Grant	09-100-084-2405-008	\$ 12,982,641	July 1, 2008 to June 30, 2009	\$ 4,210
Tuition Aid Grant	10-100-084-2405-009	12,420,232	July 1, 2009 to June 30, 2010	12,420,232
Urban Scholarships	10-100-084-2405-278	295,740	July 1, 2009 to June 30, 2010	295,740
New Jersey College Loans to Assist State Students	-	8,362,602	July 1, 2009 to June 30, 2010	8,362,602
New Jersey Stars	-	444,002	July 1, 2009 to June 30, 2010	444,002
N.J. Department of State				
Student Financial Assistance Cluster:				
Educational Opportunity Fund--Regular 2010 (SFA)	10-100-084-2601-0001	849,150	July 1, 2009 to June 30, 2010	849,150
Educational Opportunity Fund – Regular 2009 (SFA)	09-100-084-2601-001	392,313	June 1, 2009 to August 31, 2009	390,754
Total Student Financial Assistance Cluster				22,766,690
N.J. Department of Treasury				
State of New Jersey Fringe Benefits	10-000-000-0000-002	19,713,135	July 1, 2009 to June 30, 2010	19,713,135
FICA – State Colleges and Universities Reimbursement Program	10-000-000-0000-003	9,205,654	July 1, 2009 to June 30, 2010	9,205,654
State of New Jersey Appropriations	10-100-084-2465-001	40,467,000	July 1, 2009 to June 30, 2010	40,467,000
N.J. Department of Education				
Improving Teacher Quality	MS02-08-000205	642,919	September 1, 2009 to August 31, 2010	94,603
Health Careers – Summer Fiscal Year 2009	08-100-084-2401-001	92,231	June 1, 2009 to August 31, 2009	91,394
Health Careers – Regular Fiscal Year 2009	09-100-084-2401-001	144,164	July 1, 2008 to June 30, 2009	5,163
Health Careers – Summer Fiscal Year 2010	10-100-084-2401-002	144,164	June 1, 2009 to June 30, 2010	141,500
Health Careers-- Summer Fiscal Year 2010	09-100-084-2401-001	92,231	June 1, 2010 to August 31, 2010	46,193
CUSP	MS06-09-000036	525,000	July 1, 2009 to June 30, 2010	448,142
e-CUSP	MS05-09-000081	675,000	July 1, 2009 to June 30, 2010	1,388
N.J. Quality Single Accountability Continuum	MOU	887,173	December 6, 2009 to July 31, 2010	135,154
Traders to Teachers	MOU	50,000	March 1, 2009 to May 31, 2010	10,337
Traders to Teach	MOU	400,000	September 1, 2009 to December 31, 2011	94,461
Professional Learning Communities	MOU	112,903	May 1, 2009 to August 31, 2010	39,208
Intel Math Program	MOU	105,290	June 1, 2009 to January 31, 2010	1,917
Center for Research	MOU	887,173	-	6,192
Education of Language Minority Student Conference	08YR1-801250-0115	21,400	-	13,537
Passed through Steven Institute of Technology				
Mathematics and Science Partnership Program	9000060	51,498	July 1, 2008 to June 30, 2009	80
Passed through The College of New Jersey				
NJFEA Conference		8,371	-	8,733
Education of Language Minority Students Conference		6,850	-	50

**MONTCLAIR STATE UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State Financial Assistance  
Year ended June 30, 2010

<u>State of New Jersey grantor/ pass-through grantor/program or cluster title</u>	<u>Grant/Account or other I.D. number</u>	<u>Grant amount</u>	<u>Grant period</u>	<u>Current Year Expenditures</u>
N.J. Department of Human Services				
Certificate in Child Advocacy – Academic Year 2008	08NJGM	233,248	September 1, 2008 to August 31, 2009	1,138
Certificate in Child Advocacy – Academic Year 2009	09NJGM	233,248	September 1, 2008 to August 31, 2009	72,592
Certificate in Child Advocacy-- Academic Year 2010	10NJGM	233,248	September 1, 2009 to August 31, 2010	110,265
N.J. Department of Health and Senior Services				
Department of Children and Families				
Investigation and Trial of Crimes Against Children	09BEGY	61,027	November 1, 2008 to October 31, 2009	38,187
Post Doctoral Specialization in Forensic Psychology	09BGGY	74,880	November 1, 2009 to October 31, 2010	58,210
Passed through Rutgers University				
NJ Child Welfare Training Consortium	AA159	3,288,073	July 1, 2009 to June 30, 2010	1,136,026
N.J. Council for the Humanities				
House and Concepts of Home	2009-31	9,999	November 20, 2009 to May 20, 2010	3,209
N.J. Department of State				
Educational Opportunity Fund – Regular 2009 (Article IV)	09-100-084-2601-002	474,173	June 1, 2008 to July 31, 2009	12,556
Educational Opportunity Fund – Regular 2010 (Article IV)	10-100-084-2601-002	474,173	June 1, 2009 to July 31, 2010	432,542
Educational Opportunity Fund - Counselor Training Initiative		23,811	June 1, 2008 to July 31, 2009	10,986
Passed through the State Council on the Arts:				
General Program Support	1005X020091	30,000	July 1, 2009 to June 30, 2010	30,006
Art Galleries	1017X020090	11,854	July 1, 2009 to June 30, 2010	11,854
N.J. Department of Environmental Protection				
Passed through SUNY Plattsburgh				
Develop Wetlands Monitoring	CD-97245908-0	25,710	September 1, 2009 to December 31, 2010	17,575
N.J. Department of Fish and Wildlife				
Prevalence Batrachochytrium Fungal Path	FG10-015	3,500	July 1, 2009 to June 30, 2010	3,307
<b>Total Expenditures of State of New Jersey Financial Assistance</b>				<b>\$ 95,228,984</b>

See independent auditors' report and accompanying notes to schedules of expenditures of Federal awards and State financial assistance

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal Awards  
and State Financial Assistance

Year Ended June 30, 2010

**1. Basis of Presentation**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance have been prepared in the format required under OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Office of Management and Budget Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these schedules is to present a summary of those activities of the University for the year ended June 30, 2010 which have been financed by the Federal government and State of New Jersey. For purposes of these schedules, Federal awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other non-cash assistance. Because these schedules present only a selected portion of the activities of the University, they are not intended to, and do not, present the financial position, changes in fund balances or the current funds revenues, expenditures, and other changes of the University in conformity with generally accepted accounting principles.

The accounting practice followed by the University in preparing the accompanying schedule is as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**2. The University Administers the Following Federal Loan Programs**

	<u>CFDA #</u>	Loans extended for the year ended <u>June 30, 2010</u>	Outstanding principal balance at <u>June 30, 2010</u>
Perkins Loan Program	84.038	\$ 236,276	\$ 4,585,923

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal Awards  
and State Financial Assistance

Year Ended June 30, 2010

**2. The University Administers the Following Federal Loan Programs (continued)**

During the fiscal year ended June 30, 2010, the University processed the following amount of new loans under the Stafford Student Loans program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA #</u>	<u>Value of Loans</u>
Stafford Loans (FFEL/Direct)	84.032	
Subsidized		\$ 35,807,324
Unsubsidized		<u>37,728,037</u>
		<u>\$ 73,535,361</u>
Parent Loans for Undergraduate Students (PLUS)		<u>\$ 8,532,805</u>

**3. Sub-recipients**

The University passed through approximately \$65,000 in Federal awards to sub-recipients during the year ended June 30, 2010.



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

**The Board of Trustees of  
Montclair State University**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated August 31, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit of the University were not audited in accordance with *Governmental Auditing Standards*. The financial statements of Montclair State University Foundation, Inc., a component unit of Montclair State University, were not audited in accordance with *Government Auditing Standards*. Other auditors' testing of internal control over financial reporting or compliance and other matters are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees of Montclair State University, others within the University, the State of New Jersey and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davis Munne & Dobbins, LLP*

Paramus, New Jersey  
August 31, 2010



**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJ OMB Circular Letter 04-04**

**The Board of Trustees of  
Montclair State University**

*Compliance*

We have audited the compliance of Montclair State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget (NJ OMB) *State Grant Compliance Supplement* that could have a direct and material effect on each of the University's major federal and State of New Jersey programs for the year ended June 30, 2010, except the requirements discussed below relating to the Federal Perkins Loan Program. The University's major federal and State of New Jersey programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Campus Partners. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Campus Partners' compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2010 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountant's examination of Campus Partners' compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Jersey Department of Treasury's OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and NJ OMB Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, Montclair State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and State of New Jersey programs for the year ended June 30, 2010.

### ***Internal Control Over Compliance***

The management of Montclair State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by Campus Partners. Internal control over compliance related to such functions for the year ended June 30, 2010 was reported on by other accountants in accordance with the U.S. Department of Education's *Audit Guide, Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of Campus Partners' internal control over compliance related to such functions.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees of Montclair State University, others within the University, the State of New Jersey and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davies Munne & Dobbins, LLP*

Paramus, New Jersey  
February 3, 2011

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Section I - Summary of Auditor's Results

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes    X No
- Significant deficiency(ies) identified? \_\_\_ Yes    X None reported

Noncompliance material to financial statements noted? \_\_\_ Yes    X No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ Yes    X No
- Significant deficiency(ies) identified? \_\_\_ Yes    X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_ Yes    X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.032	Student Financial Assistance Cluster:
84.038	Federal Family Education Loan Program
84.063	Federal Perkins Loan Program
84.007	Federal Pell Grant Program
	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work-Study Program
84.375	Academic Competitiveness Grants
84.376	National Science & Mathematics Access to Retain Talent
84.286	Federal Teach Grant



**Montclair State University**  
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Auditee qualified as low-risk auditee?                      X   yes                         no

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Section II - Financial Statement Findings

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None noted.

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Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

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None noted.

**Montclair State University**  
(A Component Unit of the State of New Jersey)  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

None noted.