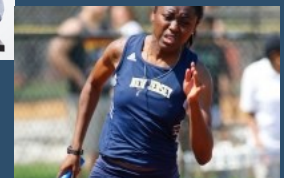
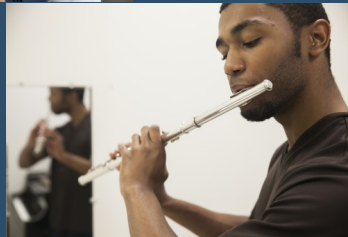
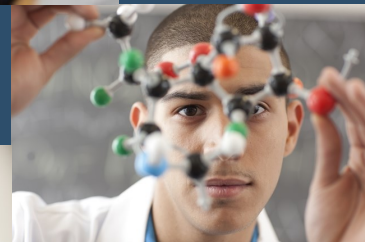




EXECUTIVE SUMMARY
OF AUDITED
FINANCIAL STATEMENTS
JUNE 30, 2014





Dear Trustees,

We are pleased to submit The College of New Jersey (the College) audited financial statements for the fiscal year ending June 30, 2014. The financial statements were prepared in accordance with all applicable generally accepted accounting principles. The management's discussion and analysis provides an overview of the financial position and activities of the College and should be read in conjunction with the financial statements and notes, both of which are the responsibility of the College management. The financial statements for the TCNJ Foundation, a component unit of the College, have been incorporated in this financial report.

The financial statements have been audited by the independent accounting firm, KPMG LLP, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Trustees and the Foundation's Board of Directors. KPMG's audit opinion is presented on pages 1-2 of the Audited Financial Statement.

The College's long tradition of prudent financial planning and thoughtful resource allocation has allowed it to continue strengthening its financial position through positive operating results and thereby to respond to challenges and opportunities. TCNJ's improved financial position

is reflected in the consistent increase to net position.

The difference between the College's assets, deferred outflows of resources, and liabilities is shown as net position. The change in net position during the year is a measure of whether the overall condition has improved or worsened during the year. The consistent increase in net position is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

Over the last three years, TCNJ has received stable funding in its base state appropriation; however, the non-cash fringe appropriations have decreased due to the State's efforts to control the state-funded portions of these programs. Because the State continues to face fiscal pressures, it is unlikely that this pattern of flat funding of the base state appropriations will change; consequently, it is also unlikely that state support will keep pace with the College's needs.

The College has identified areas for focused review and strategies to ensure the maintenance of the College's long-term financial health. These focused reviews will result in improved strategic planning and facilities master planning. Specifically, the College will consider increasing demand for institutional scholarships, strategic enrollment management, and thoughtful investment in

academic and student development programs and facilities. In order to garner resources to support these initiatives, the College will enhance cost containment initiatives, review the organizational structure to generate financial efficiencies and preserve organizational effectiveness, expand fundraising activities, diversify revenues, and enhance entrepreneurial activity.

Management believes that institutional liquidity and continued strong operating performance are key components to the College's achieving its strategic goals and addressing the challenges ahead. Please read the accompanying *Management Discussion and Analysis* along with the financial reports and notes for a more comprehensive understanding of the College's financial position.

On behalf of all those responsible for the fiscal stewardship of the College's resources, we respectfully submit The College of New Jersey Financial Report for the fiscal year ending June 30, 2014.

Dr. R. Barbara Gitenstein

President

Mr. Lloyd Ricketts

Treasurer

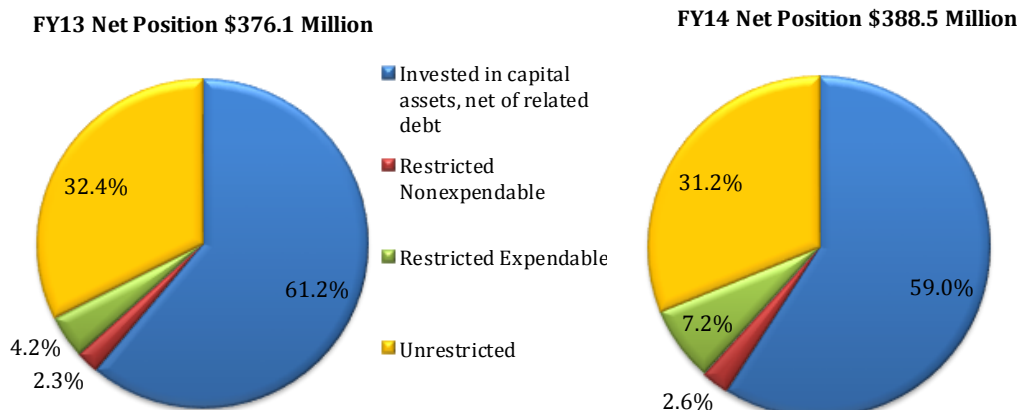


Financial HIGHLIGHTS

The assets of the College and its component unit, the TCNJ Foundation, totaled \$807 million (net of accumulated depreciation of \$229.8 million) as of June 30, 2014. This balance reflects a \$47.0 million, or 6.2 percent, increase as compared to fiscal year 2013. This increase in assets resulted primarily from new deposits with bond trustees due to the receipt of state capital grants and the issuance of \$25 million in new debt, coupled with appreciation of the investment portfolio.

Similar to the growth in assets, liabilities increased by \$33.6 million, or 8.3 percent, totaling \$440.7 million as of June 30, 2014, while deferred outflow decreased by \$1.2 million, or 5.0 percent, due to the amortization of bond issue costs. As a result of these changes, the College's net position increased by \$12.4 million, or 3.3 percent, resulting in a year-end balance of \$388.5 million.

Change in Net Position	FY2013	FY2014	Variance
(dollars in thousands)			
Increase in Net Position	\$ 11,591	\$ 12,409	\$ 818
Percent Increase	3.2%	3.3%	



State Funding Facts:

- New Jersey annual base state appropriation remained level funded for the past 3 fiscal years.
- Fringe appropriation funding has decreased over the same period due to the State's efforts to control costs.

New Jersey State Appropriations (dollars in thousands)			
	FY2012	FY2013	FY2014
State appropriations	\$ 29,317	29,317	29,317
Fringe benefits	25,091	23,994	23,762
Gross state support	\$ 54,408	53,311	53,079



HIGHLIGHTS *continued*

Financial Health Check:

- **Solid Operating Performance**—The College has been able to generate solid operating margins despite unstable and declining net state support. TCNJ's operating margin remains healthy, averaging 5.1 percent over the past two fiscal years.
- **Sound Liquidity Levels**—As of 6/30/14, unrestricted cash and investments equaled \$107 million, demonstrating that the College has a high degree of liquidity—a positive indicator of financial health.
- **High, But Manageable, Leverage**—FY14 annual debt service consumes 10.0 percent of fiscal year 2014 total revenues.

The College's revenues totaled \$260.3 million, an increase of \$18.6 million, or 7.7 percent, for fiscal year 2014. The increase was due mainly to increases in tuition and fees, capital grants, gifts, and investment income and appreciation. Expenses totaled \$247.9 million, representing an increase of \$17.8 million, or 7.7 percent, for the fiscal year 2014. Approximately \$7.6 million of this increase resulted from the non-cash items of depreciation and loss on disposal of capital assets due to buildings that were demolished. The remaining increase was primarily due to increased costs associated with fuel and utilities, contractual salaries and fringe benefits, student meal plans, library acquisitions, and computers.

The College's greatest financial strength has been its ability to generate solid operating margins despite level funding in base state appropriations. For fiscal years 2013 and 2014, the operating surplus and associated operating margins remain healthy at \$12.7 million, or 5.3 percent, and \$12.2 million, or 4.9 percent, respectively.

Consolidated Statement of Revenues, Expenses, and Changes in Net Position (dollars in thousands)					
	FY 2013		FY 2014		
Revenues:					
Operating	\$	240,942	\$	250,097	\$ 9,155 3.8%
Non-operating		794		10,214	9,420 1186.4%
Total revenues	\$	241,736	\$	260,311	\$ 18,575 7.7%
Expenses:					
Operating	\$	228,292	\$	237,934	\$ 9,642 4.2%
Non-operating		1,853		9,968	8,115 437.9%
Total expenses	\$	230,145	\$	247,902	\$ 17,757 7.7%
Increase in net position	\$	11,591	\$	12,409	\$ 818
Operating Surplus	\$	12,650	\$	12,163	
Operating Margin		5.3%		4.9%	



HIGHLIGHTS *continued*

Other Key Financial Indicators

Bond Rating and Debt Level

As of June 30, 2014, the College had \$387.4 million in outstanding bonds and other long-term obligations, compared to \$370.8 million the previous year (due to the issuance of \$25 million in new debt that was offset by principal repayment). All of the College's debt is fixed rate and there are no interest rate derivatives.

TCNJ has maintained its investment grade bond rating and rating outlook as shown below:

Bond Rating and Outlook			
	Fitch	Moody's Investors Service	Standard & Poor's
Long term rating	AA	A2	A
Rating outlook	Stable	Stable	Stable

Future Principal Payments

The College will amortize \$10.2 million, \$11.2 million, and \$12.1 million of principal in the next three fiscal years, respectively. The rapid principal amortization over next few years is expected to help to moderate the debt burden.

Percentage of Outstanding Principal Paid Down After Various Time Frames	
Within 5 years (FY2019)	16% (\$60.4 million)
Within 10 years (FY2024)	37% (\$141.6 million)
Within 15 years (FY2027)	58% (\$225.2 million)
Within 20 years (FY2034)	85% (\$329.9 million)



TCNJ INVESTMENT PERFORMANCE

Fiscal Year 2014 Highlights

The College's investment portfolio (separately managed from the TCNJ Foundation) produced strong results for the fiscal year ended June 30, 2014 compared to the previous fiscal year. The combined portfolio generated a return of 8.7 percent, buoyed largely by the College's strategic investment in a long-term, diversified, multi-asset class portfolio, which returned 18.1 percent over the past 12 months. This exceeds the portfolio's benchmark, which returned 17.0 percent during the same period.

Despite the interest rate challenges during fiscal year 2014, the College's short-duration fixed income portfolio has generated solid returns while adhering to the investment policy mandates of safety, liquidity, and yield. Over the past 12 months, this segment of the portfolio generated a total return of approximately 1.0 percent, directly in line with its benchmark, the ML 1-3 Year Corporate/Government "A-AAA" Rated.

Cash and Investments

In fiscal year 2014, cash and cash equivalents decreased by \$15.0 million, which was due primarily to the transfer of excess cash to the investment portfolio, coupled with disbursements for operations including debt service payments. The decrease in cash was offset by cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

At June 30, 2014, investments totaled \$56.5 million, representing an increase of \$19.4 million due to the addition of \$15 million in excess cash to the portfolio, coupled with the strong performance of the portfolio generating \$4.4 million in investment income and appreciation.

As of June 30, 2014, the College's cash and investment portfolio was allocated as shown below:

Portfolio	Strategy	Market Value & Accrued Interest (in thousands)	
Cash & Cash Equivalents	Working Capital— daily liquidity	\$	51,002
Short-Duration Fixed Income	1-3 year fixed income portfolio that generates income and serves as a Working Capital liquidity cushion		25,814
Multi-Asset Class	Growth-oriented portfolio targeting above-inflation rate of return in support of the College's long-term goals		30,645
TOTAL CASH AND INVESTMENTS as of June 30, 2014		\$	107,461

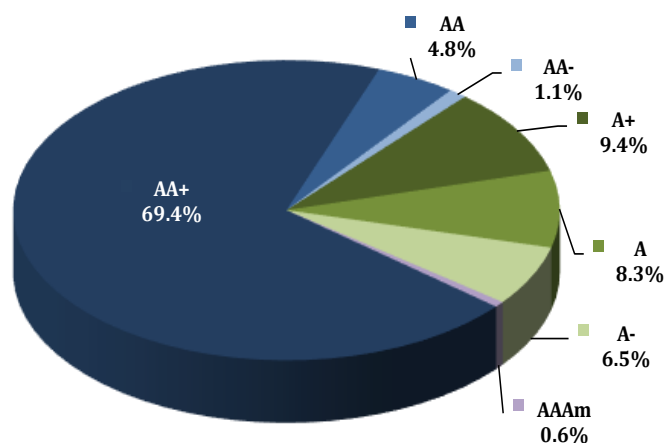


INVESTMENT PERFORMANCE (TCNJ) *continued*

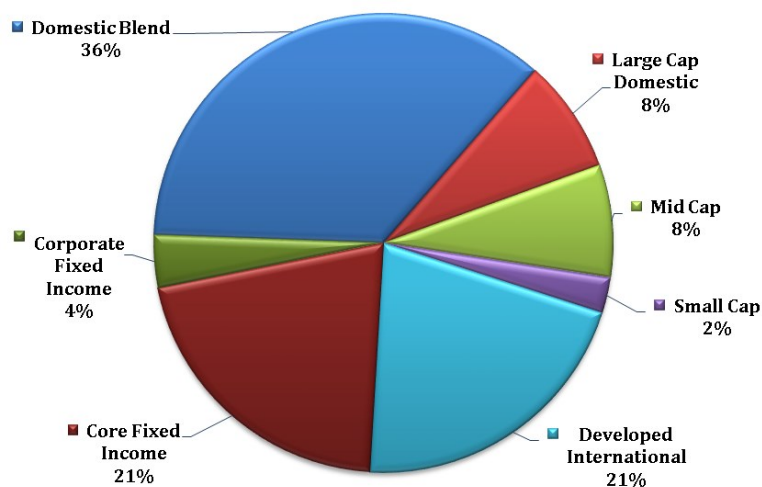
Investment Portfolio

The short-duration fixed income portfolio was allocated mostly towards U.S. government securities, which include U.S. Treasury and federal agency notes and bonds rated AA+. During fiscal year 2014, these investments accounted for, on average, approximately 63 percent of the portfolio. The remainder of the portfolio has been invested in high quality credit sectors, including corporate notes, municipal obligations, and government mortgage-backed securities. The multi-asset class portfolio has been allocated with a 70 percent equity and 30 percent fixed income approach since its inception in FY 2012. Due to low fixed-income yields across the majority of the yield curve, this segment of the portfolio is currently managed slightly overweight to equities.

Short-Duration Fixed Income	6/30/2014 (in thousands)
AA+	\$ 17,916
AA	1,227
AA-	277
A+	2,430
A	2,134
A-	1,671
AAAam	158
TOTAL	\$ 25,814



Multi-Asset Class	6/30/2014 (in thousands)
Large Cap Domestic	\$ 2,450
Mid Cap	2,423
Small Cap	772
Domestic Blend	11,020
Developed International	6,442
Core Fixed Income	6,409
Corporate Fixed income	1,128
TOTAL	\$ 30,645



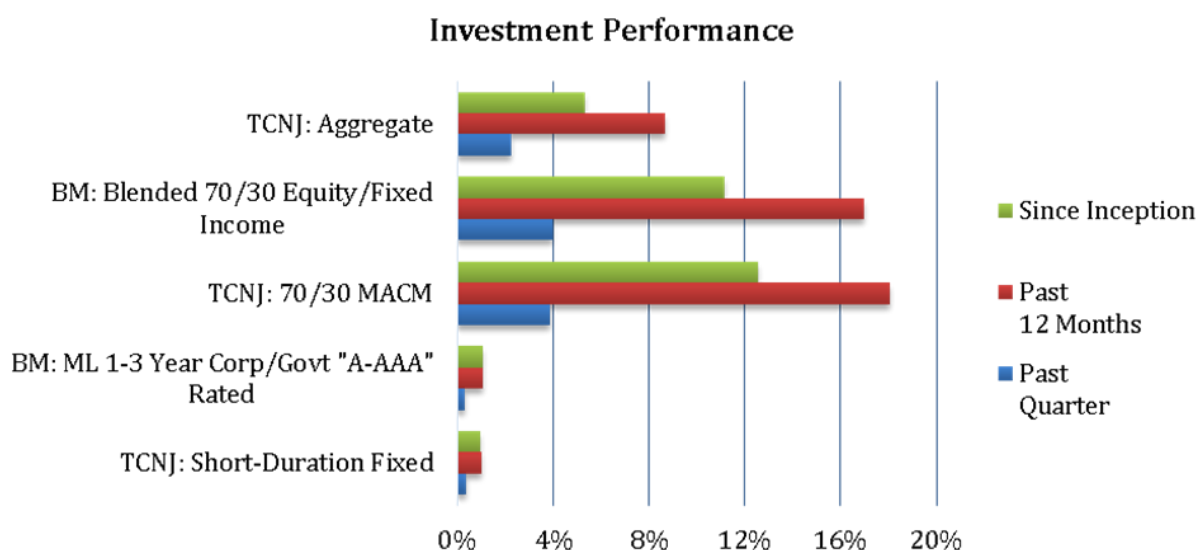


INVESTMENT PERFORMANCE (TCNJ) *continued*

Investment Performance

The College's investment portfolio returned approximately 8.7 percent for the fiscal year ending June 30, 2014. The surge in equity markets throughout the fiscal year helped boost the College's overall portfolio performance, of which the multi-asset class portfolio returned 18.1 percent over the past 12 months. The performance of TCNJ's multi-class asset portfolio exceeded the portfolio's benchmark, which returned 17.0 percent for the same period. The short-term duration segment of the portfolio generated a total return of approximately 1.0 percent, directly in line with its benchmark, the ML 1-3 Year Corporate/Government "A-AAA" Rated.

Portfolio	Past Quarter	Past 12 Months	Since Inception
TCNJ: Short-Duration Fixed	0.33%	1.03%	0.94%
<i>BM: ML 1-3 Year Corp/Govt "A-AAA" Rated</i>	<i>0.31%</i>	<i>1.03%</i>	<i>1.05%</i>
TCNJ: 70/30 MACM	3.85%	18.06%	12.54%
<i>BM: Blended 70/30 Equity/Fixed Income</i>	<i>3.97%</i>	<i>16.97%</i>	<i>11.13%</i>
TCNJ: Aggregate Portfolio	2.27%	8.66%	5.31%



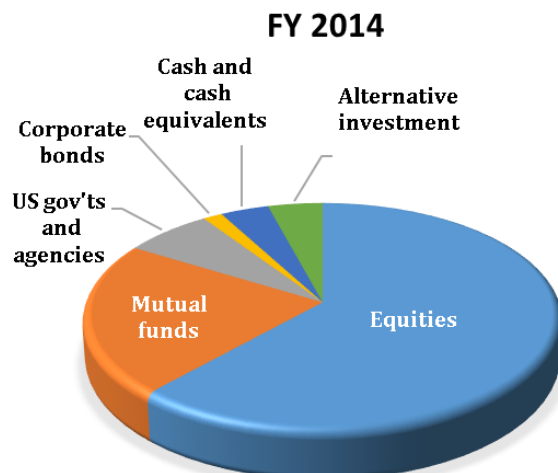
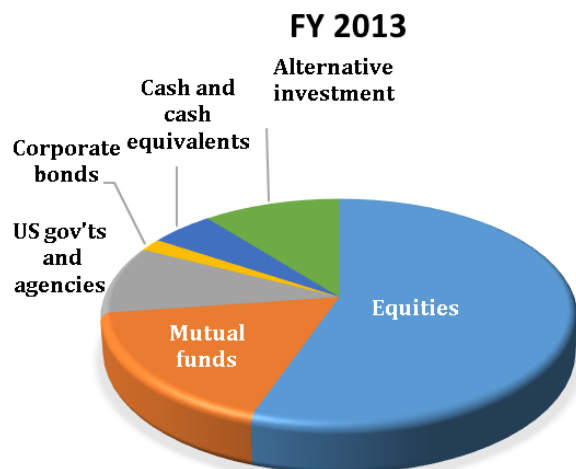


Foundation INVESTMENT PERFORMANCE

Investment Portfolio

The Foundation's investment portfolios produced solid results for the fiscal year ended June 30, 2014, with an increase of \$5.2 million due to contributions and investment appreciation. The endowment pool, at \$25.3 million, posted a positive rate of return of 13.7 percent net of investment manager fees, a notable improvement over the previous year's performance of 9.3 percent. Meanwhile, the separately managed gift annuity pool, at \$6.3 million, produced a return of 16.9 percent, after earning 10.6 percent in the previous year.

Asset Allocation	FY2013 (\$ in 000's)	%	FY2014 (\$ in 000's)	%
Equities	\$ 14,597	55.4%	\$ 19,488	61.7%
Mutual funds	4,578	17.4%	6,930	22.0%
US gov'ts and agencies	2,566	9.7%	2,168	6.9%
Corporate bonds	469	1.8%	471	1.5%
Cash and cash equivalents	1,324	5.0%	1,182	3.7%
Alternative investment	2,822	10.7%	1,328	4.2%
Total Investments	\$ 26,355	100.0%	\$ 31,567	100.0%

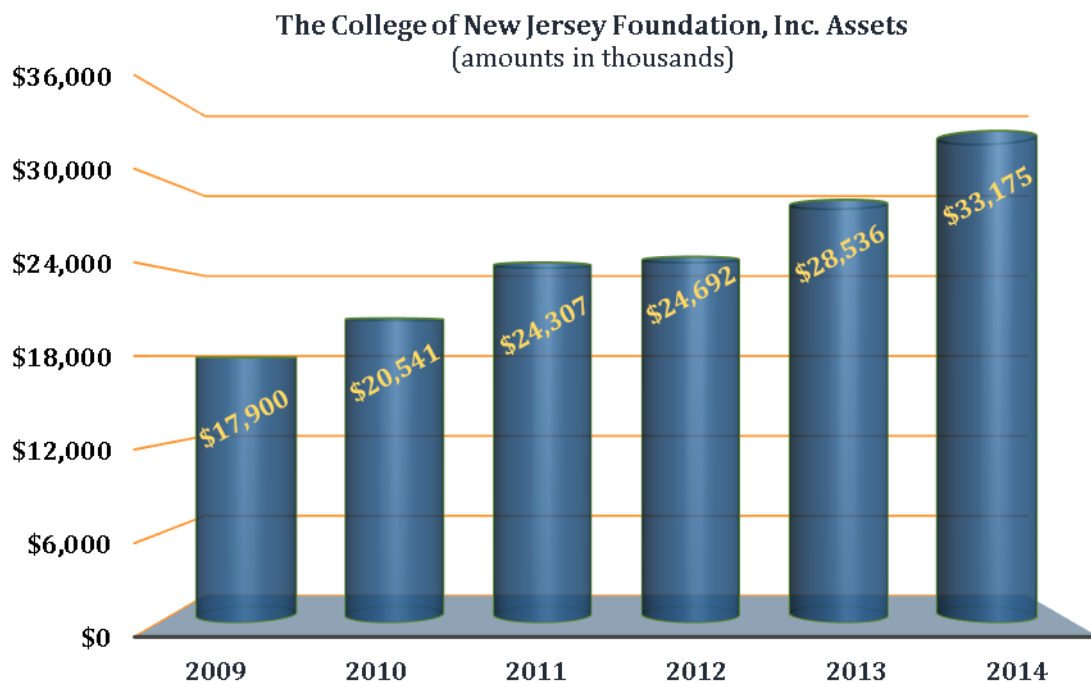




INVESTMENT PERFORMANCE (*Foundation*) *continued*

Foundation Assets

As of June 30, 2014, the Foundation's assets, which consist primarily of cash and investments, totaled \$33.2 million, an increase of \$4.6 million, or 16.3 percent, from the previous fiscal year. The chart below illustrates the growth of the Foundation's assets over the past six years, resulting from a successful fundraising operation and investment appreciation.





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