



**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Financial Statements, Management's Discussion
and Analysis and Supplemental Schedules

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Thomas Edison State College and its Affiliate the New Jersey State Library Statements of Net Position as of June 30, 2014 and 2013	17
Thomas Edison State College Foundation, Inc. Statements of Financial Position as of December 31, 2013 and 2012	18
Thomas Edison State College and its Affiliate the New Jersey State Library Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013	19
Thomas Edison State College Foundation, Inc. Statement of Activities for the year ended December 31, 2013	20
Thomas Edison State College Foundation, Inc. Statement of Activities for the year ended December 31, 2012	21
Thomas Edison State College and its Affiliate the New Jersey State Library Statements of Cash Flows for the years ended June 30, 2014 and 2013	22
Notes to Financial Statements	24
Supplemental Schedules	47



KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Thomas Edison State College and its
Affiliate the New Jersey State Library:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Thomas Edison State College and its Affiliate the New Jersey State Library (the Organization), a component unit of the State of New Jersey, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Thomas Edison State College Foundation, Inc., the discretely presented component unit of the Organization. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Thomas Edison State College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.



Opinions

In our opinion, based on our audits and the report 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 Thomas Edison State College and its Affiliate the New Jersey State Library as of June 30, 2014 and 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 3–16 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 opinions on the financial statements that collectively comprise the Organization’s basic financial statements. The supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules 1 through 4 is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
October 7, 2014

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

The Introduction

This section of Thomas Edison State College and its Affiliate the New Jersey State Library's (the Organization) financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal years that ended on June 30, 2014 and 2013 with comparisons to 2012. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the Organization's basic financial statements, which follow.

Organization

Thomas Edison State College (the College) was founded by the New Jersey Board of Higher Education in 1972 as an institution that provides flexible and accessible, high quality college opportunities primarily for adults. The College is accredited by the Middle States Association of Colleges and Schools. The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State of New Jersey. The Library has existed as part of the State of New Jersey since 1796 and maintains approximately 2,038,000 volumes of books and historical documents. Included in the Library is the Talking Book & Braille Center (formerly known as the Library for the Blind and Handicapped), which maintains approximately 560,000 books, audiotapes and other nonprint items. Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the College. As a result, the financial reporting entity was formed known as the Organization under the control of the College's board of trustees.

Using this Annual Financial Report

The financial statements presented in this report focus on the financial position of the Organization, the changes in financial position and cash flows of the Organization as a whole. The statement of net position focuses on total assets and liabilities. This statement combines and consolidates current short-term expendable resources with capital assets. The statement of revenues, expenses, and changes in net position focuses on the revenues earned during the year and the costs of Organization activities. The statement of cash flows focuses on cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities.

Financial Highlights

At June 30, 2014, the Organization's net position has increased to \$79,335,692 from \$73,531,157 and increased to \$73,531,157 from \$69,304,624 at June 30, 2013 and 2012, respectively. Operating expenses increased by \$5,015,962 in fiscal year 2014. This increase in 2014 was caused by increases in academic support, student services, general institutional and general administration associated with increases in course enrollments. These increases were partially offset by decreases in State of New Jersey Library and Talking Book and Braille Center expenses. Operating expenses increased by \$3,691,487 in fiscal year 2013. This increase in 2013 was caused by increases in academic support, student services, general institutional and general administration associated with increases in course enrollments. These increases were partially offset by the decrease in public services.

Current year operating revenues for the year ended June 30, 2014 increased to \$70,436,977 from \$67,903,347 and increased to \$67,903,347 from \$64,127,367 for the years ended June 30, 2013 and 2012, respectively, primarily

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

from increases in student tuition and fees revenue. These increases were partially offset by decreases in federal grants and contracts. A three-year Broadband Technology Opportunity Program (BTOP) grant was received in 2011. Federal funding was reduced in fiscal years 2014 and 2013 due to decreases in the BTOP grant.

Net nonoperating revenues for the year ended June 30, 2014 increased to \$22,871,580 from \$21,498,237 in fiscal year 2013, primarily due to increases in State of New Jersey paid fringe benefits which was partially offset by the loss on disposal of equipment. Net nonoperating revenues for the year ended June 30, 2013 increased to \$21,498,237 from \$19,538,418 in fiscal year 2012, primarily due to increases in State of New Jersey paid fringe benefits which was partially offset by decreases in private gifts.

Statement of Net Position

The statement of net position presents the financial position of the Organization at the end of the fiscal year and includes all assets and liabilities of the Organization. The assets and liabilities are divided into current and noncurrent.

Net position is one indicator of the current financial condition of the Organization while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

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 position categories: Net investment in capital assets, restricted, and unrestricted.

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

Restricted net position consists of nonexpendable and expendable net position. Nonexpendable net position is subject to externally imposed stipulations that must be maintained permanently by the Organization. Expendable net position is subject to externally imposed stipulations that can be fulfilled by actions of the Organization pursuant to the stipulations or that expire by the passage of time.

Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management to the board of trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

Net Position, End of Year

The Organization's financial position increased during the fiscal years ended June 30, 2014 and 2013. Its net position increased \$5,804,535 or 8% from fiscal year 2013 to \$79,335,692 and its net position increased \$4,226,533 or 6% from fiscal year 2012 to \$73,531,157. The College's share in net position increased \$7,366,222 or 13% in fiscal year 2014 and increased \$4,899,106 or 10% in fiscal year 2013. The fiscal year 2014 increase was primarily due to a \$3,169,899 or 7% increase in student tuition and fees and \$2,686,991 or 100% increase in State of New Jersey capital grants. The fiscal year 2013 increase was primarily due to a \$4,933,593 or 11% increase in student

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

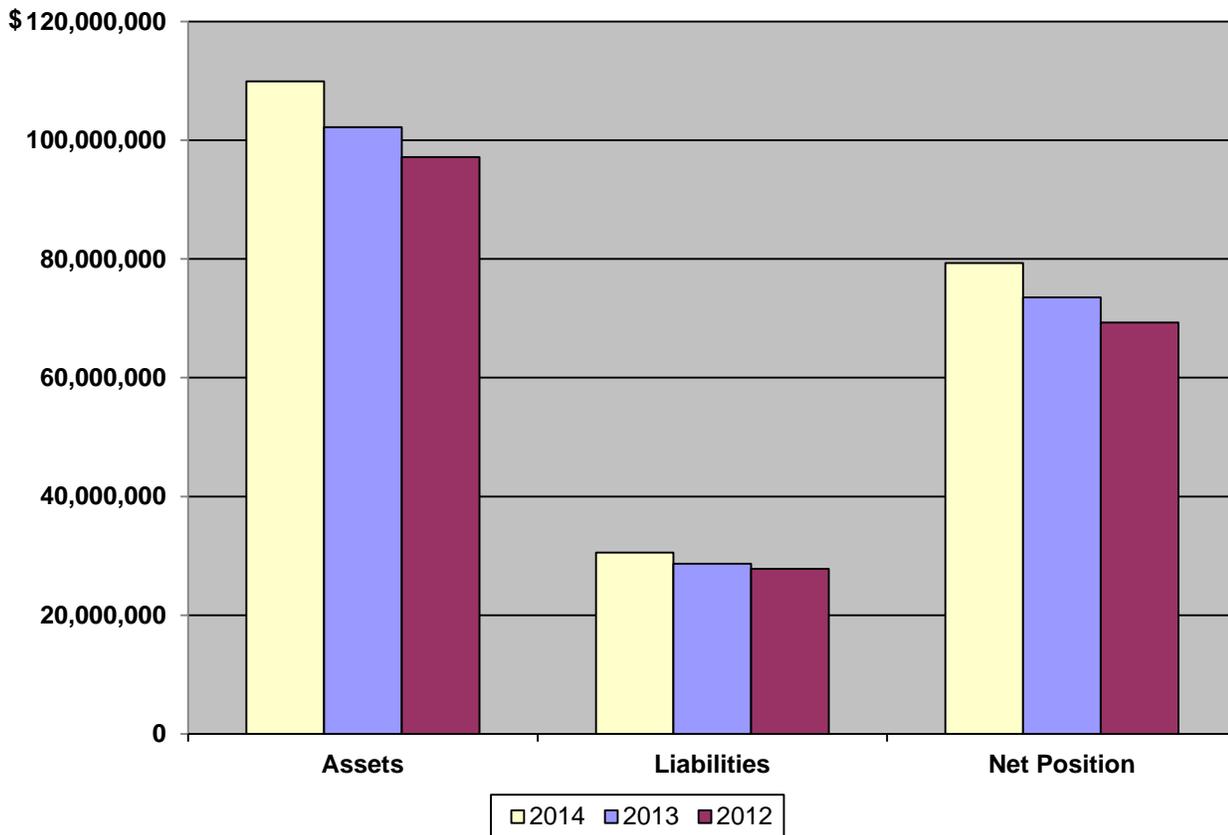
Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

tuition and fees. The College's total enrollment increased by 3% and 1% over the prior year in 2014 and 2013, respectively. The increase in fiscal year 2014 was due to an increase of 7.5% in traditional students that was partially offset by a 4.5% decrease in contract populations. The increase in fiscal year 2013 was due to an increase of 7% in traditional students that was partially offset by a 6% decrease in contract populations. The Library's share in net position decreased \$1,561,687 or 8% and decreased \$672,573 or 4% in fiscal year 2014 and 2013, respectively. The fiscal year 2014 decrease was due to depreciation and losses on disposal of equipment. The fiscal year 2013 decrease was due to depreciation.

Statement of Net Position



**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 55,139,932	50,423,003	43,599,428
Capital assets, net	40,503,901	37,745,323	32,795,190
Other assets	14,248,745	14,035,314	20,748,041
Total assets	<u>\$ 109,892,578</u>	<u>102,203,640</u>	<u>97,142,659</u>
Current liabilities	\$ 20,110,985	19,500,662	17,815,635
Noncurrent liabilities	10,445,901	9,171,821	10,022,400
Total liabilities	<u>\$ 30,556,886</u>	<u>28,672,483</u>	<u>27,838,035</u>
Net position:			
Net investment in capital assets	\$ 34,143,449	30,975,875	30,840,127
Restricted	2,450,962	2,370,639	2,753,681
Unrestricted	42,741,281	40,184,643	35,710,816
Net position, end of year	<u>\$ 79,335,692</u>	<u>73,531,157</u>	<u>69,304,624</u>
Increase in net position	\$ 5,804,535	4,226,533	2,182,221

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Organization's results of operations. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, expenses paid by the institution, operating and nonoperating, and any other changes to net position. A summary of the Organization's revenues, expenses, and changes in net position for the years ended June 30, 2014, 2013, and 2012 follows:

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

Changes in Net Position for the Years ended June 30, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Student tuition and fees, net of scholarships	\$ 51,211,343	48,041,444	43,107,851
Federal grants and contracts	9,789,909	10,626,683	11,753,482
State of New Jersey grants and contracts	9,034,725	8,782,882	8,598,539
Subtotal grants	18,824,634	19,409,565	20,352,021
Other	401,000	452,338	667,495
Total operating revenues	70,436,977	67,903,347	64,127,367
Operating expenses	90,191,013	85,175,051	81,483,564
Operating loss	(19,754,036)	(17,271,704)	(17,356,197)
Nonoperating revenues (expenses):			
State of New Jersey funding	21,865,477	19,595,980	17,623,651
Other nonoperating revenues, net	2,452,132	1,971,584	2,476,244
Loss on disposal of equipment	(1,446,029)	(69,327)	(561,477)
Net nonoperating revenues	22,871,580	21,498,237	19,538,418
State of New Jersey capital grants	2,686,991	—	—
Increase in net position	5,804,535	4,226,533	2,182,221
Net position beginning of year	73,531,157	69,304,624	67,122,403
Net position end of year	\$ 79,335,692	73,531,157	69,304,624

Operating Revenues

Operating revenues are defined as those revenues received by an institution for providing goods and services directly to the students, New Jersey state libraries, and the constituencies of the institution.

During the year, the Organization generated \$70,436,977 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of \$51,211,343; governmental grants and contracts of \$18,824,634; and other operating revenues of \$401,000. The College's share of operating revenues was \$57,475,530 and the Library's operating revenues share was \$12,961,447.

- Student tuition and fees increased \$3,169,899 or 7% and \$4,933,593 or 11% over the previous year in fiscal year 2014 and 2013, respectively. The increase was due to increased enrollments and a 3.5% fee increase in fiscal year 2014 and a 4% fee increase in fiscal year 2013.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**

(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

- The decrease in Federal grants of \$836,774 or 8% in fiscal year 2014 was primarily due to a decrease of \$516,529 in BTOP grant revenue. Fiscal year 2013 was the final year of the three year BTOP grant. The decrease in Federal grants of \$1,126,799 or 10% in fiscal year 2013 was primarily due to a decrease of \$944,009 in BTOP grant revenue.
- Federal indirect cost recovery decreased \$418 or less than 1% and increased \$252,737 or 59% in fiscal year 2014 and fiscal year 2013 respectively. Indirect cost recovery was comparable in fiscal year 2014 due to stable federal funding with the exception of the BTOP grant. The decrease in fiscal year 2013 was primarily due to fully drawing down indirect costs from the BTOP grant in 2012.

	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percentage of total</u>	<u>Amount</u>	<u>Percentage of total</u>	<u>Amount</u>	<u>Percentage of total</u>
Operating revenues:						
Student tuition and fees (net of scholarship allowances of \$3,170,000, \$2,929,000 and \$2,761,000, respectively)	\$ 51,211,343	73%	\$ 48,041,444	71%	\$ 43,107,851	67%
Federal grants and contracts	9,789,909	14	10,626,683	16	11,753,482	18
State of New Jersey grants and contracts	<u>9,034,725</u>	13	<u>8,782,882</u>	13	<u>8,598,539</u>	14
Subtotal grants	<u>18,824,634</u>		<u>19,409,565</u>		<u>20,352,021</u>	
Other sources:						
Federal indirect cost recovery	172,109	—	172,527	—	425,264	1
Noncollegiate sponsored programs	8,310	—	59,229	—	6,353	—
Other operating revenue	<u>220,581</u>	—	<u>220,582</u>	—	<u>235,878</u>	—
Subtotal other sources	<u>401,000</u>		<u>452,338</u>		<u>667,495</u>	
Total operating revenues	<u>\$ 70,436,977</u>	<u>100%</u>	<u>\$ 67,903,347</u>	<u>100%</u>	<u>\$ 64,127,367</u>	<u>100%</u>

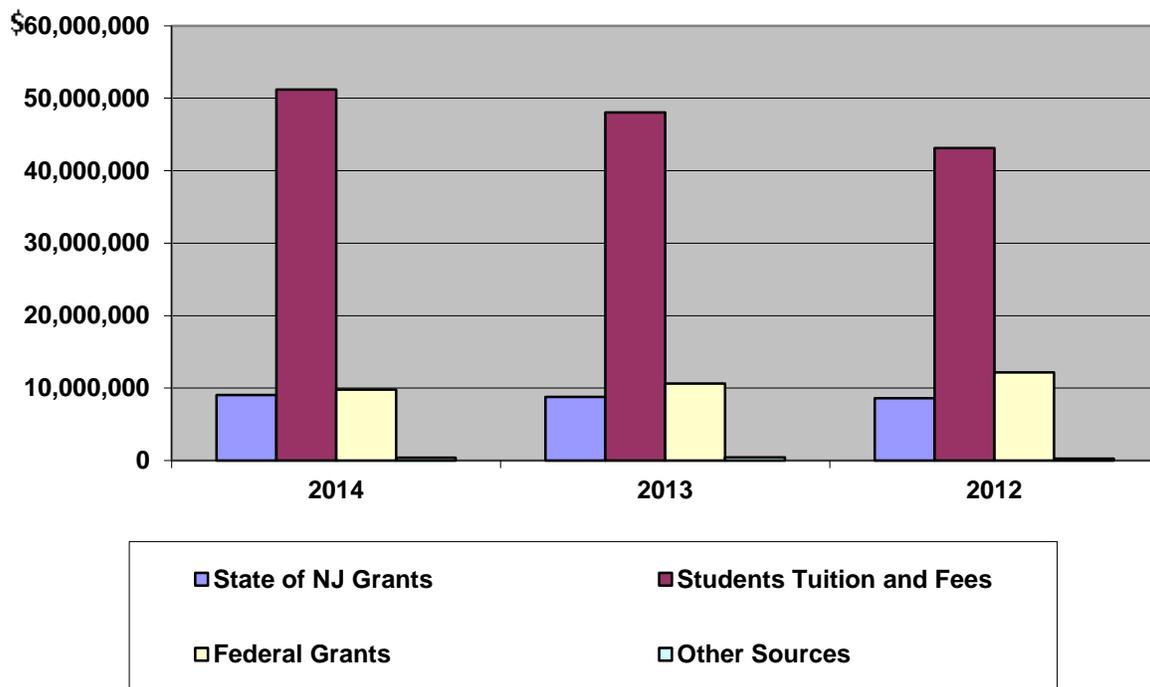
**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

Operating Revenues



Operating Expenses

Operating expenses are defined as those expenses paid by an institution to acquire or produce goods and services in return for the operating revenues, and to carry out the mission of the institution. For the year ended June 30, 2014, the Organization incurred total operating expenses of \$90,191,013, which were \$19,754,036 greater than the operating revenues of \$70,436,977. The College's operating expenses share was \$67,768,958 and the Library's operating expenses share was \$22,422,055. The College's net operating loss share was \$10,293,428 and the Library's net operating loss share was \$9,460,608. The Organization's operating expenses increased \$5,015,962 or 6% from fiscal year 2013 to 2014. The increase was primarily due to costs associated with increases in course enrollments.

- The increase in academic support expenses of \$515,245 or 2% in fiscal year 2014 is primarily due to a \$538,843 increase in mentor expenses associated with increased course enrollments. The increase in academic support expenses of \$972,220 or 4% in fiscal year 2013 is primarily due to a \$748,108 increase in

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

mentor expenses associated with increased course enrollments and a \$264,409 increase in online testing costs.

- The increase in student services expenses of \$1,316,316 or 24% in fiscal year 2014 is due to increases of \$770,235 in salary and \$513,749 in fringe benefits that is attributable to supporting the 7.5% increase in traditional enrollments. The fringe benefit cost was increased due to the rate changing from 37.7% in fiscal year 2013 to 43.1% in fiscal year 2014. The increase in student services expenses of \$1,263,359 or 29% in fiscal year 2013 is due to increases of \$695,648 in salary and \$503,721 in fringe benefits that is attributable to supporting the 7% increase in traditional enrollments. The fringe benefit cost was increased due to the rate changing from 30.3% in fiscal year 2012 to 37.7% in fiscal year 2013.
- Public services expenses increased \$287,121 or 7% and decreased \$1,526,510 or 28% in fiscal year 2014 and 2013, respectively. The increase in the current year was due increased spending for internet and other library Jersey Connect expenses. Jersey Connect is the network infrastructure that connects New Jersey libraries. The decrease in 2013 was due to a reduction of BTOP expenses of \$1,007,468.
- General institutional increased \$1,104,487 or 9% and increased \$850,721 or 8% over the previous year in fiscal year 2014 and 2013, respectively. The increase in fiscal year 2014 was due to increased staff and fringe benefits primarily to support marketing and communications. The communication increase was associated with the College website. The increase in fiscal year 2013 was due to a \$1,060,218 increase in carryforward expenses. Carryforward expenses represent investments in new programs and facilities.
- General administration expenses increased \$2,214,268 or 15% and \$2,157,439 or 17% in fiscal year 2014 and 2013, respectively. The increase in fiscal year 2014 and 2013 was primarily due to increased staff to support enrollment growth and increased fringe benefit costs.

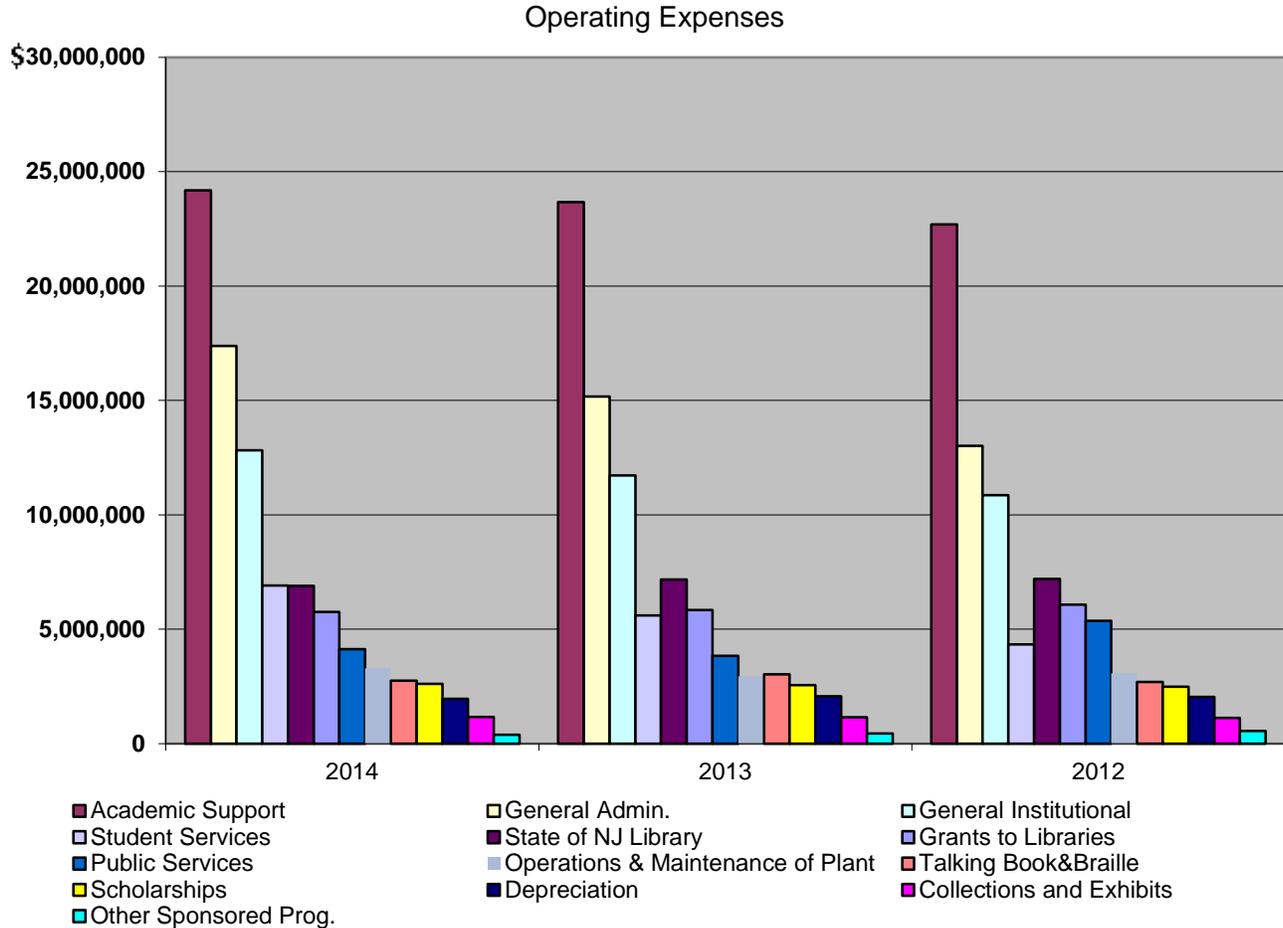
	2014		2013		2012	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating expenses:						
Academic support	\$ 24,187,947	27%	\$ 23,672,702	28%	\$ 22,700,482	28%
Student services	6,909,848	8	5,593,532	7	4,330,173	6
Public services	4,119,069	5	3,831,948	4	5,358,458	7
General institutional	12,819,703	14	11,715,216	14	10,864,495	13
Operations and maintenance	3,287,153	4	2,940,225	3	3,064,896	4
General administration	17,381,958	19	15,167,690	18	13,010,251	16
Other sponsored programs	389,059	—	438,731	1	550,842	1
Scholarships	2,604,478	3	2,557,341	3	2,488,413	3
State of New Jersey Library	6,888,036	8	7,178,673	8	7,195,126	9
Talking Book & Braille Center	2,741,513	3	3,025,261	4	2,686,499	3
Grants to libraries	5,746,103	6	5,839,429	7	6,078,643	7
Collections and exhibits	1,163,373	1	1,148,345	1	1,118,709	1
Depreciation	1,952,773	2	2,065,958	2	2,036,577	2
Total operating expenses	\$ 90,191,013	100%	\$ 85,175,051	100%	\$ 81,483,564	100%

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013



Nonoperating Revenues

Nonoperating revenues are defined as those revenues received for which goods and services are not provided in return for the revenues.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

During the fiscal year 2014, the Organization generated \$24,639,354 in nonoperating revenues. The components of the nonoperating revenues were primarily direct and indirect State of New Jersey appropriations of \$21,865,477, contributed U.S. Postal Service of \$955,726, investment income of \$885,741, and private grants of \$932,410. The College's nonoperating revenue share was \$15,680,181 and the Library's nonoperating revenue share was \$8,959,173.

- The increase in State of New Jersey appropriations of 1,854,105 or 27% in fiscal year 2014 was due to a \$1,730,000 increase for facilities that were previously paid directly by the State of New Jersey. In fiscal year 2013, the appropriation was comparable to the previous year.
- The increase in State of New Jersey paid fringe benefits of \$1,830,519 or 16% in fiscal year 2014 was due to increased salary and the increased fringe benefit rate. The increase in State of New Jersey paid fringe benefits of \$2,320,447 or 26% in fiscal year 2013 was due to increased salary and the increased fringe benefit rate. The negotiated fringe benefit rate was 43.1%, 37.7%, and 30.3% for the years ended 2014, 2013, and 2012, respectively.
- The increase in investment income of \$308,206 and \$147,517 in fiscal year 2014 and fiscal year 2013, respectively, was due to increased performance on equities.
- The increase in private gifts in fiscal year 2014 of \$468,473 or 101% was largely due to a \$274,490 Thomas A. Edison memorabilia gift received by the College. The decrease in private gifts in fiscal year 2013 of \$591,033 or 56% was due to decreases in private matching gifts for the BTOP grant.

	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Total</u>	<u>Percentage of total</u>	<u>Total</u>	<u>Percentage of total</u>	<u>Total</u>	<u>Percentage of total</u>
Nonoperating revenues:						
State of New Jersey appropriations	\$ 8,723,919	35%	\$ 6,869,814	32%	\$ 6,982,420	35%
State of New Jersey paid fringe benefits	13,141,558	53	11,311,039	52	8,990,592	45
State of New Jersey paid facilities rental	—	—	1,415,127	6	1,650,639	8
Subtotal State of New Jersey	21,865,477	88	19,595,980	90	17,623,651	88
Contributed U.S. Postal Service	955,726	4	993,718	5	1,078,158	5
Private gifts	932,410	4	463,937	2	1,054,970	5
Investment income	885,741	4	577,535	3	430,018	2
Nonoperating revenues	<u>\$ 24,639,354</u>	<u>100%</u>	<u>\$ 21,631,170</u>	<u>100%</u>	<u>\$ 20,186,797</u>	<u>100%</u>

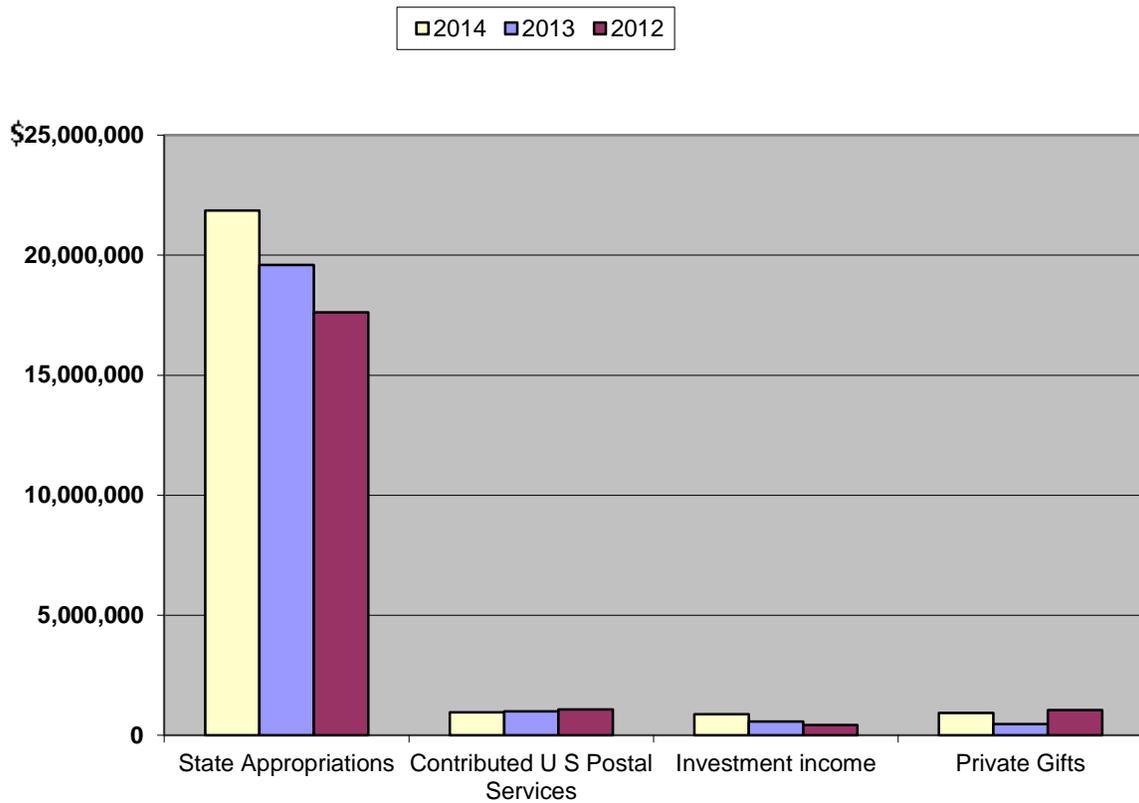
**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

Nonoperating revenues



Capital Assets and Debt Activities

The Organization received \$2,686,991 in State of New Jersey capital grants in fiscal year 2014. The capital grants include \$1,124,375 which represents the amount reimbursed for the New Jersey Capital Improvement Fund (CIF) and \$1,562,616 which represents the amount reimbursed on the General Obligation Building our Future Bond Fund. The College portion of the CIF and New Jersey Equipment Leasing Fund (ELF) debt are recorded in long-term debt.

At June 30, 2014, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$42,608,768, net of accumulated depreciation of \$29,294,969. The amount invested in capital assets, net of related debt of \$8,465,319, was \$34,143,449. Depreciation charges totaled \$1,952,773 for the current fiscal year. The \$3,167,574 increase of net investment in capital assets was due to capital additions of \$6,380,876, principal paid on outstanding debt of \$1,594,167, less additional debt incurred, net of unspent proceeds of \$1,408,667, depreciation of \$1,952,773 and net equipment retirements of \$1,446,029.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

Capital assets are comprised of replacements, renovations, as well as investments in equipment, including information technology.

Interest on indebtedness was \$321,745 in fiscal year 2014 as compared to \$63,606 in fiscal year 2013, an increase of \$258,139, or 406%. The increase was primarily due to the interest expense related to \$8 million debt related to the Kuser mansion renovation. The Kuser mansion was placed in service during fiscal year 2014. In fiscal year 2013, the related interest on indebtedness was capitalized. In fiscal year 2013, the interest on indebtedness of \$63,606 was comparable to the \$86,902 incurred in the previous year.

Tax-Exempt Lease Financing

During fiscal year 2014, the State of New Jersey issued bonds to fund two New Jersey Capital Improvement Fund grant awards made to the College. The College is responsible for one third of each debt service payment that will be reimbursed to the State. The payment schedule has a twenty-year term. The College was awarded \$1,913,000 for renovations to the Kelsey/Townhouse complex. The College share of the debt is \$593,417 with interest rates ranging from 3.500% to 5.000%. In addition, the College was awarded \$1,397,000 for renovations to the recently acquired 102-104 West State Street facility. The College share of the debt is \$433,333 with interest rates ranging from 3.500% to 5.000%. The projects are expected to be completed during fiscal year 2015.

During fiscal year 2014, the State of New Jersey issued bonds to fund the New Jersey Equipment Leasing Fund grant award made to the College. The College is responsible for one quarter of each debt service payment that will be reimbursed to the State. The payment schedule has a ten-year term. The College was awarded \$585,000 for nursing simulation laboratory equipment. The College share of the debt of \$127,318 with an interest rate of 5.000%. The equipment is expected to be purchased in fiscal year 2016 when the new Nursing Education Center is completed.

In October 2011, the Organization entered into a tax-exempt lease financing agreement with TD Bank Finance, Inc. to fully renovate the Kuser facility. The total debt issued was \$8,000,000, of which \$6,552,795 is outstanding as of June 30, 2014. The payment schedule has a twenty-year term with an interest rate of 3.500%.

In July 2011, the Organization entered in a tax-exempt lease financing arrangement in which TD Equipment Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for \$948,000 to be used for a movable shelving system at the New Jersey State Library and College Information Technology Equipment. The lease agreement payment schedule is an eight-year term with an interest rate of 2.427%.

In September 2010, the Organization entered in a tax-exempt lease financing arrangement in which Banc of America Leasing and Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for \$700,000 to be used for furniture and data processing equipment. The lease agreement payment schedule is a five-year term with an interest rate of 2.370%.

In September 2007, the Organization entered in a tax-exempt lease financing arrangement in which Banc of America Leasing and Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for \$2,700,000 to be used for building improvements,

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**

(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

security, equipment, and data processing upgrades. The lease agreement calls for three separate payment schedules to be paid over five, seven, and fifteen-years with interest rates of 4.100%, 4.380% and 4.570%.

The Organization's net investment in capital assets at June 30, 2014, 2013, and 2012 were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net investment in capital assets:			
Depreciable assets:			
Buildings and improvements	\$ 28,912,274	28,698,021	22,624,116
Equipment and vehicles	2,609,050	4,566,565	5,211,694
Furniture and fixtures	1,951,692	2,117,713	1,484,807
Subtotal	<u>33,473,016</u>	<u>35,382,299</u>	<u>29,320,617</u>
Nondepreciable assets:			
Land	2,286,825	1,717,268	1,705,439
Construction in progress	4,744,060	645,756	1,769,134
Rare books, artwork, and historical documents	2,104,867	1,881,371	1,881,371
Subtotal	<u>9,135,752</u>	<u>4,244,395</u>	<u>5,355,944</u>
Total capital assets	42,608,768	39,626,694	34,676,561
Less related long-term debt, net of unspent proceeds	<u>(8,465,319)</u>	<u>(8,650,819)</u>	<u>(3,836,434)</u>
Net investment in capital assets	<u>\$ 34,143,449</u>	<u>30,975,875</u>	<u>30,840,127</u>

Conclusion and Economic Outlook

With net position of \$79,335,692, the Organization's financial position remains positive. A major challenge to the Organization is sustaining the College's enrollment growth. The College had 21,495 enrollments in fiscal year 2014. The College experienced a 3% increase in student enrollments. The College was able to generate a 7% increase in student revenue with a price increase of 3.5% along with increases in our traditional students.

The College is in the process of significantly expanding its physical campus. The expansion, which will allow for planned enrollment growth, is being partially funded with grants awarded by the State of New Jersey. The most significant grant is to build a 34,702 square foot Nursing Education Center. In addition, the College received funding to renovate the 102-104 West State Street facility which was purchased during fiscal year 2014. The College also received funding to renovate the Kelsey and Townhouse Complex located at 101 West State Street.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

The College continued to invest significant reserves to support new products, programs, and increased continuous enrollment to minimize student tuition increases. The College increased tuition 3% in fiscal year 2015.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Statements of Net Position

Business-Type Activities – Organization Only

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash (note 2)	\$ 15,297,725	9,053,854
Investments (note 2)	32,671,633	35,582,331
Receivables:		
Students, less allowance for doubtful accounts of \$1,864,000 in 2014 and \$1,992,000 in 2013	4,528,500	3,141,444
State of New Jersey	753,857	489,324
Federal	848,962	982,062
Corporate accounts, less allowance for doubtful accounts of \$444,000 in 2014 and \$462,000 in 2013	633,729	683,413
Other receivables	114,760	84,602
Total receivables	6,879,808	5,380,845
Prepaid expenses and other assets	290,766	405,973
Total current assets	55,139,932	50,423,003
Noncurrent assets:		
Investments (note 2)	6,114,354	8,120,118
Restricted investments (note 2)	1,417,574	1,191,029
Trustee held investments – restricted (note 3)	4,611,950	2,842,796
Rare books, artwork, and historical documents	2,104,867	1,881,371
Capital assets, net (note 4)	40,503,901	37,745,323
Total noncurrent assets	54,752,646	51,780,637
Total assets	109,892,578	102,203,640
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 5 and 6)	9,136,848	8,412,608
Unearned tuition and fees	8,559,001	8,378,904
Unearned grants and contracts	1,635,644	1,926,416
Deposits held in custody for others	479	4,194
Long-term debt – current portion (note 7)	779,013	778,540
Total current liabilities	20,110,985	19,500,662
Noncurrent liabilities:		
Compensated absences – noncurrent portion (note 6)	492,933	394,838
Unearned grants and contracts	1,616,557	—
Long-term debt (note 7)	8,336,411	8,776,983
Total noncurrent liabilities	10,445,901	9,171,821
Total liabilities	30,556,886	28,672,483
Net Position		
Net investment in capital assets	34,143,449	30,975,875
Restricted for:		
Nonexpendable:		
Aid to local libraries	416,073	416,073
Library for the Blind and Handicapped	333,642	333,642
Expendable:		
Aid to local libraries	281,485	471,597
Library for the Blind and Handicapped	1,009,023	886,840
Public policy	410,739	262,487
Unrestricted	42,741,281	40,184,643
Total net position	\$ 79,335,692	73,531,157

See accompanying notes to financial statements.

THOMAS EDISON STATE COLLEGE FOUNDATION, INC.
(A Component Unit of Thomas Edison State College and its
Affiliate The New Jersey State Library)

Statements of Financial Position
December 31, 2013 and 2012

	Assets	<u>2013</u>	<u>2012</u>
Cash		\$ 201,151	137,412
Investments		7,627,465	6,503,909
Contributions receivable		65,500	59,800
Other assets		<u>59,830</u>	<u>66,287</u>
Total assets		<u>\$ 7,953,946</u>	<u>6,767,408</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable		\$ 4,791	2,206
Grants payable		386,187	216,470
Accrued liabilities		<u>36,579</u>	<u>32,999</u>
Total liabilities		<u>427,557</u>	<u>251,675</u>
Net assets:			
Unrestricted		3,025,220	2,598,026
Temporarily restricted		1,261,909	750,167
Permanently restricted		<u>3,239,260</u>	<u>3,167,540</u>
Total net assets		<u>7,526,389</u>	<u>6,515,733</u>
Total liabilities and net assets		<u>\$ 7,953,946</u>	<u>6,767,408</u>

See accompanying notes to financial statements.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – Organization Only

Years ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$3,170,000 in 2014 and \$2,929,000 in 2013)	\$ 51,211,343	48,041,444
Federal grants and contracts	9,789,909	10,626,683
Federal indirect cost recovery	172,109	172,527
State of New Jersey grants and contracts	9,034,725	8,782,882
Noncollegiate sponsored programs	8,310	59,229
Other operating revenues	220,581	220,582
Total operating revenues	70,436,977	67,903,347
Operating expenses:		
Academic support	24,187,947	23,672,702
Student services	6,909,848	5,593,532
Public services	4,119,069	3,831,948
General institutional	12,819,703	11,715,216
Operations and maintenance	3,287,153	2,940,225
General administration	17,381,958	15,167,690
Other sponsored programs	389,059	438,731
Scholarships	2,604,478	2,557,341
State of New Jersey Library	6,888,036	7,178,673
Talking Book and Braille Center	2,741,513	3,025,261
Grants to libraries	5,746,103	5,839,429
Collections and exhibits	1,163,373	1,148,345
Depreciation	1,952,773	2,065,958
Total operating expenses	90,191,013	85,175,051
Operating loss	(19,754,036)	(17,271,704)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	8,723,919	6,869,814
State of New Jersey paid fringe benefits	13,141,558	11,311,039
State of New Jersey paid facilities rental	—	1,415,127
Contributed U.S. Postal Service	955,726	993,718
Private gifts – restricted	932,410	463,937
Investment income	885,741	577,535
Interest on indebtedness	(321,745)	(63,606)
Loss on disposal of equipment	(1,446,029)	(69,327)
Net nonoperating revenues	22,871,580	21,498,237
Increase before other revenues	3,117,544	4,226,533
State of New Jersey capital grants	2,686,991	—
Increase in net position	5,804,535	4,226,533
Net position as of beginning of year	73,531,157	69,304,624
Net position as of end of year	\$ 79,335,692	73,531,157

See accompanying notes to financial statements.

THOMAS EDISON STATE COLLEGE FOUNDATION, INC.
(A Component Unit of Thomas Edison State College and its
Affiliate The New Jersey State Library)

Statement of Activities

Year ended December 31, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:				
Contributions and grants	\$ 204,394	142,363	58,407	405,164
Special events	178,179	—	28,609	206,788
Donated services and auction materials	250,490	—	—	250,490
Donated collection	277,523	—	—	277,523
Net assets released from restrictions	403,322	(388,026)	(15,296)	—
Total support and revenues	1,313,908	(245,663)	71,720	1,139,965
Expenses:				
Grants	298,785	—	—	298,785
Scholarships	53,448	—	—	53,448
Promotional	20,401	—	—	20,401
Special events	121,303	—	—	121,303
Donated services and auction materials	250,490	—	—	250,490
Donated collection	277,523	—	—	277,523
Management and general	101,893	—	—	101,893
Fundraising	20,438	—	—	20,438
Total expenses	1,144,281	—	—	1,144,281
Change in net assets before investment return	169,627	(245,663)	71,720	(4,316)
Net investment return	257,567	757,405	—	1,014,972
Change in net assets	427,194	511,742	71,720	1,010,656
Net assets, beginning of year	2,598,026	750,167	3,167,540	6,515,733
Net assets, end of year	\$ 3,025,220	1,261,909	3,239,260	7,526,389

See accompanying notes to financial statements.

THOMAS EDISON STATE COLLEGE FOUNDATION, INC.

(A Component Unit of Thomas Edison State College and its
Affiliate The New Jersey State Library)

Statement of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Contributions and grants	\$ 193,981	138,731	34,182	366,894
Special events	143,139	—	20,852	163,991
Donated services and auction materials	257,439	—	—	257,439
Net assets released from restrictions	346,744	(339,744)	(7,000)	—
Total support and revenues	<u>941,303</u>	<u>(201,013)</u>	<u>48,034</u>	<u>788,324</u>
Expenses:				
Grants	199,364	—	—	199,364
Scholarships	59,213	—	—	59,213
Promotional	13,176	—	—	13,176
Special events	77,465	—	—	77,465
Donated services and auction materials	257,439	—	—	257,439
Management and general	107,261	—	—	107,261
Fundraising	22,967	—	—	22,967
Total expenses	<u>736,885</u>	<u>—</u>	<u>—</u>	<u>736,885</u>
Change in net assets before investment return	204,418	(201,013)	48,034	51,439
Net investment return	<u>201,059</u>	<u>334,798</u>	<u>—</u>	<u>535,857</u>
Change in net assets	405,477	133,785	48,034	587,296
Net assets, beginning of year	<u>2,192,549</u>	<u>616,382</u>	<u>3,119,506</u>	<u>5,928,437</u>
Net assets, end of year	<u>\$ 2,598,026</u>	<u>750,167</u>	<u>3,167,540</u>	<u>6,515,733</u>

See accompanying notes to financial statements.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Student tuition and fees	\$ 52,759,038	51,067,797
Grants, contracts, and other revenues	15,122,633	17,678,475
Payments for salaries	(31,651,522)	(30,225,249)
Payments for fringe benefits	(2,850,923)	(2,060,188)
Payments for materials and supplies	(1,688,190)	(1,733,751)
Payments for services	(26,835,103)	(26,728,982)
Payments for maintenance	(2,789,152)	(1,360,587)
Payments to students	(3,170,418)	(2,928,818)
Payments for grants and contracts	(2,106,863)	(2,201,189)
Payments for noncapital improvements	(449,400)	(557,766)
	(3,659,900)	949,742
Net cash (used by) provided by operating activities		
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	8,656,528	6,869,814
Private gifts – restricted	898,168	433,110
Agency receipts	150,740	146,459
Agency disbursements	(152,461)	(147,334)
	9,552,975	7,302,049
Net cash provided by noncapital financing activities		
Cash flows from capital financing activities:		
Proceeds from issuance of capital debt	1,154,068	—
State of New Jersey capital grants	4,187,663	—
Purchases of capital assets	(6,856,129)	(6,236,185)
Net withdrawals from (deposits with) trustee	(1,915,377)	5,467,714
Principal paid on capital debt	(1,594,167)	(704,989)
Interest paid on capital debt	(317,168)	(351,437)
	(5,341,110)	(1,824,897)
Net cash used by capital financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	22,377,431	36,068,374
Purchases of investments	(17,261,139)	(40,424,334)
Interest on investments	575,614	477,872
	5,691,906	(3,878,088)
Net cash provided by (used by) investing activities		
Net increase in cash	6,243,871	2,548,806
Cash as of beginning of the year	9,053,854	6,505,048
Cash as of end of the year	\$ 15,297,725	9,053,854

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash provided by (used by) operating activities:		
Operating loss	\$ (19,754,036)	(17,271,704)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:		
Depreciation expense	1,952,773	2,065,958
Noncash transactions	14,131,344	13,751,017
Change in assets and liabilities:		
Receivables	(1,285,529)	1,571,437
Prepaid expenses and other assets	59,340	(90,007)
Accounts payable and accrued expenses	1,346,883	513,732
Unearned tuition and fees	180,097	425,379
Unearned grants and contracts	(290,772)	(16,070)
Net cash (used by) provided by operating activities	\$ (3,659,900)	949,742
Noncash transactions:		
State of New Jersey paid fringe benefits	\$ 13,141,558	11,311,039
State of New Jersey paid facilities rental	—	1,415,127
Contributed U.S. Postal Service	955,726	993,718
Contributed services	34,060	31,133
Student waivers expense	(483,693)	(618,691)
Student tuition and fees	483,693	618,691
State of New Jersey paid grants to local libraries expense	(3,639,240)	(3,639,240)
State of New Jersey paid grants to local libraries revenue	3,639,240	3,639,240
	\$ 14,131,344	13,751,017

See accompanying notes to financial statements.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

Organization

Thomas Edison State College

Thomas Edison State College (the College) was founded by the New Jersey Board of Higher Education in 1972 as an undergraduate institution which provides flexible and accessible, high-quality college opportunities primarily for adults. The College was developed within two guiding assumptions: (1) many adults acquire college-level knowledge through work, leisure, and formal and informal training activities and (2) college credit should be awarded for the demonstration of college-level knowledge, regardless of the source of that knowledge.

The mission statement of Thomas Edison State College charges the College with offering degree programs in liberal arts, business, and professional areas; developing and administering instruments such as credit-by-exam and assessment of documented learning to translate nontranscribed knowledge into college credit; providing educational advice to its students; enhancing adult access to all forms of higher education by developing cooperative relationships with higher education providers and by developing policies and procedures appropriate to the adult learner; and with developing linkages or creating educational delivery systems built around contemporary telecommunications technology.

The College is accredited by the Middle States Association of Colleges and Schools. Enrollment for 2014 was 21,495 students. Since the College was founded 50,149 associate, baccalaureate, and masters degrees in fourteen degree programs have been awarded. The College's offices are located in Trenton, New Jersey.

The New Jersey State Library

The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State of New Jersey. This is accomplished by enabling citizens of the State and other libraries within the State, to have access to a national network of publications as well as the collection of books and historical documents at the Library, including a priceless Jerseyana collection. The Library also ensures that affiliated libraries within the State are provided Federal and State funds needed to administer library operations and update collections of books and records. The Library has existed as part of the State since 1796 and maintains approximately 2,038,000 volumes of books and historical documents. Included in the Library is the Talking Book & Braille Center (formerly known as the Library for the Blind and Handicapped), which maintains approximately 560,000 books, audiotapes and other nonprint items.

The Organization

The College and the State recognize that the mission of the Library compliments and enhances the mission of the College. Therefore, to ensure the efficient and effective delivery of library and related services to the citizens of the State, Pamphlet Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the College. This statute makes permanent the conditions of Executive Order 002-1996 under which the College and the Library have been operating since July 1996. As a result, the

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

financial reporting entity was formed known as Thomas Edison State College and its Affiliate the New Jersey State Library (the Organization) under control of the College's Board of Trustees.

The Organization is recognized as a public institution by the State. Under the law, the Organization is an instrumentality of the State with a high degree of autonomy. However, under Government Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, the Organization is considered a component unit of the State for financial reporting purposes. Accordingly, the Organization's financial statements are included in the State's Comprehensive Annual Financial Report.

Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the Organization conform to U.S. generally accepted accounting principles as applicable to colleges and universities. The Organization's reports are based on all applicable GASB pronouncements.

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

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted*:
 - Nonexpendable* – Net position subject to externally imposed stipulations that must be maintained permanently by the Organization.
 - Expendable* – Net position whose use by the Organization is subject to externally imposed stipulations that can be fulfilled by actions of Organization pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated by specific purposes by action of management to the Board of Trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs (see note 10).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Organization'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 Organization reports as a business-type activity, as defined by

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Adoption of New Standards

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets or liabilities as outflows of resources (expenses) or inflows of resources (revenues). This statement become effective in fiscal year 2014 and did not have a material impact on the Organization's financial statements.

Investments

Investments are reflected at fair value, which is based on quoted market price. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

Rare Books, Artwork, and Historical Documents

The Organization capitalizes rare books, artwork, collections and historical documents of \$5,000 or greater at fair value at the date of donation. These items are held for public exhibition, education, or research in furtherance of public service, rather than financial gain, protected, kept unencumbered, cared for, and preserved, and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. They are considered inexhaustible and are not depreciated.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold is \$5,000 and above for all furniture, equipment and vehicles. All building improvements are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets of the Organization are depreciated using the straight-line method over the following useful lives.

	Useful lives
Buildings	50 years
Building improvements	10 – 40 years
Data processing equipment	5 years
Furniture and fixtures	15 years
General equipment	10 years
Land improvements	10 – 50 years
Software	7 years
Vehicles	5 years

The Organization does not capitalize the existing collections of the library, including books and microfiche, except for rare books, artwork, and historical documents, as they have a short estimated useful life. Included in the accompanying financial statements as an expense are accessions of approximately \$1,163,000 and \$1,148,000 in 2014 and 2013, respectively.

Student Tuition and Fees

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarships expenses and are recognized in the period incurred. Student tuition and fees collected in advance of the fiscal year are recorded as unearned revenue in the accompanying statements of net position.

State of New Jersey and Federal Grants and Contracts

State of New Jersey and Federal grants and contracts revenues are recognized as the related expenses are incurred. Amounts received from grants and contracts, which have not yet been earned under the terms of the agreement, are recorded as unearned revenue in the accompanying statements of net position.

State of New Jersey Paid Fringe Benefits

The State of New Jersey pays for the fringe benefits for certain employees of the Organization. Fringe benefits paid by the State of \$13,141,558 and \$11,311,039 in 2014 and 2013, respectively, have been included in the accompanying financial statements as revenues and expenses.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

State of New Jersey Paid Facilities Rental

In 2013, the College occupied office space provided by the State with a fair rental value of \$1,415,127. During this time, the College did not pay any rental fees to the State in connection with the aforementioned office space and therefore included the fair rental value as revenues and expenses in the accompanying financial statements.

Contributed U.S. Postal Service

As a service to the blind citizens of the State of New Jersey, the U.S. Postal Service provides certain delivery services for the Talking Book & Braille Center at no cost to the Library. The estimated value of such services, based upon the amount of packages delivered, is \$955,726 and \$993,718 for the years ended June 30, 2014 and 2013, respectively. Such contributed services have been included in the accompanying financial statements as revenues and expenses.

Classification of Revenue

The Organization's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the Organization'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 (1) student tuition and fees, net of scholarship allowances, and (2) most Federal, State, and private grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, contributed U.S. Postal Service, private gifts, and investment income.

Financial Dependency

The Organization receives a substantial amount of support from Federal and State sources. A significant reduction in the level of this support, if this were to occur, may have adverse effects on the Organization's programs and activities.

Income Taxes

The Organization's income is excluded from Federal income taxes under Internal Revenue Code Section 115.

Use of Estimates

The preparation 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.

Reclassifications:

Certain reclassifications of 2013 amounts have been made to conform to the 2014 presentation.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(2) **Cash and Investments**

Cash

Cash consisted of the following demand deposits in a financial institution as of June 30, 2014 and 2013:

	Carrying amount	Bank balances
2014:		
College	\$ 10,989,736	11,979,603
Library	4,307,989	4,367,859
Total deposits	\$ 15,297,725	16,347,462
2013:		
College	\$ 5,864,245	7,092,467
Library	3,189,609	3,225,979
Total deposits	\$ 9,053,854	10,318,446

Bank balances in excess of FDIC insured amounts totaling \$15,908,829 in 2014 and \$9,887,859 in 2013 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

Investments

The Organization has an investment policy which establishes guidelines for permissible investments. The policy's investment philosophy for the Organization is based on a disciplined, consistent and diversified approach. The Organization may be invested in instruments such as, but not limited to, obligations of the United States government; certificates of deposit; domestic investment grade commercial paper; money market funds; domestic fixed income investments; and equities.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

Investments are stated at fair value, and consist of the following as of June 30, 2014 and 2013:

	2014		
	College	Library	Total
State of New Jersey Cash			
Management Fund	\$ 323,007	413,298	736,305
Money market	16,463,545	2,012,207	18,475,752
U.S. government bonds and notes	7,388,079	—	7,388,079
Equity mutual funds	2,460,568	478,941	2,939,509
Fixed income mutual funds	—	337,940	337,940
Corporate bonds	249,043	—	249,043
Certificates of deposit	10,076,933	—	10,076,933
Total	<u>\$ 36,961,175</u>	<u>3,242,386</u>	<u>40,203,561</u>

	2013		
	College	Library	Total
State of New Jersey Cash			
Management Fund	\$ 322,823	413,064	735,887
Money market	15,369,606	3,512,478	18,882,084
U.S. government bonds and notes	9,136,368	—	9,136,368
Equity mutual funds	2,067,247	360,980	2,428,227
Fixed income mutual funds	—	380,708	380,708
Certificates of deposit	13,330,204	—	13,330,204
Total	<u>\$ 40,226,248</u>	<u>4,667,230</u>	<u>44,893,478</u>

Bank balances in excess of FDIC insured amounts totaling \$9,826,933 in 2014 and \$12,830,204 in 2013 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The Organization's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). The Organization's investment policy requires that the overall average quality rating of the portfolio's domestic fixed income holdings will be at least "A" for Operating Funds and "BBB" for Quasi-Endowment Funds, as rated by the Standard and Poor's or Moody's rating agency.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

The following table summarizes the agency ratings (Moody's) of the Organization's fixed income investments as of June 30, 2014 and 2013:

	2014		2013	
	Rating	Fair value	Rating	Fair value
College:				
U.S. government bonds and notes	AAA	\$ 7,388,079	AAA	\$ 9,136,368
Corporate bonds	AA+	249,043		—
		\$ 7,637,122		\$ 9,136,368

The Organization participates in the State of New Jersey Cash Management Fund wherein amounts, also contributed by other State entities, are combined into a large scale investment program. The Cash Management Fund, fixed income mutual funds and money market accounts are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Organization 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.

The following table summarizes the maturities of the Organization's fixed income investments as of June 30, 2014 and 2013:

	2014				
	Maturities in years				
	Fair value	Less than 1	1-5	6-10	11-15
College:					
State of New Jersey Cash Management Fund	\$ 323,007	323,007	—	—	—
Money market	16,463,545	16,463,545	—	—	—
U.S. government bonds and notes	7,388,079	1,513,445	4,621,277	1,204,577	48,780
Corporate bonds	249,043	9,323	79,174	160,546	—
Library:					
State of New Jersey Cash Management Fund	413,298	413,298	—	—	—
Money market	2,012,207	2,012,207	—	—	—
Fixed income mutual funds	337,940	337,940	—	—	—
	\$ 27,187,119	21,072,765	4,700,451	1,365,123	48,780

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

		2013				
		Maturities in years				
		Fair value	Less than 1	1-5	6-10	11-15
College:						
State of New Jersey Cash						
Management Fund	\$	322,823	322,823	—	—	—
Money market		15,369,606	15,369,606	—	—	—
U.S. government bonds and notes		9,136,368	1,016,250	6,581,388	1,192,534	346,196
Library:						
State of New Jersey Cash						
Management Fund		413,064	413,064	—	—	—
Money market		3,512,478	3,512,478	—	—	—
Fixed income mutual funds		380,708	380,708	—	—	—
	\$	29,135,047	21,014,929	6,581,388	1,192,534	346,196

(3) Trustee Held Investments – Restricted

Trustee held investments include restricted funds held for specific purposes by third party trustees. Trustee held investments are carried in the statements of net position at fair value and consist of the following as of June 30, 2014 and 2013:

		2014		
		College	Library	Total
State of New Jersey Cash				
Management Fund	\$	—	608,387	608,387
Money market		3,578,562	17,322	3,595,884
Alternative investments		—	86,548	86,548
Fixed income mutual funds		—	80,601	80,601
Equity mutual funds		—	240,530	240,530
Total	\$	3,578,562	1,033,388	4,611,950

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

	2013		
	College	Library	Total
State of New Jersey Cash Management Fund	\$ —	807,546	807,546
Money market	1,663,186	9,546	1,672,732
Alternative investments	—	52,290	52,290
Fixed income mutual funds	—	69,748	69,748
Equity mutual funds	—	240,480	240,480
Total	\$ 1,663,186	1,179,610	2,842,796

The Organization's trustee held investments – restricted are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks are discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Organization's investment policy requires that the overall average quality rating of the portfolio's domestic fixed income holdings will be at least "A", as rated by the Standard and Poor's or Moody's rating agency.

The Organization participates in the State of New Jersey Cash Management Fund wherein amounts are also contributed by other State entities are combined into a large scale investment program. The Cash Management Fund, fixed income mutual funds and money market funds are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Organization 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.

The following table summarizes the maturities of the Organization's trustee held investments – restricted as of June 30, 2014 and 2013:

	2014				
	Maturities in years				
	Fair value	Less than 1	1-5	6-10	11-15
College:					
Money market	\$ 3,578,562	3,578,562	—	—	—
Library:					
State of New Jersey Cash Management Fund	608,387	608,387	—	—	—
Money market	17,322	17,322	—	—	—
Fixed income mutual funds	80,601	80,601	—	—	—
	\$ 4,284,872	4,284,872	—	—	—

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

		2013				
		Maturities in years				
		Fair value	Less than 1	1-5	6-10	11-15
College:						
	Money market	\$ 1,663,186	1,663,186	—	—	—
Library:						
	State of New Jersey Cash					
	Management Fund	807,546	807,546	—	—	—
	Money market	9,546	9,546	—	—	—
	Fixed income mutual funds	69,748	69,748	—	—	—
		\$ 2,550,026	2,550,026	—	—	—

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(4) Capital Assets

The Organization's principal locations are in buildings, which are owned by the State and are dedicated for use by the Organization. Although legal title rests with the State, the Organization has been given, through legislation, exclusive use of the buildings and has included the cost of capital assets in the accompanying statements of net position. For the years ended June 30, 2014 and 2013, capital assets and accumulated depreciation activity was as follows:

	2014			
	Beginning balance	Additions	Retirements	Ending balance
Depreciable assets:				
Buildings and improvements	\$ 28,377,904	1,044,435	—	29,422,339
Equipment and vehicles	6,185,701	211,485	591,318	5,805,868
Furniture and fixtures	2,965,160	177,376	399,570	2,742,966
College subtotal	<u>37,528,765</u>	<u>1,433,296</u>	<u>990,888</u>	<u>37,971,173</u>
Buildings and improvements	20,093,944	—	—	20,093,944
Equipment and vehicles	7,005,575	56,223	2,508,344	4,553,454
Furniture and fixtures	186,897	—	37,483	149,414
Library subtotal	<u>27,286,416</u>	<u>56,223</u>	<u>2,545,827</u>	<u>24,796,812</u>
Total depreciable assets	<u>64,815,181</u>	<u>1,489,519</u>	<u>3,536,715</u>	<u>62,767,985</u>
Less accumulated depreciation:				
Buildings and improvements	5,939,855	592,472	—	6,532,327
Equipment and vehicles	4,329,717	453,125	351,678	4,431,164
Furniture and fixtures	985,567	178,482	242,857	921,192
College subtotal	<u>11,255,139</u>	<u>1,224,079</u>	<u>594,535</u>	<u>11,884,683</u>
Buildings and improvements	13,833,972	237,710	—	14,071,682
Equipment and vehicles	4,294,994	488,338	1,464,224	3,319,108
Furniture and fixtures	48,777	2,646	31,927	19,496
Library subtotal	<u>18,177,743</u>	<u>728,694</u>	<u>1,496,151</u>	<u>17,410,286</u>
Total accumulated depreciation	<u>29,432,882</u>	<u>1,952,773</u>	<u>2,090,686</u>	<u>29,294,969</u>
Total depreciable assets, net	<u>35,382,299</u>	<u>(463,254)</u>	<u>1,446,029</u>	<u>33,473,016</u>
Nondepreciable assets:				
College construction in progress	645,756	4,098,304	—	4,744,060
College land	627,676	569,557	—	1,197,233
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	<u>2,363,024</u>	<u>4,667,861</u>	<u>—</u>	<u>7,030,885</u>
Total capital assets, net	<u>\$ 37,745,323</u>	<u>4,204,607</u>	<u>1,446,029</u>	<u>40,503,901</u>

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

	2013			Ending balance
	Beginning balance	Additions	Retirements	
Depreciable assets:				
Buildings and improvements	\$ 21,675,070	6,777,732	74,898	28,377,904
Equipment and vehicles	6,061,173	335,253	210,725	6,185,701
Furniture and fixtures	2,178,804	789,691	3,335	2,965,160
College subtotal	<u>29,915,047</u>	<u>7,902,676</u>	<u>288,958</u>	<u>37,528,765</u>
Buildings and improvements	20,095,072	—	1,128	20,093,944
Equipment and vehicles	7,696,134	294,291	984,850	7,005,575
Furniture and fixtures	186,897	—	—	186,897
Library subtotal	<u>27,978,103</u>	<u>294,291</u>	<u>985,978</u>	<u>27,286,416</u>
Total depreciable assets	<u>57,893,150</u>	<u>8,196,967</u>	<u>1,274,936</u>	<u>64,815,181</u>
Less accumulated depreciation:				
Buildings and improvements	5,548,703	419,706	28,554	5,939,855
Equipment and vehicles	4,000,894	522,648	193,825	4,329,717
Furniture and fixtures	835,754	151,142	1,329	985,567
College subtotal	<u>10,385,351</u>	<u>1,093,496</u>	<u>223,708</u>	<u>11,255,139</u>
Buildings and improvements	13,597,322	237,778	1,128	13,833,972
Equipment and vehicles	4,544,716	731,050	980,772	4,294,994
Furniture and fixtures	45,142	3,635	—	48,777
Library subtotal	<u>18,187,180</u>	<u>972,463</u>	<u>981,900</u>	<u>18,177,743</u>
Total accumulated depreciation	<u>28,572,531</u>	<u>2,065,959</u>	<u>1,205,608</u>	<u>29,432,882</u>
Total depreciable assets, net	<u>29,320,619</u>	<u>6,131,008</u>	<u>69,328</u>	<u>35,382,299</u>
Nondepreciable assets:				
College construction in progress	1,769,134	645,756	1,769,134	645,756
College land	615,847	11,829	—	627,676
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	<u>3,474,573</u>	<u>657,585</u>	<u>1,769,134</u>	<u>2,363,024</u>
Total capital assets, net	<u>\$ 32,795,192</u>	<u>6,788,593</u>	<u>1,838,462</u>	<u>37,745,323</u>

During 2014 and 2013, the Organization has capitalized interest expense, net of related interest income of \$0 and \$282,487, respectively, in construction in progress in the accompanying statements of net position.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2014 and 2013:

	2014			2013
	College	Library	Total	Total
Vendors	\$ 5,276,845	112,606	5,389,451	4,943,456
Accrued salaries and benefits	1,311,417	293,826	1,605,243	1,345,758
Compensated absences	1,521,880	315,077	1,836,957	1,503,359
Other accrued expenses	305,197	—	305,197	620,035
Total	<u>\$ 8,415,339</u>	<u>721,509</u>	<u>9,136,848</u>	<u>8,412,608</u>

(6) Noncurrent Liabilities

For the years ended June 30, 2014 and 2013, noncurrent liabilities activity was as follows:

	2014				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
College	\$ 1,506,517	2,317,609	1,966,929	1,857,197	1,521,880
Library	391,680	618,078	537,065	472,693	315,077
Total compensated absences	1,898,197	2,935,687	2,503,994	2,329,890	1,836,957
Unearned grants and contracts	—	1,616,557	—	1,616,557	—
Total	<u>\$ 1,898,197</u>	<u>4,552,244</u>	<u>2,503,994</u>	<u>3,946,447</u>	<u>1,836,957</u>

	2013				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
College	\$ 1,558,021	2,161,695	2,213,199	1,506,517	1,227,767
Library	457,726	602,377	668,423	391,680	275,592
Total	<u>\$ 2,015,747</u>	<u>2,764,072</u>	<u>2,881,622</u>	<u>1,898,197</u>	<u>1,503,359</u>

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(7) Long-Term Debt

For the years ended June 30, 2014 and 2013, long-term debt activity was as follows:

	2014				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Long-term debt:					
College:					
Banc of America					
2007 Tax Exempt Lease	\$ 713,691	—	101,088	612,603	85,673
2010 Tax Exempt Lease	325,273	—	142,428	182,845	145,841
TD Bank					
2012 Tax Exempt Lease	7,789,474	—	1,236,679	6,552,795	421,053
2012 Tax Exempt Lease	264,263	—	41,417	222,846	42,431
Capital Improvement Fund					
102-104 West State Street	—	433,333	—	433,333	—
Capital Improvement Fund					
Kelsey/Townhouse Complex	—	593,417	—	593,417	—
Equipment Leasing Fund					
Nursing Equipment	—	127,318	—	127,318	9,684
College subtotal	<u>9,092,701</u>	<u>1,154,068</u>	<u>1,521,612</u>	<u>8,725,157</u>	<u>704,682</u>
Library:					
TD Bank:					
2012 Tax Exempt Lease	462,822	—	72,555	390,267	74,331
Library subtotal	<u>462,822</u>	<u>—</u>	<u>72,555</u>	<u>390,267</u>	<u>74,331</u>
Total	<u>\$ 9,555,523</u>	<u>1,154,068</u>	<u>1,594,167</u>	<u>9,115,424</u>	<u>779,013</u>

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

	2013				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Long-term debt:					
College:					
Banc of America					
2007 Tax Exempt Lease	\$ 957,811	—	244,120	713,691	101,088
2010 Tax Exempt Lease	464,369	—	139,096	325,273	142,428
TD Bank					
2012 Tax Exempt Lease	8,000,000	—	210,526	7,789,474	421,053
2012 Tax Exempt Lease	304,690	—	40,427	264,263	41,417
College subtotal	9,726,870	—	634,169	9,092,701	705,986
Library:					
TD Bank					
2012 Tax Exempt Lease	533,642	—	70,820	462,822	72,554
Library subtotal	533,642	—	70,820	462,822	72,554
Total	\$ 10,260,512	—	704,989	9,555,523	778,540

In March 2014, the Organization received grant funding as part of the Higher Education Capital Improvement Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the grantor, and the Organization is the grantee. The grant funding of \$1,397,000 to the College is to be used for the renovations to 102 – 104 West State Street to house its new Center for Learning Technology. The Organization's share of the bond debt service is \$662,932. As of June 30, 2014, the Organization has drawn down \$84,969. The bond debt service payment schedule has a twenty-year term. There are twenty interest-only payments totaling \$118,131 and nineteen principal plus interest payments totaling \$544,801 with interest rates ranging from 3.500% to 5.000%. The first payment is scheduled to start on September 1, 2014. As of June 30, 2014, the Organization owes \$433,333.

In March 2014, the Organization received grant funding as part of the Higher Education Capital Improvement Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the grantor, and the Organization is the grantee. The grant funding of \$1,913,000 to the College is to be used for capital improvements and renovations to the Kelsey/Townhouse Complex. The Organization's share of the bond debt service is \$907,836. As of June 30, 2014, the Organization has drawn down \$231,469. The bond debt service payment schedule has a twenty-year term. There are twenty interest-only payments totaling \$161,772 and nineteen principal plus interest payments totaling \$746,064 with interest rates ranging from 3.500% to 5.000%. The first payment is scheduled to start September 1, 2014. As of June 30, 2014, the Organization owes \$593,417.

In January 2014, the Organization received leasing funds as part of the Higher Education Equipment Leasing Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the lessor, and the Organization is the lessee. The lease agreement funding of \$585,000 to the College is to be

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

used for computing and instructional equipment for the School of Nursing. The Organization's share of the bond debt service is \$163,791. As of June 30, 2014, the Organization has not drawn down any funds. The bond debt service payment schedule has a nine-year term. There are nine interest-only payments totaling \$19,306 and nine principal plus interest payments totaling \$144,485 with an interest rate of 5.000%. The first payment is scheduled to start November 1, 2014. As of June 30, 2014, the Organization owes \$127,318.

In October 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Bank Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of \$8,000,000 by the College is to be used for renovations to the historic Kuser Mansion in Trenton. As of June 30, 2014, the Organization has fully drawn down the funds. The lease rental payment schedule has a twenty-year term. There are four interest-only payments totaling \$265,222, followed by 76 lease payments of \$105,263 (Fixed Principal Payment) plus interest (Interest Portion @ 3.500%) that are scheduled quarterly starting March 31, 2013. As of June 30, 2014, the Organization made its one-time pay-down in the amount of \$815,626 from the bond proceeds that remained unspent at the end of construction. Upon notice to the Organization, TD Bank Finance, Inc. has the option to declare the entire outstanding principal and outstanding interest, due and payable in full on the ten year anniversary date. As of June 30, 2014 and 2013, the Organization owes \$6,552,795 and \$7,789,474, respectively.

In July 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Equipment Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of \$948,000 by the College is to be used for data processing equipment in the Kuser facility and for moveable shelving replacement at the Library. As of June 30, 2014, the Organization has fully drawn down the funds. The lease rental payment schedule has an eight-year term. There are 32 lease payments of \$32,646 (Rental Payment) which includes interest (Interest Portion @ 2.427%) that are scheduled every quarter. As of June 30, 2014 and 2013, the Organization owes \$613,113 and \$727,085, respectively.

In September 2010, the Organization entered into a tax-exempt lease financing arrangement in which Banc of America Leasing & Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of \$700,000 by the College is to be used for data processing equipment and for work station replacement at the Academic Center. As of June 30, 2014, the Organization has fully drawn down the funds. The lease rental payment schedule has a five-year term. There are 60 lease payments of \$12,383 (Rental Payment) which includes interest (Interest Portion @ 2.370%) that are scheduled every month. As of June 30, 2014 and 2013, the Organization owes \$182,845 and \$325,273, respectively.

In September 2007, the Organization entered into a tax-exempt lease financing arrangement in which Banc of America Leasing & Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of \$2,700,000 by the College is to be used for renovations to the Kelsey building and security, equipment and data processing upgrades. As of June 30, 2014, the Organization has fully drawn down the funds. The lease is made up of three rental payment schedules. The first schedule has an interest rate of 4.100%, which will be repaid over a five-year period. The second schedule has an interest rate of 4.380%, which will be repaid over a seven-year period. The third

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

schedule has an interest rate of 4.570%, which will be repaid over a fifteen-year period. As of June 30, 2014 and 2013, the Organization owes \$612,603 and \$713,691, respectively.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2014:

	Principal	Interest
Year ending June 30:		
2015	\$ 779,013	257,221
2016	694,888	294,940
2017	662,839	271,887
2018	667,957	248,821
2019	673,242	225,588
2020-2024	2,642,047	808,849
2025-2029	2,394,168	347,121
2030-2034	601,270	47,997
Total	\$ 9,115,424	2,502,424

(8) Retirement Plans

Plan Descriptions

The Organization participates in two major retirement plans for its employees – Public Employees’ Retirement System (PERS) 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, Lincoln Life Insurance, Metropolitan Life Insurance, Travelers Insurance, and VALIC. PERS is a cost sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey. The ABP alternatives are defined contribution plans that are administered by a separate Board of Trustees. Generally all employees, except certain part-time employees, participate in one of these plans. Under these plans, participants make annual contributions, and the State, in accordance with State statutes, makes employer contributions on behalf of the Organization for these plans. The Organization is charged pension costs through a fringe benefit charge assessed by the State which is included within the state paid fringe benefits in the accompanying financial statements. The Organization has no direct pension obligation associated with the State plans and no liability for such costs has been recorded in the accompanying financial statements.

Effective July 1, 2010, the Organization established two supplemental retirement plans – Supplemental Alternate Benefit Plan and Supplemental Retirement Plan for the benefit of its eligible employees and the eligible employees of certain subsidiaries and affiliates that adopt the plans. The objective of the plans is to help provide for additional security on retirement, by means of employer contributions supplemental to those under the Alternate Benefit Program for the Supplemental Alternate Benefit Plan and supplemental to those under the Alternate Benefit Program and the Supplemental Alternate Benefit Plan for the Supplemental Retirement Plan.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

PERS

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or public agency provided the employee is not a member of another state-administered retirement system. The State issues the publicly available financial reports that include financial statements and required supplementary information for PERS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

PERS members are required to contribute 6.78% and 6.64% of their annual covered salary for the years ended June 30, 2014 and 2013, respectively. The State, in accordance with state statutes, makes employer contributions on behalf of the Organization. The State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2014 and 2013 due to legislation enacted in 1997 by the State, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the Organization are established and may be amended by the State.

Alternate Benefit Program

ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The Organization assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these 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 Organization employees are required to contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8%. During the years ended June 30, 2014 and 2013, ABP received employer and employee contributions as follows:

	2014			2013
	College	Library	Total	Total
Employer contributions	\$ 1,396,885	47,779	1,444,664	1,364,973
Employee contributions	873,053	29,862	902,915	853,108
Basis for contributions:				
Participating employee salaries	17,461,060	597,240	18,058,300	17,062,160

Employer contributions to ABP are paid by the State and are reflected in the accompanying financial statements as State paid fringe benefits revenue and as expenses. The maximum compensation to be considered for employer retirement contributions is \$141,000 per New Jersey state law Chapter 31, P.L.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

2010. This law was effective as of July 1, 2010. The Organization created the Supplemental Alternate Benefit Program to fund the 8% employer match above the \$141,000 compensation limit. These contributions are funded by the Organization.

Supplemental Alternate Benefit Program

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations Section 2510.3-2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The Organization will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during each calendar year is \$141,000. There were no employee contributions during fiscal year 2014 or 2013. The employer contributions made during fiscal year 2014 and 2013 were \$41,890 and \$36,146, respectively.

Supplemental Retirement Program

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations Section 2510.3-2(f). Employer may contribute to the plan, on behalf of participants who are employees of the employer during the plan year and are eligible to share in the employer contributions for such plan year, as determined by the Compensation Committee and approved by the Board of Trustees. There were no employee contributions during fiscal year 2014 or 2013. The employer contributions made during fiscal year 2014 and 2013 were \$11,049 and \$9,625, respectively.

Postemployment Benefits Other Than Pensions

The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the Organization. The employees of the Organization are employees of the State of New Jersey, therefore the other postemployment benefit plans liability are reported by the State of New Jersey.

(9) Commitments

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 College service prior to retirement are not entitled to payments for accumulated sick leave balances. Prior to 1991, the State reimbursed the College for payments made to retiring employees for accrued sick leave; however, during 1991 through 2014, the State did not make such reimbursements to the College. Since Federal and State funds comprise

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

approximately 99% of the total revenues of the Library, and through developing a memorandum of understanding between the College and the State with respect to the Library, accrued sick time will be funded by the State for Library employees.

The College and Library paid \$50,153 and \$13,585, respectively, in 2014 and \$22,490 and \$26,992, respectively, in 2013. The College and Library have accrued amounts of \$335,317 and \$157,616, respectively, as of June 30, 2014, and \$278,750 and \$116,088, respectively, as of June 30, 2013, for anticipated future payments to employees who are planning to retire in the foreseeable future and are eligible for payment of a portion of their accumulated sick time. A receivable from the State for \$157,616 and \$116,088 has been recorded as of June 30, 2014 and 2013, respectively, in the accompanying statements of net position for Library sick accrual reimbursable from the State. Any employee of the Organization who leaves prior to retirement age is ineligible to receive payment for accrued sick time. At the current time, it is uncertain whether the policy followed by the State regarding unused sick time reimbursement during fiscal year 2014 will continue into fiscal year 2015 and beyond. If the State did not provide reimbursement to the College for these amounts in the future, the College would still be liable for the payments to these employees.

The College entered into a contract effective October 22, 2013 for construction management services for the new Nursing Education Center located at 301 West State Street in Trenton. The initial contract was for \$569,788 and has been subsequently amended to \$691,215. The construction is anticipated to be completed during 2015. The remaining commitment as of June 30, 2014 was approximately \$643,000.

The College entered into a contract on March 28, 2014 to renovate the historic Kelsey/Townhouse Complex located at 101 West State Street in Trenton and the Center for Learning and Technology located at 102 West State Street in Trenton. The contract was for \$4,582,000 which included \$2,300,000 for the Kelsey/Townhouse Complex and \$2,282,000 for the Center for Learning and Technology. The construction is anticipated to be completed during fiscal year 2015. The remaining commitment as of June 30, 2014 was approximately \$3,410,000.

The College entered into a contract on June 23, 2014 for general contractor services for the construction of the Nursing Education Center located at 301 West State Street in Trenton. The contract was for \$24,758,000. The construction is anticipated to be completed during 2015. The remaining commitment as of June 30, 2014 was approximately \$24,758,000.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

(10) Component Unit

Thomas Edison State College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Organization with a fiscal year-end of December 31. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the College and Library in support of its programs. The Board of Directors of the Foundation, which consists of at least five and no more than thirty persons, is self-perpetuating and consists of qualified persons elected by majority vote of the Board of Directors of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, the Foundation holds and invests are used exclusively for the benefit, support, and promotion of the College for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of the College and Library, the Foundation is considered a component unit of the Organization and is discretely presented in the Organization's financial statements.

During the year ended June 30, 2014 and 2013, the Foundation distributed \$434,127 and \$328,146, respectively, to the College for restricted purposes. Complete financial statements for the Foundation can be obtained from the Controller's Office at 101 West State Street, Trenton, NJ 08608.

The Foundation is a private not-for-profit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Organization's financial reporting entity for these differences.

(11) Risk Management

The Organization is exposed to various risks of loss. The Organization purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The Organization's risk management program involves insurance for all property risk (property, money and securities) in the joint insurance program and all liability risk and employee benefit exposures are self funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs).

Buildings, plant, equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence with a per occurrence limit of \$1,500,000,000. Money and securities coverage provides for the actual loss in excess of \$25,000 with a per loss limit of \$5,000,000.

As an instrumentality of the State of New Jersey the liability of Thomas Edison State College is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.) and the availability of appropriations.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2014 and 2013

The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed on an annual basis. All of the State of New Jersey self funded programs are statutory with an annual appropriation provided by the legislature.

There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Schedule of Net Position

June 30, 2014

Assets	College	Library	Total
Current assets:			
Cash	\$ 10,989,736	4,307,989	15,297,725
Investments	30,436,082	2,235,551	32,671,633
Receivables:			
Students, net	4,528,500	—	4,528,500
State of New Jersey	338,789	415,068	753,857
Federal	92,465	756,497	848,962
Corporate accounts, net	633,729	—	633,729
Other receivables	107,262	7,498	114,760
Total receivables	5,700,745	1,179,063	6,879,808
Prepaid expenses and other assets	240,002	50,764	290,766
Due to College from Library	80,721	(80,721)	—
Total current assets	47,447,286	7,692,646	55,139,932
Noncurrent assets:			
Investments	6,114,354	—	6,114,354
Restricted investments	410,739	1,006,835	1,417,574
Trustee held investments – restricted	3,578,562	1,033,388	4,611,950
Rare books, artwork, and historical documents	540,817	1,564,050	2,104,867
Capital assets	32,027,783	8,476,118	40,503,901
Total noncurrent assets	42,672,255	12,080,391	54,752,646
Total assets	90,119,541	19,773,037	109,892,578
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	8,415,339	721,509	9,136,848
Unearned tuition and fees	8,559,001	—	8,559,001
Unearned grants and contracts	81,116	1,554,528	1,635,644
Deposits held in custody for others	479	—	479
Long-term debt – current portion	704,682	74,331	779,013
Total current liabilities	17,760,617	2,350,368	20,110,985
Noncurrent liabilities:			
Compensated absences – noncurrent portion	335,317	157,616	492,933
Unearned grants and contracts	1,616,557	—	1,616,557
Long-term debt	8,020,475	315,936	8,336,411
Total noncurrent liabilities	9,972,349	473,552	10,445,901
Total liabilities	27,732,966	2,823,920	30,556,886
Net Position			
Net investment in capital assets	24,493,548	9,649,901	34,143,449
Restricted for:			
Nonexpendable:			
Aid to local libraries	—	416,073	416,073
Library for the Blind and Handicapped	—	333,642	333,642
Expendable:			
Aid to local libraries	—	281,485	281,485
Library for the Blind and Handicapped	—	1,009,023	1,009,023
Public policy	410,739	—	410,739
Unrestricted	37,482,288	5,258,993	42,741,281
Total net position	\$ 62,386,575	16,949,117	79,335,692

See accompanying independent auditors' report.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Schedule of Net Position

June 30, 2013

Assets	College	Library	Total
Current assets:			
Cash	\$ 5,864,245	3,189,609	9,053,854
Investments	31,843,643	3,738,688	35,582,331
Receivables:			
Students, net	3,141,444	—	3,141,444
State of New Jersey	211,932	277,392	489,324
Federal	342,504	639,558	982,062
Corporate accounts, net	683,413	—	683,413
Other receivables	77,285	7,317	84,602
Total receivables	<u>4,456,578</u>	<u>924,267</u>	<u>5,380,845</u>
Prepaid expenses and other assets	259,481	146,492	405,973
Due to College from Library	125,048	(125,048)	—
Total current assets	<u>42,548,995</u>	<u>7,874,008</u>	<u>50,423,003</u>
Noncurrent assets:			
Investments	8,120,118	—	8,120,118
Restricted investments	262,487	928,542	1,191,029
Trustee held investments – restricted	1,663,186	1,179,610	2,842,796
Rare books, artwork, and historical documents	317,321	1,564,050	1,881,371
Capital assets	<u>27,547,057</u>	<u>10,198,266</u>	<u>37,745,323</u>
Total noncurrent assets	<u>37,910,169</u>	<u>13,870,468</u>	<u>51,780,637</u>
Total assets	<u>80,459,164</u>	<u>21,744,476</u>	<u>102,203,640</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	7,553,803	858,805	8,412,608
Unearned tuition and fees	8,378,904	—	8,378,904
Unearned grants and contracts	130,459	1,795,957	1,926,416
Deposits held in custody for others	4,194	—	4,194
Long-term debt – current portion	<u>705,986</u>	<u>72,554</u>	<u>778,540</u>
Total current liabilities	<u>16,773,346</u>	<u>2,727,316</u>	<u>19,500,662</u>
Noncurrent liabilities:			
Compensated absences – noncurrent portion	278,750	116,088	394,838
Long-term debt	<u>8,386,715</u>	<u>390,268</u>	<u>8,776,983</u>
Total noncurrent liabilities	<u>8,665,465</u>	<u>506,356</u>	<u>9,171,821</u>
Total liabilities	<u>25,438,811</u>	<u>3,233,672</u>	<u>28,672,483</u>
Net Position			
Net investment in capital assets	19,676,381	11,299,494	30,975,875
Restricted for:			
Nonexpendable:			
Aid to local libraries	—	416,073	416,073
Library for the Blind and Handicapped	—	333,642	333,642
Expendable:			
Aid to local libraries	—	471,597	471,597
Library for the Blind and Handicapped	—	886,840	886,840
Public policy	262,487	—	262,487
Unrestricted	<u>35,081,485</u>	<u>5,103,158</u>	<u>40,184,643</u>
Total net position	<u>\$ 55,020,353</u>	<u>18,510,804</u>	<u>73,531,157</u>

See accompanying independent auditors' report.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2014

	<u>College</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 51,211,343	—	51,211,343
Federal grants and contracts	5,749,922	4,039,987	9,789,909
Federal indirect cost recovery	60,645	111,464	172,109
State of New Jersey grants and contracts	242,112	8,792,613	9,034,725
Noncollegiate sponsored programs	8,310	—	8,310
Other operating revenues	203,198	17,383	220,581
	<u>57,475,530</u>	<u>12,961,447</u>	<u>70,436,977</u>
Total operating revenues			
Operating expenses:			
Academic support	24,187,947	—	24,187,947
Student services	6,909,848	—	6,909,848
Public services	1,175,955	2,943,114	4,119,069
General institutional	12,819,703	—	12,819,703
Operations and maintenance	3,238,868	48,285	3,287,153
General administration	15,219,021	2,162,937	17,381,958
Other sponsored programs	389,059	—	389,059
Scholarships	2,604,478	—	2,604,478
State of New Jersey Library	—	6,888,036	6,888,036
Talking Book and Braille Center	—	2,741,513	2,741,513
Grants to libraries	—	5,746,103	5,746,103
Collections and exhibits	—	1,163,373	1,163,373
Depreciation	1,224,079	728,694	1,952,773
	<u>67,768,958</u>	<u>22,422,055</u>	<u>90,191,013</u>
Total operating expenses			
Operating loss	<u>(10,293,428)</u>	<u>(9,460,608)</u>	<u>(19,754,036)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	3,551,000	5,172,919	8,723,919
State of New Jersey paid fringe benefits	10,792,289	2,349,269	13,141,558
Contributed U.S. Postal Service	—	955,726	955,726
Private gifts – restricted	620,450	311,960	932,410
Investment income	716,442	169,299	885,741
Interest on indebtedness	(311,169)	(10,576)	(321,745)
Loss on disposal of equipment	(396,353)	(1,049,676)	(1,446,029)
	<u>14,972,659</u>	<u>7,898,921</u>	<u>22,871,580</u>
Net nonoperating revenues			
Increase (decrease) before other revenues	4,679,231	(1,561,687)	3,117,544
State of New Jersey capital grants	2,686,991	—	2,686,991
	<u>7,366,222</u>	<u>(1,561,687)</u>	<u>5,804,535</u>
Increase (decrease) in net assets			
Net position as of beginning of year	55,020,353	18,510,804	73,531,157
Net position as of end of year	<u>\$ 62,386,575</u>	<u>16,949,117</u>	<u>79,335,692</u>

See accompanying independent auditors' report.

**THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2013

	<u>College</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 48,041,444	—	48,041,444
Federal grants and contracts	5,460,089	5,166,594	10,626,683
Federal indirect cost recovery	69,522	103,005	172,527
State of New Jersey grants and contracts	277,292	8,505,590	8,782,882
Noncollegiate sponsored programs	59,229	—	59,229
Other operating revenues	204,436	16,146	220,582
Total operating revenues	<u>54,112,012</u>	<u>13,791,335</u>	<u>67,903,347</u>
Operating expenses:			
Academic support	23,672,702	—	23,672,702
Student services	5,593,532	—	5,593,532
Public services	1,099,431	2,732,517	3,831,948
General institutional	11,715,216	—	11,715,216
Operations and maintenance	2,891,146	49,079	2,940,225
General administration	13,379,509	1,788,181	15,167,690
Other sponsored programs	438,731	—	438,731
Scholarships	2,557,341	—	2,557,341
State of New Jersey Library	—	7,178,673	7,178,673
Talking Book and Braille Center	—	3,025,261	3,025,261
Grants to libraries	—	5,839,429	5,839,429
Collections and exhibits	—	1,148,345	1,148,345
Depreciation	1,093,496	972,462	2,065,958
Total operating expenses	<u>62,441,104</u>	<u>22,733,947</u>	<u>85,175,051</u>
Operating loss	<u>(8,329,092)</u>	<u>(8,942,612)</u>	<u>(17,271,704)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	1,821,000	5,048,814	6,869,814
State of New Jersey paid fringe benefits	9,300,961	2,010,078	11,311,039
State of New Jersey paid facilities rental	1,415,127	—	1,415,127
Contributed U.S. Postal Service	—	993,718	993,718
Private gifts – restricted	347,511	116,426	463,937
Investment income	460,145	117,390	577,535
Interest on indebtedness	(51,296)	(12,310)	(63,606)
Loss on disposal of equipment	(65,250)	(4,077)	(69,327)
Net nonoperating revenues	<u>13,228,198</u>	<u>8,270,039</u>	<u>21,498,237</u>
Increase (decrease) in net position	4,899,106	(672,573)	4,226,533
Net position as of beginning of year	<u>50,121,247</u>	<u>19,183,377</u>	<u>69,304,624</u>
Net position as of end of year	<u>\$ 55,020,353</u>	<u>18,510,804</u>	<u>73,531,157</u>

See accompanying independent auditors' report.