

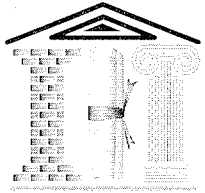
**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)  
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YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NJEDA**

NEW JERSEY EDUCATIONAL  
FACILITIES AUTHORITY

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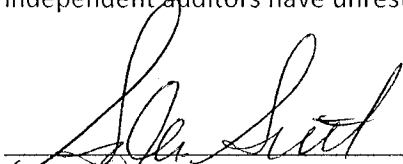
## REPORT OF MANAGEMENT

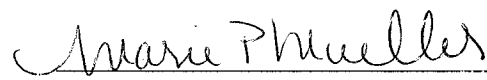
Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, consequently, they reflect certain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

The financial statements have been audited by the independent firm of CliftonLarsonAllen LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditors' opinion is presented on page 2.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, that assets of the Authority are properly safeguarded, and that the covenants of all financing agreements are honored. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

Consistent with Executive Order No. 122, the Authority, through its Audit and Evaluation Committees, engages the independent auditors. The Audit and Evaluation Committees comprise individuals who are not employees of the Authority, and who meet certain standards of independence and financial expertise. The Audit Committee periodically meets with the independent auditors, and is responsible for assisting the Members of the Authority in overseeing the Authority's compliance with legal, regulatory and ethical requirements, as well as overseeing the integrity and quality of the Authority's financial statements. The independent auditors have unrestricted access to the Audit Committee.

  
\_\_\_\_\_  
Sheryl Stitt  
Acting Executive Director

  
\_\_\_\_\_  
Marie P. Mueller  
Controller

March 17, 2015

## REPORT OF INDEPENDENT AUDITORS

Management and Members of  
New Jersey Educational Facilities Authority  
Princeton, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the New Jersey Educational Facilities Authority (the Authority), a component unit of the State of New Jersey, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Authority as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of funding progress, and the schedule of employer contributions to the OPEB plan on pages 4 - 6 and page 19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
March 17, 2015

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2014**

**Introduction**

This section of the New Jersey Educational Facilities Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2014 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

**Overview of the Financial Statements**

The Authority is supported entirely by fees charged for the services it provides. Accordingly, the Authority is considered an Enterprise Fund and utilizes the accrual basis of accounting. The Basic Financial Statements for an Enterprise Fund include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. These statements provide, respectively, a view of the Authority's financial position as of the end of the year, a description of the financial activity during the year, and a description of the cash activity during the year.

**Financial Highlights 2014:**

- The Authority issued \$531 million in connection with several state-backed bond programs and \$448 million of stand-alone bond issues for a total of over \$978 million of conduit debt for educational institutions during 2014.
- Cash and Investments represent approximately 90% of Total Assets at the end of 2014.
- The Authority's 2014 operating margin (net operating income as a percentage of operating revenues) was 37%.
- At December 31, 2014, Net Position represents 3.1 times 2014 Total Operating Expenses.

During 2014, the Authority's volume of financing activity was approximately \$860 million more than 2013. The increased volume was due primarily to the issuance of \$531 million of state-backed bonds as well as an increase in stand-alone financings as a result of market conditions and transaction timing. The Authority continued to work with the State's public and private institutions on their multi-year plans to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment to accommodate growing demand for higher education. The Authority also helped New Jersey colleges and universities restructure outstanding issues for the greatest benefit to the institutions.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2014**

**Condensed Financial Information**

The following table represents condensed balance sheet information and changes between December 31, 2013 and December 31, 2014 and between December 31, 2012 and December 31, 2013:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	Increase (Decrease) 2013 to 2014	Increase (Decrease) 2012 to 2013
Current Assets	\$7,826,028	\$6,917,902	\$5,785,871	13.13%	19.57%
Capital Assets, Net	<u>60,084</u>	<u>67,556</u>	<u>81,490</u>	(11.06%)	(17.10%)
Total Assets	7,886,112	6,985,458	5,867,361	12.89%	19.06%
Current Liabilities	192,422	228,809	235,102	(15.90%)	(2.68%)
Noncurrent Liabilities	<u>755,212</u>	<u>1,155,497</u>	<u>976,949</u>	(34.64%)	18.28%
Total Liabilities	<u>947,634</u>	<u>1,384,306</u>	<u>1,212,051</u>	(31.54%)	14.21%
Total Net Position	<u>\$6,938,478</u>	<u>\$5,601,152</u>	<u>\$4,655,310</u>	23.88%	20.32%

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Net Position, and changes between 2013 and 2014 and between 2012 and 2013:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	Increase (Decrease) 2013 to 2014	Increase (Decrease) 2012 to 2013
Operating Revenues:					
Administrative Fees	<u>\$3,581,441</u>	<u>\$3,187,412</u>	<u>\$3,383,100</u>	12.36%	(5.78%)
Total Operating Revenues	3,581,441	3,187,412	3,383,100	12.36%	(5.78%)
Operating Expenses:					
Salaries and Related Expenses	1,484,754	1,470,618	1,532,384	0.96%	(4.03%)
Provision for Postemployment Benefits	119,797	181,704	168,100	(34.07%)	8.09%
General Expenses	<u>642,394</u>	<u>593,236</u>	<u>626,107</u>	8.29%	(5.25%)
Total Operating Expenses	<u>2,246,945</u>	<u>2,245,558</u>	<u>2,326,591</u>	0.06%	(3.48%)
Net Operating Income	1,334,496	941,854	1,056,509	41.69%	(10.85%)
Nonoperating Revenues (Expenses):					
Investment Income	<u>2,830</u>	<u>3,988</u>	<u>3,644</u>	(29.04%)	9.44%
Change in Net Position	1,337,326	945,842	1,060,153	41.39%	(10.78%)
Net Position - Beginning of Year	<u>5,601,152</u>	<u>4,655,310</u>	<u>3,595,157</u>	20.32%	29.49%
Net Position - End of Year	<u>\$6,938,478</u>	<u>\$5,601,152</u>	<u>\$4,655,310</u>	23.88%	20.32%

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2014**

**Analysis of Overall Financial Position and Results of Operations**

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

**Revenues**

The Authority's revenues are derived primarily from two fees; annual fees charged with respect to existing bond issues, and initial fees charged with respect to the issuance of new debt. Total revenues for 2014 increased approximately \$394,000 from 2013 and total revenues for 2013 decreased approximately \$196,000 from 2012.

**Expenses**

Operating expenses in 2014 increased slightly or 0.1% from 2013 and 2013 decreased 3.5% from 2012 primarily as a result of reductions to staff.

**Assets and Liabilities**

Net position increased \$1.3 million, or 23.9 % from 2013 to 2014 and increased \$0.9 million, or 20.3% from 2012 to 2013. Net position increased as a result of both an increase in assets and a decrease in liabilities. The increase in assets is primarily related to increased investments. The reduction in liabilities is primarily due to a reduction in postemployment benefits other than pension.

**Contacting the Authority's Financial Management**

If you have questions about this report or need additional financial information, contact the Office of the Controller, New Jersey Educational Facilities Authority, 103 College Road East, Princeton, New Jersey 08540-6612. Readers are invited to visit the Authority's website at [www.njefa.com](http://www.njefa.com).



**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 96,109	\$ 124,931
Investments, Principally U.S. Government Obligations	6,997,322	6,751,242
Fees Receivable	710,023	25,000
Prepaid Expenses and Other Assets	22,574	16,729
Total Current Assets	7,826,028	6,917,902
<b>NONCURRENT ASSETS</b>		
Capital Assets, at cost, Less Accumulated Depreciation of \$562,474 and \$540,605 during 2014 and 2013, respectively	60,084	67,556
Total Assets	7,886,112	6,985,458
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	192,422	228,809
<b>NONCURRENT LIABILITIES</b>		
Postemployment Benefits other than Pension	732,581	1,130,284
Project Obligations	22,631	25,213
Total Noncurrent Liabilities	755,212	1,155,497
Total Liabilities	947,634	1,384,306
<b>NET POSITION</b>		
Net Investment in Capital Assets	60,084	67,556
Unrestricted	6,878,394	5,533,596
Total Net Position	\$ 6,938,478	\$ 5,601,152

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Administrative Fees	\$ 3,581,441	\$ 3,187,412
<b>OPERATING EXPENSES</b>		
Salaries and Related Expenses	1,484,754	1,470,618
General and Administrative Expenses	570,656	535,262
Provision for Postemployment Benefits	119,797	181,704
Professional Fees	<u>71,738</u>	<u>57,974</u>
Total Operating Expenses	<u>2,246,945</u>	<u>2,245,558</u>
<b>NET OPERATING INCOME</b>	1,334,496	941,854
<b>NONOPERATING REVENUE</b>		
Investment Income	<u>2,830</u>	<u>3,988</u>
<b>CHANGES IN NET POSITION</b>	1,337,326	945,842
Net Position - Beginning of Year	<u>5,601,152</u>	<u>4,655,310</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,938,478</u>	<u>\$ 5,601,152</u>

*See accompanying Notes to Financial Statements.*

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Administrative Fees	\$ 2,890,573	\$ 3,723,113
Payments to Employees	(1,112,999)	(1,071,776)
Payments to Suppliers	<u>(1,548,749)</u>	<u>(974,436)</u>
Net Cash Provided by Operating Activities	228,825	1,676,901
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(9,511,840)	(11,564,735)
Sale and Maturity of Investments	9,266,077	9,943,535
Investment Income	<u>2,513</u>	<u>4,549</u>
Net Cash Used by Investing Activities	(243,250)	(1,616,651)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	<u>(14,397)</u>	<u>(13,157)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(14,397)</u>	<u>(13,157)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	(28,822)	47,093
 Cash - Beginning of Year	<u>124,931</u>	<u>77,838</u>
 <b>CASH - END OF YEAR</b>	<u><u>\$ 96,109</u></u>	<u><u>\$ 124,931</u></u>
 <b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Operating Income	\$ 1,334,496	\$ 941,854
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	21,869	27,091
Changes in Assets and Liabilities:		
Fees Receivable	(685,023)	539,823
Prepaid Expenses and Other Assets	(5,845)	(4,122)
Accounts Payable and Accrued Expenses	(36,387)	(6,293)
Project Obligations	(2,582)	(3,156)
Postemployment Benefits other than Pension	<u>(397,703)</u>	<u>181,704</u>
Net Cash Provided by Operating Activities	<u><u>\$ 228,825</u></u>	<u><u>\$ 1,676,901</u></u>
 <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT ACTIVITIES</b>		
Change in Fair Value of Investments	<u><u>\$ 317</u></u>	<u><u>\$ (561)</u></u>

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND FUNCTION OF THE AUTHORITY**

The New Jersey Educational Facilities Authority (the "Authority"), a component unit of the State of New Jersey, was created under the provisions of Chapter 106 of New Jersey Public Laws of 1966 as a public body corporate and politic. The powers of the Authority permit the sale of notes, bonds and other obligations to support the construction, acquisition and equipping of educational facilities for public and private institutions of higher education in the State of New Jersey. The Authority is also authorized, pursuant to statutory amendments, to issue State supported bonds to fund matching grants to qualified public libraries for capital improvements. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

The Authority is exempt from both federal and state taxes.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB).

**Administrative Fees**

The Authority charges administrative fees to its client institutions for which bond and note sales have been completed. Such fees are considered operating revenue and are charged for services related to the structuring and administration of Authority financings, investment management of bond proceeds, monitoring of financial performance and other project costs and services. These fees are recognized as earned. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient reserves will be available to provide for the Authority's needs.

**Capital Assets**

Capital assets, which consist of furniture and equipment, are carried at cost and depreciated over their useful lives using the straight-line method.

**Conduit Debt**

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2014, the amount of conduit debt outstanding totaled \$5,655,282,490.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Standard**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement has no effect on the Authority's financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. This statement has no effect on the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68, concerning transition provisions related to certain pension contributions made to defined pension plans prior to implementation of that Statement made by employers and nonemployer contributing entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority has not completed the process of evaluating the impact of GASB 72 on its financial statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 3 CASH AND INVESTMENTS**

At year end, the Authority’s bank balance was \$99,133 all of which was covered by FDIC insurance.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds of the Authority may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

Investments of the Authority comprise the following:

	2014	2013
Investments:		
U.S. Treasury Bills	\$ 6,988,272	\$ 6,210,485
Money Market Mutual Fund	9,050	540,757
Total Investments	\$ 6,997,322	\$ 6,751,242

In 2014 and 2013, the Authority had \$9,050 and \$540,757, respectively, invested in a money market mutual fund, which invests in short-term and other obligations of the U.S. Treasury. All investments are carried at fair value.

In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (“GASB 40”), the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Investments.

- (a) Custodial Credit Risk – The Authority’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. The risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

At December 31, 2014 and 2013, the Authority's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance.

As of December 31, 2014 and 2013, the Authority's investments consisted of U.S. Treasury Bills in the amount of \$6,988,272 and \$6,210,485, respectively. Since the investments are registered in the Authority's name they are not exposed to custodial credit risk. The Authority does not have a written policy for investment securities custodial credit risk but its practice has been to maintain a safekeeping account for the securities at a financial institution.

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer, but its practice has been to invest, almost exclusively, in U.S. Treasury Securities. At December 31, 2014 and 2013, the Authority was not exposed to a concentration of credit risk.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy. The Authority's Money Market Mutual Fund is not rated.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations, but the Authority does from time to time evaluate its investment portfolio to determine if, based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk. As of December 31, 2014, the U.S. Treasury Bills had maturities ranging from January 8, 2015 through October 15, 2015.

For the years ended December 31, 2014 and 2013, investment income comprised the following:

	2014	2013
Interest Earnings	\$ 2,513	\$ 4,549
Net Increase (Decrease) in Fair Value of Investments	317	(561)
Total Investment Income	\$ 2,830	\$ 3,988

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**NOTE 4 RETIREMENT PLANS**

The Authority's employees participate in the Public Employees Retirement System of New Jersey (PERS), a cost sharing multiple-employer defined benefit plan. The Authority's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS. All benefits are established by State statute. The Authority's required contribution and pension expense for the years ended December 31, 2014, 2013 and 2012 was \$119,740, \$122,993, and \$159,649, respectively. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage range of contributions, as determined by PERS, was 6.92% effective July 2014, 6.78% effective July 2013, 6.64% effective July 2012, 6.5% effective October 2011 and 5.5% prior to that back to 2009.

The PERS is administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Employees hired after July 1, 2007 participate in PERS, the defined benefit plan, up to the annual maximum wage for social security. The employee contributions based on wages in excess of the annual maximum wage are contributed to the Defined Contribution Retirement Program (DCRP). The Authority contributes 3% to the participants' accounts on wages in excess of the social security limit.

In addition to the Plans noted above, employees may elect to make tax-deferred contributions to a 457 deferred compensation plan.

**NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority, as permitted by Chapter 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, provides postemployment medical benefits for eligible retired employees through participation in the New Jersey Health Benefits Program as sponsored and administered by the State of New Jersey. The Authority does not issue a publicly available financial report for the plan which for financial reporting purposes is considered a single employer defined benefit health care plan. Employees become eligible for these benefits upon retirement after 25 years of creditable service in the PERS.

Benefit provisions for the plan are established and amended by the Authority's Members, and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The Plan is a non-contributory plan with all payments for plan benefits being funded by the Authority.



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**NOTE 5      POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)**

The Authority applies the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with “other postemployment benefits” (OPEB). OPEB costs are actuarially calculated based on benefits (other than pensions), that current and retired employees have accrued as a result of their respective years of employment service.

The Authority’s annual OPEB cost for the plan is calculated based on the annual required contribution “ARC,” an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority’s annual OPEB cost for the years ended December 31, 2014 and 2013 and the related information for the plan are as follows (dollar amounts in thousands):

	2014	2013
Annual Required Contribution	\$ 214	\$ 1,130
Interest on the Net OPEB Obligation	45	38
Amortization of the Net OPEB Obligation	(139)	(986)
Annual OPEB Cost	120	182
Contributions Made	(517)	-
Change in Net OPEB Obligation	(397)	182
Net OPEB Obligation - Beginning of Year	1,130	948
Net OPEB Obligation - End of Year	\$ 733	\$ 1,130

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2012 through 2014 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 120	431.98%	\$ 733
December 31, 2013	182	0.00%	1,130
December 31, 2012	168	0.00%	948

In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2,000,000 to pay for the employee postemployment medical benefits. At December 31, 2014 and 2013, the fair value of this trust fund was \$2,233,019 and \$1,786,017, respectively.

As of January 1, 2014, the most recent actuarial valuation date, the New Jersey Educational Facilities Authority OPEB Plan was 69% funded. The actuarial accrued liability for benefits was \$2,581,400 and the actuarial value of assets was \$1,786,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$795,400. The covered payroll (annual payroll of active employees covered by the plan) was \$1,076,700, and the ratio of the UAAL to the covered payroll was 74%.

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**NOTE 5      POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

For the January 1, 2014 actuarial valuation, the Authority used the actuarial assumptions of a 4% discount rate and an annual healthcare trend rate of 8% grading down to an ultimate rate of 5% in 2020.

At December 31, 2014, the Plan had 18 participants of which 13 were active employees and 5 were retirees. Of the Plan participants, 5 retirees and 0 active employees were eligible to receive benefits.

**NOTE 6      COMMITMENTS AND CONTINGENCIES**

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$218,212 through December 31, 2016.

The Authority, in the normal course of business, is involved in various legal matters. Under the terms of the agreements between the Authority and the public and private institutions of higher education, and costs associated with litigation are the obligation of the institution involved. It is the opinion of the Authority after consultation with legal counsel that its financial position will not be adversely affected by the ultimate outcome of any existing legal proceedings.

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**NOTE 7 NET POSITION**

The Authority's net position represents the excess of assets over liabilities and is categorized as follows:

- **Net Investment in Capital Assets** are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation.
- **Unrestricted** is the remaining net position, which can be further categorized as designated or undesignated. The designated position is not governed by statute or contract but is committed for specific purposes pursuant to Authority policy and/or directives. The designated position includes funds and assets committed to working capital.

**NOTE 8 CHANGES IN NET POSITION**

The changes in net position are as follows:

	Net Investment in <u>Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Net Position at December 31, 2012	\$ 81,490	\$ 4,573,820	\$ 4,655,310
Net Position Change	-	945,842	945,842
Capital Asset Additions	13,157	(13,157)	-
Depreciation	<u>(27,091)</u>	<u>27,091</u>	<u>-</u>
Net Position at December 31, 2013	67,556	5,533,596	5,601,152
Net Position Change	-	1,337,326	1,337,326
Capital Asset Additions	14,397	(14,397)	-
Depreciation	<u>(21,869)</u>	<u>21,869</u>	<u>-</u>
Net Position at December 31, 2014	<u>\$ 60,084</u>	<u>\$ 6,878,394</u>	<u>\$ 6,938,478</u>

**NOTE 9 RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the last three years

## **Required Supplementary Information**

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
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REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule 1**

**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN  
(in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
January 1, 2014	\$ 1,786	\$ 2,581	\$ 795	69%	\$ 1,077	74%
January 1, 2011	\$ 1,966	\$ 2,591	\$ 625	76%	\$ 1,110	56%
January 1, 2008	-	1,826	1,826	-	1,415	129%

Note: In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2 million. During 2014, the Authority contributed \$517,000 and as of December 31, 2014, the fair value of this trust was \$2,233,019.

**Schedule 2**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN  
(in thousands)**

Year Ended <u>December 31,</u>	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	119.8	431.98%	732.6
2013	181.7	0.00%	1129.8
2012	168.1	0.00%	948.1
2011	562.0	0.00%	780.0
2010	120.0	0.00%	218.0
2009	95.0	0%	98.0
2008	(221.0)	N/A	3.0

## **Supplemental Financial Information**

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**BALANCE SHEETS – TRUSTEE HELD FUNDS**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 1,262	\$ 60,455
Investments, Principally U.S. Government Obligations	844,932,998	313,108,095
Accrued Interest Receivable	131,773	-
Due from Colleges and Universities	3,121,069	4,753,927
Loans and Leases Receivable	5,608,557,491	5,006,327,283
Total Assets	\$ 6,456,744,593	\$ 5,324,249,760
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 25,210,171	\$ 3,408,196
Accrued Interest Payable	113,468,696	100,943,695
Bonds and Notes Payable	5,655,282,490	5,056,049,783
Funds Held in Trust	662,783,236	163,848,086
Total Liabilities	\$ 6,456,744,593	\$ 5,324,249,760

*See accompanying Notes to Supplemental Financial Statements.*

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**STATEMENTS OF CHANGES IN TRUSTEE HELD FUNDS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Funds Held in Trust - Beginning of Year	\$ 163,848,086	\$ 255,318,671
Additions:		
Proceeds from Sale of Bonds and Issuance of Notes:		
Par Amount	1,197,206,363	413,425,637
Bond Premium, Net	93,037,137	2,783,148
Annual Loan and Rental Requirements	661,170,762	687,096,023
College and University Contributions (Returned)	(2,724,442)	1,240,806
Investment Income	1,015,009	711,886
U.S. Government Debt Service Subsidies	1,738,889	1,725,766
Change in Investment Valuation Reserve	<u>(35,881)</u>	<u>(69,415)</u>
Total Additions	1,951,407,837	1,106,913,851
Deductions:		
Debt Service:		
Interest	250,390,163	235,850,590
Principal	427,141,453	451,164,784
Project Costs	630,138,388	445,408,858
Issuance Costs	4,278,083	1,411,318
Administrative Fees	3,582,292	3,162,729
Transfers to Escrow Accounts for Defeasance of Refunded Issues	<u>136,942,308</u>	<u>61,386,157</u>
Total Deductions	<u>1,452,472,687</u>	<u>1,198,384,436</u>
Increase (decrease) in Funds Held in Trust	<u>498,935,150</u>	<u>(91,470,585)</u>
Funds Held in Trust - End of Year	<u><u>\$ 662,783,236</u></u>	<u><u>\$ 163,848,086</u></u>

See accompanying Notes to Supplemental Financial Statements.



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NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
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**NOTE 1 INTRODUCTION**

Under the terms of the Authority’s enabling legislation, the Authority has the power to issue bonds and notes on behalf of public and private institutions of higher education in the State of New Jersey. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

Because the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. The supplemental financial statements presented herein include information pertaining to funds held by Trustees of the various bond and note issuances of the Authority.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

The Trustee Held Funds are presented as fiduciary funds and are held by outside trustees and as such are not intended to present the financial position or results of operations of the Authority. The Trustee Held Funds utilize the accrual basis of accounting.

**NOTE 3 FUNDS HELD IN TRUST**

Funds held in trust include amounts in the construction, debt service and debt service reserve funds and the renewal and replacement accounts established for each bond issue. Balances maintained in the construction funds represent unexpended proceeds allocated for specific projects; the debt service fund, debt service reserve fund, and renewal and replacement account balances represent amounts reserved for payment of debt service and the renewal and replacement of major components of projects as required by the provisions of the various series resolutions. The following is a schedule of the aggregate funds held in trust as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Construction Funds	\$ 627,051,787	\$ 113,757,331
Debt Service Funds	211,495	4,861,001
Debt Service Reserve Funds	31,726,919	38,979,089
Renewal and Replacement Accounts	<u>3,793,035</u>	<u>6,250,665</u>
Total Funds Held in Trust	<u>\$ 662,783,236</u>	<u>\$ 163,848,086</u>

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**NOTE 4 CASH AND INVESTMENTS**

Investments permitted in the Trustee Held Funds are authorized by the respective Bond Resolutions. All funds held by the trustees may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

Investments held by trustees are carried at fair value and comprise the following:

	<u>2014</u>	<u>2013</u>
Investments:		
Collateralized Investment Agreements	\$ 2,299,000	\$ 5,689,000
Variable Rate Demand Obligations	5,900,000	5,900,000
U.S. Treasury and Agency Obligations*	<u>836,733,998</u>	<u>301,519,095</u>
Total Investments	<u>\$ 844,932,998</u>	<u>\$ 313,108,095</u>

\* Includes \$621,410,761 and \$177,788,872 of investments in pooled U.S. Treasury funds at December 31, 2014 and 2013, respectively, which are uncategorized.

**NOTE 5 LOANS AND LEASES RECEIVABLE**

Since its inception, the Authority has issued obligations of \$14,398,427,299 and \$13,445,722,299 as of December 31, 2014 and 2013, respectively, for the benefit of various public and private institutions of higher education. The obligations are secured by loans, mortgages, leases and other agreements, the terms of which generally correspond to the amortization of the related bond issues.

The loans and mortgages are secured by revenues produced by the facilities and by other legally available funds of the institutions. For projects under lease agreements, the Authority is the owner of those projects. It is the intention of the Authority to transfer title in the projects at the expiration of the leases. Accordingly, the leases are being accounted for as financing transactions.

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**NOTE 5    LOANS AND LEASES RECEIVABLE (CONTINUED)**

Loans and leases receivable comprise the following:

	2014	2013
Loans:		
Institute for Advanced Study	\$ 46,955,000	\$ 48,975,000
New Jersey Institute of Technology	70,972,500	71,415,000
Princeton Theological Seminary	66,022,500	69,857,500
Princeton University	1,848,127,500	1,740,922,500
Mortgages:		
Bloomfield College	32,215,047	20,165,637
Caldwell University (formerly Caldwell College)	19,260,334	19,775,732
Centenary College	33,942,348	35,066,874
College of Saint Elizabeth	20,340,000	21,090,000
Drew University	67,534,373	69,160,060
Fairleigh Dickinson University	82,809,737	86,960,781
Felician College	6,360,000	7,115,000
Georgian Court University	25,094,462	26,092,351
Institute for Defense Analyses	11,625,000	12,160,000
New Jersey Institute of Technology	1,817,500	2,947,500
Rider University	42,955,000	46,665,000
Saint Peter's University (formerly Saint Peter's College)	34,626,108	36,974,259
Seton Hall University	124,350,000	131,210,000
Stevens Institute of Technology	69,695,000	72,465,000
Leases:		
Kean University	321,217,210	331,174,664
Montclair State University	452,302,500	323,820,000
New Jersey City University	121,582,500	125,895,000
Passaic County Community College	13,012,500	13,265,000
Ramapo College of New Jersey	222,265,000	255,540,000
Rowan University	271,147,500	283,195,000
Thomas Edison State College	14,543,872	9,195,425
The College of New Jersey	364,087,500	373,382,500
The Richard Stockton College of New Jersey	225,009,000	231,399,000
The William Paterson University of New Jersey	156,702,500	163,137,500
Higher Education Capital Improvement Fund	478,255,000	330,545,000
Higher Education Facilities Trust Fund	199,855,000	-
Higher Education Equipment Leasing Fund	89,340,000	-
Higher Education Technology Infrastructure Fund	38,110,000	-
County College Capital Projects Fund	-	2,270,000
Dormitory Safety Trust Fund	11,970,000	17,605,000
Library Grant Program	24,455,000	26,885,000
	\$ 5,608,557,491	\$ 5,006,327,283
Total		

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**NOTE 6 BONDS, NOTES AND LEASES PAYABLE**

Bonds, notes and leases payable comprise the following:

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2014	2013
<b>Bonds Payable</b>					
Bloomfield College					
2013 Series A	\$ 32,267,000	5/13/2043	Variable	\$ 32,215,047	\$ 20,165,637
Caldwell University (formerly Caldwell College):					
2013 Series E	20,000,000	5/31/2038	3.629%	19,260,334	19,775,732
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	8,320,000	8,890,000
2006 Series J	9,154,113	11/1/2036	Variable	8,344,113	8,501,612
2007 Series B	4,784,617	11/1/2036	Variable	4,243,235	4,335,262
2010 Series D	13,974,000	1/1/2041	Variable	13,035,000	13,340,000
Drew University:					
2003 Series C	20,855,000	7/1/2021	3.888%	14,120,000	14,975,000
2007 Series D	29,135,000	7/1/2037	4.601%	26,230,000	26,785,000
2008 Series B	10,765,000	7/1/2017	4.234%	4,825,000	6,270,000
2008 Series I	40,000,000	6/25/2018	Variable	14,844,373	13,958,682
2010 Series C	15,580,000	6/1/2024	Variable	9,005,000	8,598,878
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	9,710,000	14,565,000
Series 2001 B - Taxable	5,800,000	3/1/2016	6.117%	820,000	1,235,000
Series 2003 A	5,440,000	3/1/2018	3.752%	1,440,000	1,805,000
Fairleigh Dickinson University:					
2002 Series D	63,650,000	7/1/2032	6.114%	-	52,610,000
2004 Series C	35,285,000	7/1/2023	5.534%	21,935,000	23,790,000
2006 Series G	14,505,000	7/1/2028	4.954%	11,185,000	11,730,000
2006 Series H	2,147,554	7/1/2027	4.954%	774,738	818,281
2014 Series B	51,925,000	2/1/2029	3.678%	50,175,000	-
Felician College:					
2006 Series I	11,445,000	11/1/2022	4.749%	6,475,000	7,170,000
Georgian Court University:					
1998 Series, Project B	6,455,000	7/1/2015	4.198%	230,000	450,000
2007 Series D	26,980,000	7/1/2037	5.022%	24,690,000	25,385,000
2007 Series H	1,050,000	10/1/2022	5.296%	649,462	714,851

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**NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2014	2013
Higher Education Capital					
Improvement Fund:					
Series 2002 A	194,590,000	9/1/2022	4.599%	1,640,000	3,140,000
Series 2004 A	76,725,000	9/1/2024	4.352%	-	30,355,000
Series 2005 A	169,790,000	9/1/2019	4.121%	122,240,000	145,355,000
Series 2006 A	155,460,000	9/1/2024	4.421%	151,065,000	151,695,000
Series 2014 A	164,245,000	9/1/2033	3.669%	164,245,000	-
Series 2014 B	14,345,000	9/1/2033	3.671%	14,345,000	-
Series 2014 C	21,230,000	9/1/2020	1.696%	21,230,000	-
Series 2014 D	3,490,000	9/1/2020	1.712%	3,490,000	-
Higher Education Equipment					
Leasing Fund:					
Series 2014 A	82,235,000	6/1/2023	1.894%	82,235,000	-
Series 2014 B	7,105,000	6/1/2023	1.894%	7,105,000	-
Higher Education Facilities					
Trust Fund:					
Series 2014	199,855,000	6/15/2029	3.246%	199,855,000	-
Higher Education Technology					
Infrastructure Fund:					
Series 2014	38,110,000	6/1/2028	3.039%	38,110,000	-
Institute for Advanced Study:					
2006 Series B	29,600,000	7/1/2031	3.990%	25,500,000	26,500,000
2006 Series C	20,000,000	7/1/2036	Variable	17,000,000	17,500,000
2008 Series C	11,255,000	7/1/2021	3.619%	4,455,000	4,975,000
Institute for Defense Analysis:					
2000 Series D	16,695,000	10/1/2030	Variable	11,625,000	12,160,000
Kean University:					
Series 1998 B	25,995,000	7/1/2027	4.872%	4,360,000	4,865,000
Series 2003 D	75,000,000	7/1/2033	4.811%	6,190,000	8,080,000
Series 2005 B	101,915,000	7/1/2037	4.681%	16,200,000	18,630,000
Series 2007 D	117,795,000	7/1/2039	4.553%	107,840,000	109,990,000
Series 2009 A	179,380,000	9/1/2036	6.404%	177,975,000	178,735,000
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	24,455,000	26,885,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2014	2013
<b>Montclair State University:</b>					
Series 2002 F	78,500,000	7/1/2032	4.489%	2,500,000	17,800,000
Series 2003 E	23,425,000	7/1/2033	4.445%	10,100,000	17,275,000
Series 2003 L	94,540,000	7/1/2034	4.541%	-	23,430,000
Series 2006 A	98,090,000	7/1/2036	4.816%	73,630,000	86,680,000
Series 2006 J	154,110,000	7/1/2034	4.300%	152,100,000	152,860,000
Series 2007 A	6,150,000	7/1/2021	4.022%	4,125,000	4,600,000
Series 2008 J	27,545,000	7/1/2038	5.100%	25,345,000	25,925,000
Series 2014 A	189,365,000	7/1/2044	4.212%	189,365,000	-
<b>New Jersey City University:</b>					
Series 2002 A	15,115,000	7/1/2032	4.949%	410,000	800,000
Series 2003 B	2,300,000	7/1/2018	5.659%	1,000,000	1,200,000
Series 2007 F	17,910,000	7/1/2032	4.337%	16,395,000	16,680,000
Series 2008 E	68,445,000	7/1/2035	4.763%	59,350,000	61,020,000
Series 2008 F	6,175,000	7/1/2036	7.039%	6,175,000	6,175,000
Series 2010 F	24,065,000	7/1/2028	3.313%	22,145,000	23,820,000
Series 2010 G	18,310,000	7/1/2040	4.062%**	18,310,000	18,310,000
<b>New Jersey Institute of Technology:</b>					
Series 2001 H - Taxable	12,570,000	7/1/2016	6.259%	2,400,000	3,495,000
Series 2010 H	50,965,000	7/1/2031	4.280%	50,965,000	50,965,000
Series 2010 I	20,450,000	7/1/2040	4.304%**	20,450,000	20,450,000
<b>Passaic County Community College:</b>					
Series 2010 C	13,635,000	7/1/2041	5.355%	13,140,000	13,390,000
<b>Princeton Theological Seminary:</b>					
2009 Series B	14,435,000	12/1/2032	2.878%	9,835,000	10,820,000
2010 Series A	68,785,000	7/1/2030	3.745%	58,140,000	60,920,000
<b>Princeton University:</b>					
2003 Series D	114,495,000	7/1/2019	3.727%	51,925,000	60,995,000
2004 Series D	175,000,000	7/1/2029	4.497%	-	18,015,000
2005 Series A	139,590,000	7/1/2030	4.405%	123,050,000	125,135,000
2005 Series B	114,645,000	7/1/2035	4.236%	68,805,000	71,450,000
2006 Series D	74,290,000	7/1/2031	4.391%	60,105,000	62,440,000
2006 Series E	93,285,000	7/1/2027	4.504%	91,825,000	91,970,000
2007 Series E	325,000,000	7/1/2037	4.534%	282,150,000	288,960,000
2007 Series F	67,620,000	7/1/2030	4.392%	66,890,000	67,020,000
2008 Series J	250,000,000	7/1/2038	4.391%	226,105,000	231,265,000
2008 Series K	208,805,000	7/1/2023	4.356%	135,160,000	148,770,000
2010 Series B	250,000,000	7/1/2040	4.034%	236,015,000	240,815,000
2011 Series B	250,000,000	7/1/2041	4.087%	241,370,000	245,770,000
2014 Series A	200,000,000	7/1/2044	3.773%	200,000,000	-

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
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**NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding	
				December 31, 2014	2013
Ramapo College of New Jersey:					
Series 2003 H	18,930,000	7/1/2029	4.346%	-	16,020,000
Series 2004 E	53,980,000	7/1/2034	4.630%	-	11,645,000
Series 2006 D	49,085,000	7/1/2036	4.521%	31,565,000	32,725,000
Series 2006 I	106,820,000	7/1/2036	4.417%	104,755,000	105,130,000
Series 2011 A	19,090,000	7/1/2021	3.325%	11,655,000	15,720,000
Series 2012 B	80,670,000	7/1/2042	3.689%	77,635,000	78,430,000
Rider University:					
2012 Series A	52,020,000	7/1/2037	3.741%	44,855,000	48,475,000
Rowan University:					
Series 2004 C	61,275,000	7/1/2034	4.697%	-	2,320,000
Series 2005 D	51,840,000	7/1/2030	4.532%	43,780,000	45,700,000
Series 2006 G	69,405,000	7/1/2031	4.362%	58,355,000	62,025,000
Series 2007 B	121,355,000	7/1/2034	4.266%	113,845,000	115,630,000
Series 2008 B	35,205,000	7/1/2027	4.839%	35,095,000	35,205,000
Series 2011 C	30,045,000	7/1/2025	3.705%	24,355,000	26,410,000
Saint Peter's University (formerly Saint Peter's College):					
2007 Series G	36,053,465	7/1/2027	4.217%	32,607,306	34,437,959
2008 Series H	5,000,000	7/1/2018	3.925%	2,018,800	2,536,300
Seton Hall University:					
2008 Series D	49,760,000	7/1/2037	Variable	44,935,000	45,955,000
2008 Series E	24,340,000	7/1/2037	6.127%	22,540,000	23,025,000
2011 Series A	35,470,000	7/1/2026	2.997%	17,500,000	23,725,000
2013 Series D	41,910,000	7/1/2043	2.707%	41,810,000	41,910,000
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	4,610,000	4,980,000
2007 Series A	71,060,000	7/1/2034	4.977%	66,505,000	68,835,000
The College of New Jersey:					
Series 2008 D	287,790,000	7/1/2035	5.086%	279,385,000	283,790,000
Series 2010 A	3,410,000	7/1/2015	2.411%	890,000	1,755,000
Series 2010 B	41,090,000	7/1/2040	4.748%**	41,090,000	41,090,000
Series 2012 A	26,255,000	7/1/2019	1.637%	22,610,000	26,255,000
Series 2013 A	24,950,000	7/1/2043	4.561%	24,950,000	24,950,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)**

Issue	Original Issue Amount	Final Maturity Date	Effective Interest Rate	Amount Outstanding December 31,	
				2014	2013
The College of Saint Elizabeth:					
2008 Series F	24,090,000	7/1/2036	Variable	20,340,000	21,090,000
The Richard Stockton College of New Jersey:					
Series 1998 A	3,294,000	7/1/2016	3.000%	239,000	394,000
Series 2005 F	28,180,000	7/1/2028	4.458%	19,790,000	20,840,000
Series 2006 F	50,365,000	7/1/2036	4.460%	44,940,000	46,105,000
Series 2007 G	40,250,000	7/1/2037	4.500%	35,650,000	36,565,000
Series 2008 A	136,910,000	7/1/2038	5.309%	127,665,000	130,610,000
Thomas Edison State College:					
Series 2011 D	8,000,000	10/1/2031	3.516%	6,342,269	7,578,947
Series 2014 B	7,000,000	12/1/2024	2.500%	6,945,000	-
The William Paterson University of New Jersey:					
Series 2004 A	30,035,000	7/1/2028	4.131%	-	945,000
Series 2005 E	42,295,000	7/1/2030	4.546%	32,040,000	34,870,000
Series 2008 C	88,670,000	7/1/2038	4.724%	78,175,000	80,245,000
Series 2012 C	33,815,000	7/1/2042	2.955%	32,690,000	33,140,000
Series 2012 D	21,860,000	7/1/2028	2.489%	17,085,000	17,085,000
<b>Notes Payable</b>					
Princeton University:					
Various Commercial Paper	120,000,000 *	N/A	Variable	69,500,000	95,700,000
<b>Leases Payable</b>					
Kean University	10,000,000	7/1/2020	3.140%	5,750,000	6,750,000
Kean University	15,000,000	2/15/2021	2.820%	6,562,210	7,612,163
Thomas Edison State College	2,700,000	9/28/2022	Variable	562,059	663,147
Thomas Edison State College	700,000	9/14/2015	2.370%	110,355	254,480
Thomas Edison State College	948,000	7/1/2019	2.427%	584,189	698,852
Treasurer, State of New Jersey,					
Series 1999A	19,295,000	9/1/2014	4.705%	-	430,000
Essex County, Series 1999 C	4,570,000	9/1/2014	5.177%	-	405,000
Hudson County, Series 1999 D	7,750,000	9/1/2014	5.177%	-	685,000
Middlesex County, Series 1999 E	4,370,000	9/1/2014	5.053%	-	395,000
Passaic County, Series 1999 F	2,015,000	9/1/2014	5.125%	-	175,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000	9/1/2014	5.177%	-	180,000
				<u>\$ 5,655,282,490</u>	<u>\$ 5,056,049,783</u>

\* Maximum authorized amount.

\*\* Build America Bond



**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**  
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**NOTE 6 BONDS, NOTES AND LEASES PAYABLE (CONTINUED)**

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

2015 - 2019	\$ 1,280,208,549
2020 - 2024	1,327,310,548
2025 - 2029	1,309,659,972
2030 - 2034	947,927,824
2035 - 2039	588,752,359
2040 - Thereafter	<u>201,423,238</u>
Total	<u>\$ 5,655,282,490</u>

**NOTE 7 REFUNDED BOND ISSUES**

When conditions have warranted, the Authority has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by the Escrow Agent, an amount which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Authority's financial statements.

Certain transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The debt service savings, together with any accounting gain or loss that will be deferred, accrue to the respective institutions.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
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NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
DECEMBER 31, 2014 AND 2013**

**NOTE 7    REFUNDED BOND ISSUES (CONTINUED)**

Refunded bonds outstanding at December 31, 2014 comprise the following:

Issue	Principal Amount Outstanding December 31, 2014	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Princeton University 2004 Series D	-	31,470,000	7/1/2014	4,243,735	4/12/2005	2005 Series A	139,590,000
Princeton University 2004 Series D	-	49,045,000	7/1/2014	2,755,549	8/10/2006	2006 Series E	45,500,000
2005 Series B	7,820,000	7,820,000	7/1/2015				
Higher Education Capital Improvement Fund Series 2004 A	-	22,760,000	9/1/2014	4,438,363	10/26/2006	Series 2006 A	155,460,000
Ramapo College of New Jersey Series 2004 E	-	40,300,000	7/1/2014	3,510,943	11/28/2006	Series 2006 I	106,820,000
Series 2006 D	11,145,000	11,145,000	7/1/2016				
Montclair State University Series 2002 F	43,775,000	56,125,000	7/1/2015	6,194,157	12/14/2006	Series 2006 J	154,110,000
Series 2003 L	-	64,290,000	7/1/2014				
Kean University Series 2005 B	71,035,000	77,530,000	7/1/2016	14,985,307	4/13/2007	Series 2007 E	156,240,000
Stevens Institute of Technology 1998 Series I	3,950,000	6,050,000	No Call	N/A*	8/2/2007	2007 Series A	71,060,000
2004 Series B	-	12,825,000	7/1/2014				
Princeton University 2004 Series D	-	36,805,000	7/1/2014	2,361,004	6/19/2007	2007 Series F	67,620,000
2005 Series A	2,095,000	2,095,000	7/1/2015				
2005 Series B	17,625,000	17,625,000	7/1/2015				

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
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NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
DECEMBER 31, 2014 AND 2013**

**NOTE 7 REFUNDED BOND ISSUES (CONTINUED)**

Issue	Principal Amount Outstanding December 31, 2014	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Rowan University Series 2004 C	-	51,595,000	7/1/2014	4,465,765	4/5/2007	Series 2007 B	121,355,000
Rider University 2004 Series A	-	13,075,000	7/1/2014	2,797,196	4/4/2012	2012 Series A	52,020,000
New Jersey Institute of Technology Series 2004 B	-	59,725,000	1/1/2014	N/A**			
The William Paterson University of New Jersey Series 2004 A	-	18,240,000	7/1/2014	1,784,731	10/30/2012	Series 2012 D	17,290,000
University of Medicine & Dentistry of New Jersey Series 2009 B	101,424,159 97,078,973 32,666,738 1,660,130	109,794,495 105,090,709 35,362,659 2,341,867	6/1/2019 6/1/2019 6/1/2019 6/1/2019	N/A** N/A** N/A** N/A**		Rutgers TE Rutgers Taxable Rowan Univ Hospital	
Montclair State University Series 2002 F	12,900,000	12,900,000	7/1/2015	4,161,795	4/3/2014	Series 2014 A	189,365,000
Series 2003 E	6,325,000	6,325,000	7/1/2015				
Series 2003 L	-	23,430,000	7/1/2014				
Series 2006 A	10,945,000	10,945,000	7/1/2016				

\* Debt Restructuring

\*\* Not NJEFA Refunding Bonds

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Management and Members of  
New Jersey Educational Facilities Authority  
Princeton, New Jersey

We have audited, in accordance with the 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 business type activities of the New Jersey Education Facilities Authority as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 17, 2015.

**Internal Control Over Financial Reporting**

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

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

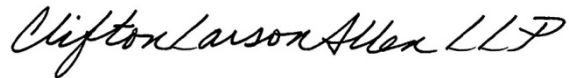
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
March 17, 2015