



**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, Required Supplementary Information  
and Supplemental Schedules

June 30, 2015 and 2014

(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)

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## **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, 2015 and 2014, 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, 2015 and 2014, 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.

## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncements***

As discussed in note 1 to the basic financial statements, as of July 1, 2014, the Organization adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–18 and the schedules of employer contributions and schedules of proportionate share of the net pension liability as of June 30, 2015 on pages 55 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The supplementary information included in schedules 3 through 6 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 3 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

Short Hills, New Jersey  
December 22, 2015

**THOMAS EDISON STATE COLLEGE AND ITS  
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(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

**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, 2015 and 2014 with comparisons to 2013. 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 2,043,000 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 526,000 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

In fiscal year 2015, the Organization implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 68 and 71 require state and local government employers to recognize a net pension liability for defined benefit plans where the entity is a participant. The Organization participates in the State of New Jersey's Public Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit plan. The Organization recorded its proportionate share of the PERS' deferred outflows of resources, net pension liability and deferred inflows of resources of \$2,175,387, \$53,004,071 and \$3,007,593, respectively. The Organization was also required to restate the beginning unrestricted net position by \$51,351,580 to reflect the cumulative effect of implementation from prior years. Refer to Footnote 1 and Footnote 9 for additional information related to the implementation of GASB 68 and 71.

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**Financial Highlights**

At June 30, 2015, the Organization's net position has decreased to \$34,234,149 from \$79,335,692 and increased to \$79,335,692 from \$73,531,157 at June 30, 2014 and 2013, respectively. In fiscal year 2015, the Organization's net position decreased primarily because of the impact of the adoption of GASB 68 and 71. 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.

Current year operating revenues for the year ended June 30, 2015 decreased to \$69,940,319 from \$70,436,977. The decrease in 2015 was primarily from decreases in student tuition and fees revenue. Operating revenues increased to \$70,436,977 from \$67,903,347 for the years ended June 30, 2014 and 2013, respectively, primarily from increases in student tuition and fees revenue.

Net nonoperating revenues for the year ended June 30, 2015 decreased to \$20,278,419 from \$22,871,580 in fiscal year 2014, primarily due to a decrease in State of New Jersey paid fringe benefits. 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.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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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 net position decreased \$45,101,543 or 57% from fiscal year 2014 to \$34,234,149 and its net position increased \$5,804,535 or 8% from fiscal year 2013 to \$79,335,692. The Organization was required to reduce its beginning of the year net position as of July 1, 2014 by \$51,351,580 to reflect the cumulative effect of the net pension liability through June 30, 2014. Total net position was therefore restated to \$27,984,112. As a result the net position, as restated increased \$6,250,037 or 22% during fiscal year 2015 from fiscal year 2014 to \$34,234,149 and its net position increased \$5,804,535 or 8% from fiscal year 2013 to \$79,335,692.

The College's share of the beginning of the year net position restatement as of July 1, 2014 was \$25,420,443. Total College net position was therefore restated to \$36,966,132. As a result the College's net position, as restated increased \$7,800,536 or 21% during fiscal year 2015. The fiscal year 2015 increase was primarily a result of increase of \$6,140,510 or 229% in State of New Jersey capital grants. Additionally, the College's net position increased \$7,366,222 or 13% in fiscal year 2014. 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. Additionally, the College's total enrollment decreased by 13% and increased by 3% over the prior year in 2015 and 2014, respectively. The decrease in fiscal year 2015 was primarily due to changes in student counting methodology which caused decreases in both the traditional students and contract populations. 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 Library's share of the beginning of the year net position restatement as of July 1, 2014 was \$25,931,137. Total Library net position was therefore restated to a net position (deficit) of (\$8,982,020). As a result the Library's net position (deficit), as restated decreased \$1,550,449 or 17% during fiscal year 2015. The fiscal year 2015 decrease was primarily due to recording the pension expense as result of adopting GASB 68 and 71. Additionally, the Library's net position decreased \$1,561,687 or 8% in fiscal year 2014. The fiscal year 2014 decrease was due to depreciation and losses on disposal of equipment.

The Organization's total assets increased \$15,098,395 or 14% from fiscal year 2014 to \$124,990,973 and increased \$7,688,938 or 8% from fiscal year 2013 to \$109,892,578. The fiscal year 2015 increase was primarily related to the College's increase in capital assets, net of \$14,268,417 as a result of the continuing construction of the Nursing Education Center. The fiscal year 2014 increase was primarily related to the College's increase in capital assets, net of \$4,480,726 as a result of the commencement of construction of the Nursing Education Center and increases in student tuition and fees which increased in cash and cash equivalents.

As a result of the adoption of GASB 68 and 71 the Organization recorded deferred outflows of resources of \$2,175,387 (College share \$1,401,781 and Library share \$773,606) and deferred inflows of resources of \$3,007,593 (College share \$883,406 and Library share \$2,174,187) related to pensions which include changes in assumptions, changes in proportion, net differences between projected and actual investment earnings on pension

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plan assets and contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$436,289 (College share \$226,028 and Library share \$210,261). The Organization did not have deferred outflows of resources and deferred inflows of resources in fiscal year 2014.

The Organization's total liabilities increased \$59,367,732 or 194% from fiscal year 2014 to \$89,924,618 and increased \$1,884,403 or 7% from fiscal year 2013 to \$30,556,886. The fiscal year 2015 increase was primarily a result of the adoption of GASB 68 whereby the Organization recorded \$53,004,071 in net pension liabilities. The College's share was \$27,459,799 and the Library's share was \$25,544,272. These liabilities increased \$1,200,683 from the 2014 balances. The fiscal year 2014 increase was mainly attributed to increases in accounts payable and accrued expenses and unearned grants and contracts for capital asset and capital grant activities at the College.

The Organization's financial statements relating to the reporting of net pension liability under GASB 68 reflect its proportionate share, as determined by the Division of Pensions and Benefits (the Division) of the State of New Jersey, of the State Group's net pension liability under the New Jersey Public Employees' Retirement System (PERS) as of June 30, 2014 and 2013. In computing the Organization's proportionate share as of June 30, 2014 and 2013, the Division first computed the contributions made for the College and the Library for each fiscal year as a percentage of contributions deemed made on behalf of all employers in the State Group for that fiscal year. Next, the Division multiplied this ratio by the total net pension liability for the entire State Group as of the last day of each fiscal year.

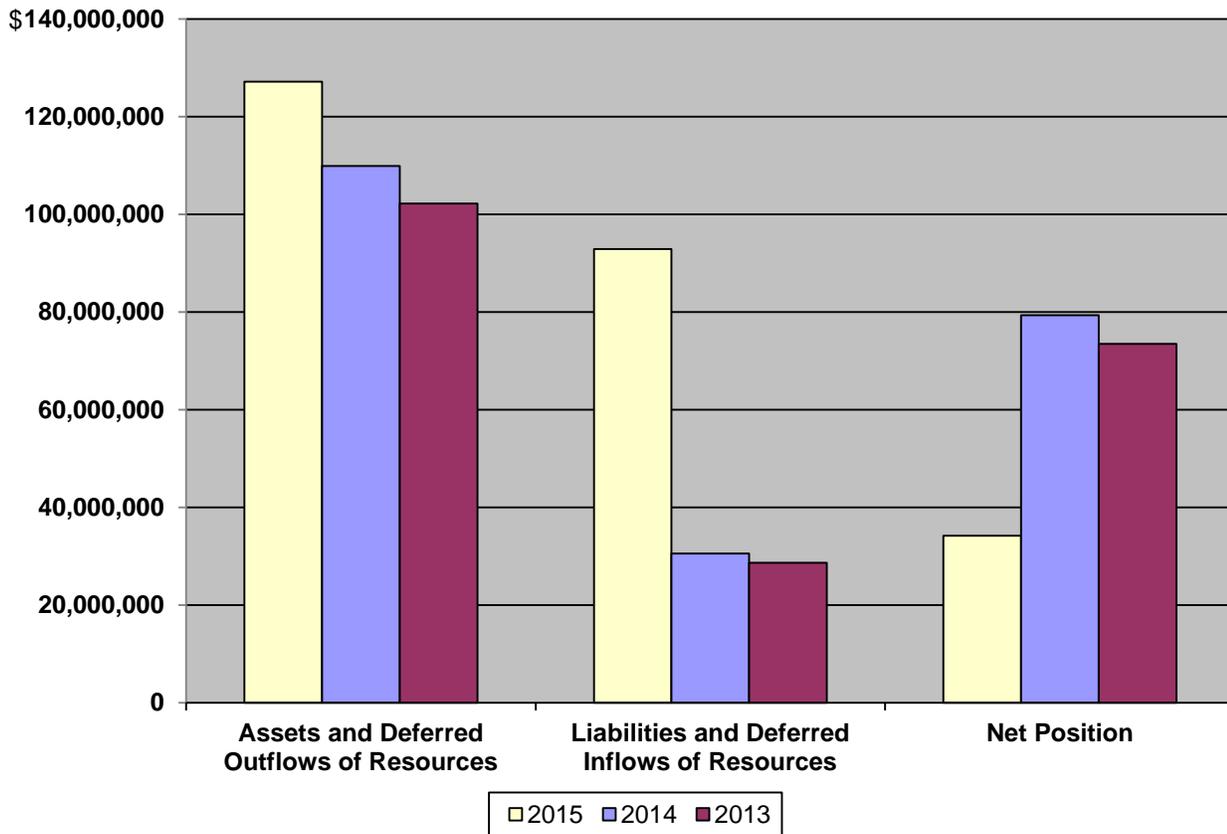
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**Statement of Net Position**



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|   | <u>2015</u>           | <u>2014*</u>       | <u>2013*</u>       |
|---|-----------------------|--------------------|--------------------|
| Current assets                                      | \$ 54,232,032         | 55,139,932         | 50,423,003         |
| Capital assets, net                                 | 53,966,630            | 40,503,901         | 37,745,323         |
| Other assets  | <u>16,792,311</u>     | <u>14,248,745</u>  | <u>14,035,314</u>  |
| Total assets  | 124,990,973           | 109,892,578        | 102,203,640        |
| Deferred outflows of resources                      | <u>2,175,387</u>      | <u>—</u>           | <u>—</u>           |
| Total assets and deferred outflows of resources     | <u>\$ 127,166,360</u> | <u>109,892,578</u> | <u>102,203,640</u> |
| Current liabilities                                 | \$ 22,131,128         | 20,110,985         | 19,500,662         |
| Noncurrent liabilities                              | <u>67,793,490</u>     | <u>10,445,901</u>  | <u>9,171,821</u>   |
| Total liabilities                                   | 89,924,618            | 30,556,886         | 28,672,483         |
| Deferred inflows of resources                       | <u>3,007,593</u>      | <u>—</u>           | <u>—</u>           |
| Total liabilities and deferred inflows of resources | <u>\$ 92,932,211</u>  | <u>30,556,886</u>  | <u>28,672,483</u>  |
| Net position:                                       |                       |                    |                    |
| Net investment in capital assets                    | \$ 47,878,499         | 34,143,449         | 30,975,875         |
| Restricted  | 2,415,608             | 2,450,962          | 2,370,639          |
| Unrestricted  | <u>(16,059,958)</u>   | <u>42,741,281</u>  | <u>40,184,643</u>  |
| Net position, end of year                           | <u>\$ 34,234,149</u>  | <u>79,335,692</u>  | <u>73,531,157</u>  |

\* 2014 and 2013 amounts are not restated for GASB 68.

**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, 2015, 2014, and 2013 follows:

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**Changes in Net Position for the Years ended June 30, 2015, 2014, and 2013**

|  | <u>2015</u>          | <u>2014*</u>        | <u>2013*</u>        |
|--|----------------------|---------------------|---------------------|
| Operating revenues:                                    |                      |                     |                     |
| Student tuition and fees, net of scholarships          | \$ 50,620,422        | 51,211,343          | 48,041,444          |
| Federal grants and contracts                           | 9,691,265            | 9,789,909           | 10,626,683          |
| State of New Jersey grants and contracts               | 8,886,064            | 9,034,725           | 8,782,882           |
| Subtotal grants  | <u>18,577,329</u>    | <u>18,824,634</u>   | <u>19,409,565</u>   |
| Other  | 742,568              | 401,000             | 452,338             |
| Total operating revenues                               | <u>69,940,319</u>    | <u>70,436,977</u>   | <u>67,903,347</u>   |
| Operating expenses                                     | <u>92,796,202</u>    | <u>90,191,013</u>   | <u>85,175,051</u>   |
| Operating loss   | <u>(22,855,883)</u>  | <u>(19,754,036)</u> | <u>(17,271,704)</u> |
| Nonoperating revenues (expenses):                      |                      |                     |                     |
| State of New Jersey funding                            | 19,462,396           | 21,865,477          | 19,595,980          |
| Other nonoperating revenues, net                       | 1,304,688            | 2,452,132           | 1,971,584           |
| Loss on disposal of equipment                          | (488,665)            | (1,446,029)         | (69,327)            |
| Net nonoperating revenues                              | <u>20,278,419</u>    | <u>22,871,580</u>   | <u>21,498,237</u>   |
| State of New Jersey capital grants                     | <u>8,827,501</u>     | <u>2,686,991</u>    | <u>—</u>            |
| Increase in net position                               | <u>6,250,037</u>     | <u>5,804,535</u>    | <u>4,226,533</u>    |
| Net position beginning of year                         | <u>79,335,692</u>    | <u>73,531,157</u>   | <u>69,304,624</u>   |
| Cumulative effect of change in<br>accounting principle | <u>(51,351,580)</u>  | <u>—</u>            | <u>—</u>            |
| Net position as of beginning of year, as restated      | <u>27,984,112</u>    | <u>73,531,157</u>   | <u>69,304,624</u>   |
| Net position end of year                               | <u>\$ 34,234,149</u> | <u>79,335,692</u>   | <u>73,531,157</u>   |

\* 2014 and 2013 amounts are not restated for GASB 68.

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**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 \$69,940,319 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of \$50,620,422; governmental grants and contracts of \$18,577,329; and other operating revenues of \$742,568. The College's share of operating revenues was \$57,161,525 and the Library's operating revenues share was \$12,778,794.

- Student tuition and fees decreased \$590,921 or 1% in fiscal year 2015 due to the decrease in enrollments being offset by a 3.0% fee increase. The increase in student tuition and fees of \$3,169,899 or 7% in fiscal year 2014 was due to increased enrollments and a 3.5% fee increase.
- The decrease in Federal grants of \$98,644 or 1% in fiscal year 2015 was primarily due to a decrease of funding from the Nuclear Regulatory Commission. 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.
- Federal indirect cost recovery increased \$129,843 or 75% and increased \$418 or less than 1% in fiscal year 2015 and fiscal year 2014, respectively. Indirect cost recovery increased in fiscal year 2015 due to the timing of recovery. Indirect cost recovery was comparable in fiscal year 2014 to 2013 due to stable federal funding.

|  | 2015          |                        | 2014          |                        | 2013          |                        |
|--|---------------|------------------------|---------------|------------------------|---------------|------------------------|
|  | Amount        | Percentage<br>of total | Amount        | Percentage<br>of total | Amount        | Percentage<br>of total |
| Operating revenues:  |               |                        |               |                        |               |                        |
| Student tuition and fees (net<br>of scholarship allowances<br>of \$3,157,000, \$3,170,000<br>and \$2,929,000,<br>respectively) | \$ 50,620,422 | 73%                    | \$ 51,211,343 | 73%                    | \$ 48,041,444 | 71%                    |
| Federal grants and contracts   | 9,691,265     | 14                     | 9,789,909     | 14                     | 10,626,683    | 16                     |
| State of New Jersey grants<br>and contracts  | 8,886,064     | 13                     | 9,034,725     | 13                     | 8,782,882     | 13                     |
| Subtotal grants  | 18,577,329    |                        | 18,824,634    |                        | 19,409,565    |                        |
| Other sources:   |               |                        |               |                        |               |                        |
| Federal indirect cost<br>recovery  | 301,952       | —                      | 172,109       | —                      | 172,527       | —                      |
| Noncollegiate sponsored<br>programs  | 38,265        | —                      | 8,310         | —                      | 59,229        | —                      |
| Other operating revenue  | 402,351       | —                      | 220,581       | —                      | 220,582       | —                      |
| Subtotal other<br>sources  | 742,568       |                        | 401,000       |                        | 452,338       |                        |
| Total operating<br>revenues  | \$ 69,940,319 | 100%                   | \$ 70,436,977 | 100%                   | \$ 67,903,347 | 100%                   |

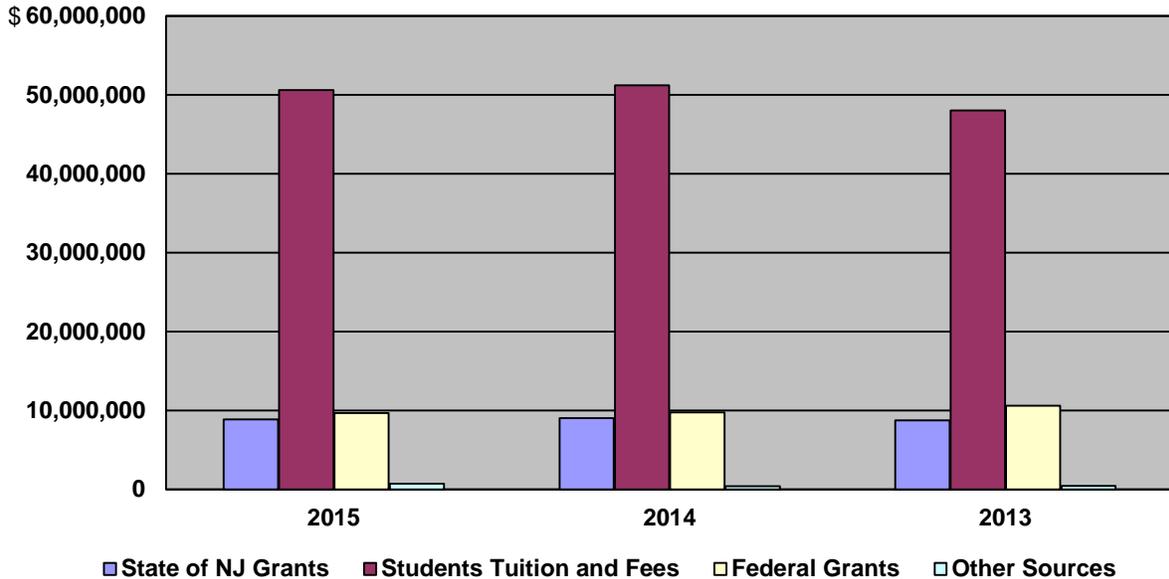
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(A Component Unit of the State of New Jersey)

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(Unaudited)

June 30, 2015 and 2014

### 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, 2015, the Organization incurred total operating expenses of \$92,796,202, which were \$22,855,883 less than the operating revenues of \$69,940,319. The College's operating expenses share was \$70,690,169 and the Library's operating expenses share was \$22,106,033. The College's net operating loss share was \$13,528,644 and the Library's net operating loss share was \$9,327,239. The Organization's operating expenses increased \$2,605,189 or 3% from fiscal years 2014 to 2015. The increase is primarily due to the recognition of pension expense due to the implementation of GASB 68 and 71 and increased salary expenses offset by a decrease in the State of New Jersey fringe benefit rate.

- The increase in academic support expenses of \$772,924 or 3% in fiscal year 2015 is primarily due to the impact of GASB 68 and 71 and an increase in salary expenses being offset by a decrease in the fringe benefit rate. 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 decrease in student services expenses of \$77,810 or less than 1% in fiscal year 2015 is primarily due to the decrease in fringe benefit cost and student enrollment being offset by the impact of GASB 68 and 71 and an increase in salary expenses. The fringe benefit cost was decreased due to the rate changing from 43.1% in fiscal year 2014 to 32.5% in fiscal year 2015. The increase in student services expenses of \$1,316,316 or

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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.

- Public services expenses decreased \$273,492 or 7% and increased \$287,121 or 7% in fiscal years 2015 and 2014, respectively. The decrease in fiscal year 2015 was due to a decrease in database spending funded from the Tischler Fund being offset by the impact of GASB 68 and 71. The increase in fiscal year 2014 was due to increased spending for internet and other library Jersey Connect expenses. Jersey Connect is the network infrastructure that connects New Jersey libraries.
- General institutional increased \$156,554 or 1% and increased \$1,104,487 or 9% over the previous year in fiscal years 2015 and 2014, respectively. The change in expenses during fiscal year 2015 was primarily due to the impact of GASB 68 and 71 and salary increases being offset by decreases in fringe benefit costs. 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.
- General administration expenses increased \$1,022,721 or 6% and \$2,214,268 or 15% in fiscal year 2015 and 2014, respectively. The increase in fiscal year 2015 was primarily due to the impact of GASB 68 and 71 and salary increases being offset by decreases in fringe benefit costs. The increase in fiscal year 2014 was primarily due to increased staff to support enrollment growth and increased fringe benefit costs.

|                                  | 2015                 |                        | 2014                 |                        | 2013                 |                        |
|----------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
|                                  | Amount               | Percentage<br>of total | Amount               | Percentage<br>of total | Amount               | Percentage<br>of total |
| Operating expenses:              |                      |                        |                      |                        |                      |                        |
| Academic support                 | \$ 24,960,871        | 27%                    | \$ 24,187,947        | 27%                    | \$ 23,672,702        | 28%                    |
| Student services                 | 6,832,038            | 7                      | 6,909,848            | 8                      | 5,593,532            | 7                      |
| Public services                  | 3,845,577            | 4                      | 4,119,069            | 5                      | 3,831,948            | 4                      |
| General institutional            | 12,976,257           | 14                     | 12,819,703           | 14                     | 11,715,216           | 14                     |
| Operations and maintenance       | 4,071,264            | 5                      | 3,287,153            | 4                      | 2,940,225            | 3                      |
| General administration           | 18,404,679           | 20                     | 17,381,958           | 19                     | 15,167,690           | 18                     |
| Other sponsored programs         | 523,127              | 1                      | 389,059              | —                      | 438,731              | 1                      |
| Scholarships                     | 2,797,481            | 3                      | 2,604,478            | 3                      | 2,557,341            | 3                      |
| State of New Jersey Library      | 6,897,547            | 7                      | 6,888,036            | 8                      | 7,178,673            | 8                      |
| Talking Book & Braille<br>Center | 2,778,688            | 3                      | 2,741,513            | 3                      | 3,025,261            | 4                      |
| Grants to libraries              | 5,701,190            | 6                      | 5,746,103            | 6                      | 5,839,429            | 7                      |
| Collections and exhibits         | 1,181,106            | 1                      | 1,163,373            | 1                      | 1,148,345            | 1                      |
| Depreciation                     | 1,826,377            | 2                      | 1,952,773            | 2                      | 2,065,958            | 2                      |
| Total operating<br>expenses      | <u>\$ 92,796,202</u> | <u>100%</u>            | <u>\$ 90,191,013</u> | <u>100%</u>            | <u>\$ 85,175,051</u> | <u>100%</u>            |

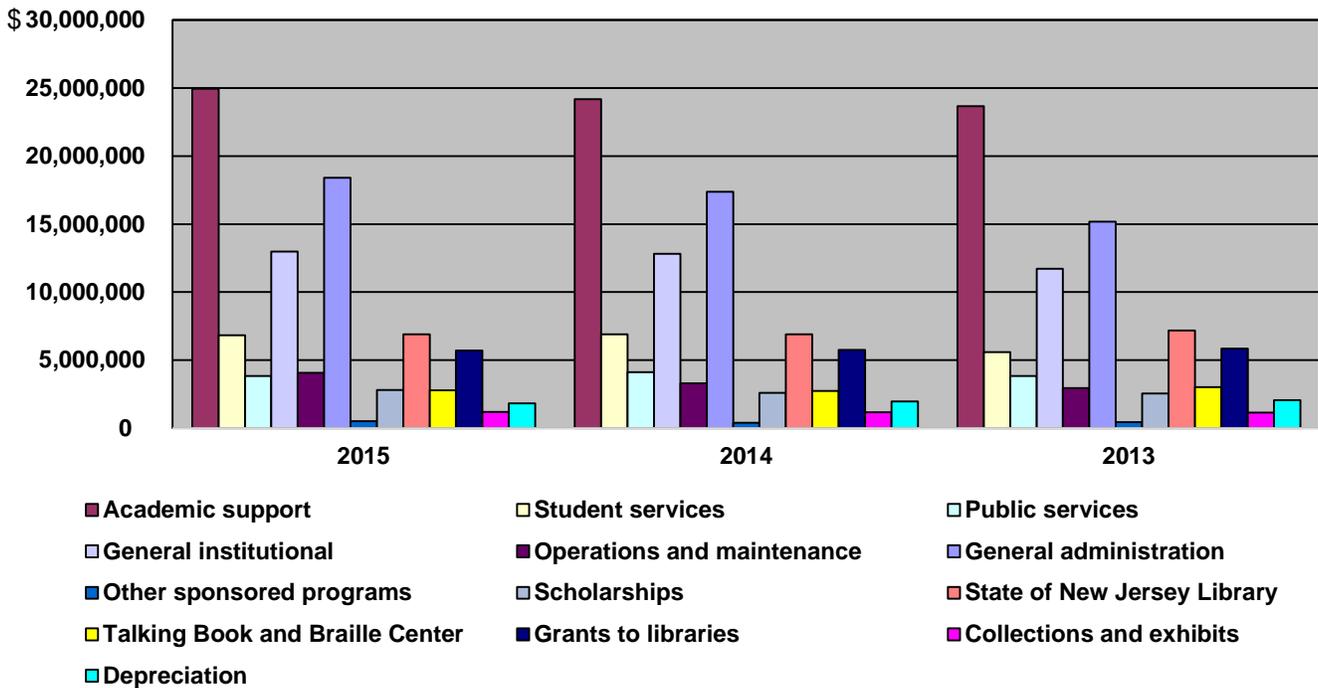
**THOMAS EDISON STATE COLLEGE AND ITS  
AFFILIATE THE NEW JERSEY STATE LIBRARY**  
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

### Operating expenses



### Nonoperating Revenues

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

During the fiscal year 2015, the Organization generated \$21,032,493 in nonoperating revenues. The components of the nonoperating revenues were primarily direct and indirect State of New Jersey appropriations of \$19,462,396, contributed U.S. Postal Service of \$889,105, private gifts of \$335,158, and investment income of \$345,834. The College's nonoperating revenue share was \$12,954,305 and the Library's nonoperating revenue share was \$8,078,188.

- The increase in State of New Jersey appropriations of \$28,162 or less than 1% in fiscal year 2015 was comparable to the previous year. In fiscal year 2014, the increase of \$1,854,105 was due to a \$1,730,000 increase for facilities that were previously paid directly by the State of New Jersey.
- The decrease in State of New Jersey paid fringe benefits of \$2,431,243 or 19% in fiscal year 2015 was due to a 25% decrease in the fringe benefit rate partially offset by increased salary. 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

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increased fringe benefit rate. The negotiated fringe benefit rate was 32.5%, 43.1%, and 37.7% for the years ended 2015, 2014, and 2013, respectively.

- The decrease in private gifts in fiscal year 2015 of \$597,252 or 64% was largely due to a \$274,490 Thomas A. Edison memorabilia gift received by the College in fiscal year 2014. The increase in private gifts in fiscal year 2014 of \$468,473 or 101% was largely due to the receipt of the memorabilia gift.
- The decrease in investment income of \$539,907 and increase in investment income of \$308,206 in fiscal year 2015 and fiscal year 2014, respectively, was due to the performance of the fixed income and equity portion of the portfolios.

|  | 2015                 |                        | 2014                 |                        | 2013                 |                        |
|--|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
|  | Total                | Percentage<br>of total | Total                | Percentage<br>of total | Total                | Percentage<br>of total |
| Nonoperating revenues:                     |                      |                        |                      |                        |                      |                        |
| State of New Jersey appropriations         | \$ 8,752,081         | 42%                    | \$ 8,723,919         | 35%                    | \$ 6,869,814         | 32%                    |
| State of New Jersey paid fringe benefits   | 10,710,315           | 50                     | 13,141,558           | 53                     | 11,311,039           | 52                     |
| State of New Jersey paid facilities rental | —                    | —                      | —                    | —                      | 1,415,127            | 6                      |
| Subtotal State of New Jersey               | 19,462,396           | 92                     | 21,865,477           | 88                     | 19,595,980           | 90                     |
| Contributed U.S. Postal Service            | 889,105              | 4                      | 955,726              | 4                      | 993,718              | 5                      |
| Private gifts                              | 335,158              | 2                      | 932,410              | 4                      | 463,937              | 2                      |
| Investment income                          | 345,834              | 2                      | 885,741              | 4                      | 577,535              | 3                      |
| Nonoperating revenues                      | <u>\$ 21,032,493</u> | <u>100%</u>            | <u>\$ 24,639,354</u> | <u>100%</u>            | <u>\$ 21,631,170</u> | <u>100%</u>            |

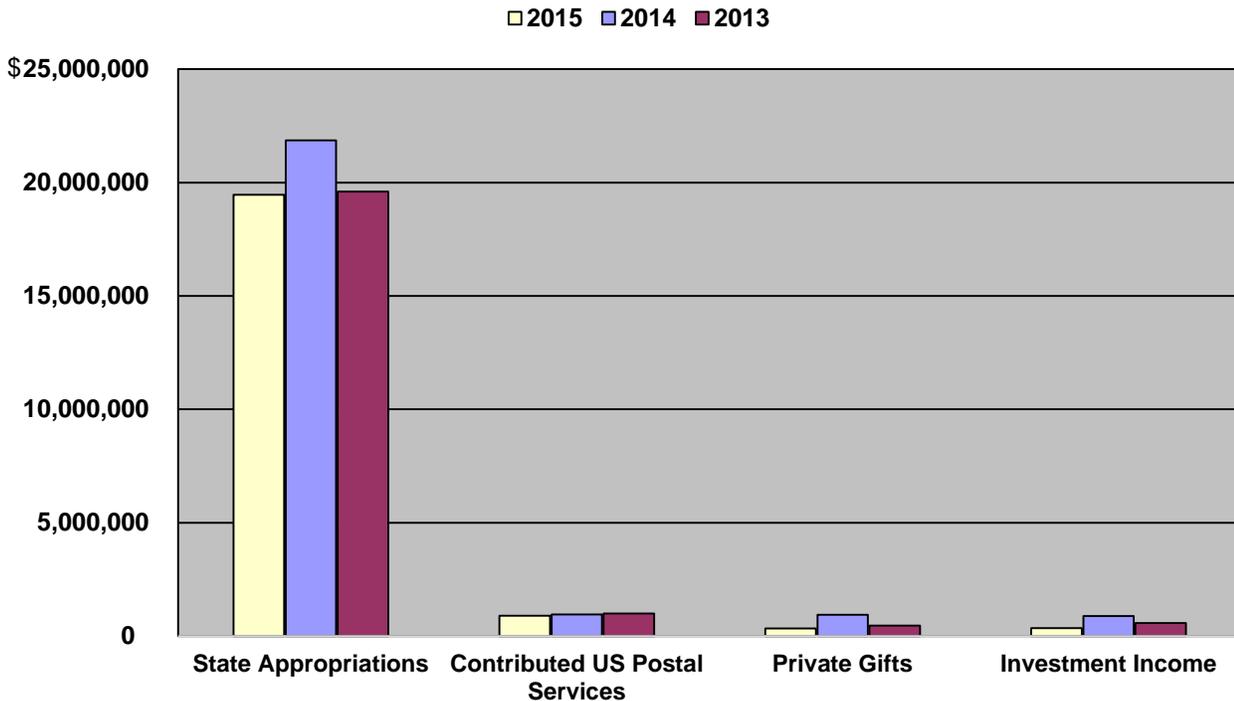
**THOMAS EDISON STATE COLLEGE AND ITS  
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**Nonoperating revenues**



**Capital Assets and Debt Activities**

The Organization received \$8,827,501 in State of New Jersey capital grants in fiscal year 2015. The capital grants included \$1,158,875 which represents the amount reimbursed for the New Jersey Capital Improvement Fund (CIF) and \$7,668,626 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, 2015, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$56,097,277, net of accumulated depreciation of \$28,044,496. The amount invested in capital assets, net of related debt of \$8,218,778, was \$47,878,499. Depreciation charges totaled \$1,826,377 for the current fiscal year. The \$13,735,050 increase of net investment in capital assets was due to capital additions of \$18,035,613, principal paid on outstanding debt of \$1,134,013, less additional debt incurred, net of unspent proceeds of \$887,472, depreciation of \$1,826,377 and net capital retirements of \$2,720,727.

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

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Interest on indebtedness was \$265,409 in fiscal year 2015 as compared to \$321,745 in fiscal year 2014, a decrease of \$56,336, or 18%. The decrease was primarily due to the capitalized interest expense related to the \$7 million debt for the Nursing Education Center which is included in construction in progress as of June 30, 2015. In fiscal year 2014 interest on indebtedness was \$321,745 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 on the \$8 million debt related to the Kuser mansion renovation.

**Tax-Exempt Lease Financing**

In October 2014, the Organization entered into a tax-exempt lease financing agreement with PNC Bank to partially fund the construction of the Nursing Education Center. The total debt issued was \$7,000,000. The payment schedule has a ten-year term with an interest rate of 2.486%.

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 were 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. 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 sublessee. The lease financing was 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 sublessee. The lease financing was 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%.

**THOMAS EDISON STATE COLLEGE AND ITS  
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Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

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 sublessee. The lease financing was for \$2,700,000 to be used for building improvements, 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, 2015, 2014, and 2013 were:

|  | <u>2015</u>          | <u>2014</u>        | <u>2013</u>        |
|--|----------------------|--------------------|--------------------|
| Net investment in capital assets:                    |                      |                    |                    |
| Depreciable assets:                                  |                      |                    |                    |
| Buildings and improvements                           | \$ 33,775,825        | 28,912,274         | 28,698,021         |
| Equipment and vehicles                               | 2,229,577            | 2,609,050          | 4,566,565          |
| Furniture and fixtures                               | 2,046,979            | 1,951,692          | 2,117,713          |
| Subtotal   | <u>38,052,381</u>    | <u>33,473,016</u>  | <u>35,382,299</u>  |
| Nondepreciable assets:                               |                      |                    |                    |
| Land   | 2,286,825            | 2,286,825          | 1,717,268          |
| Construction in progress                             | 13,627,424           | 4,744,060          | 645,756            |
| Rare books, artwork, and historical documents        | 2,130,647            | 2,104,867          | 1,881,371          |
| Subtotal   | <u>18,044,896</u>    | <u>9,135,752</u>   | <u>4,244,395</u>   |
| Total capital assets                                 | 56,097,277           | 42,608,768         | 39,626,694         |
| Less related long-term debt, net of unspent proceeds | <u>(8,218,778)</u>   | <u>(8,465,319)</u> | <u>(8,650,819)</u> |
| Net investment in capital assets                     | <u>\$ 47,878,499</u> | <u>34,143,449</u>  | <u>30,975,875</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

June 30, 2015 and 2014

**Conclusion and Economic Outlook**

With net position of \$34,234,149, the Organization's financial position remains positive. A major challenge to the Organization is maintaining the College's enrollment growth which was achieved over several years. The College had 18,684 enrollments in fiscal year 2015. During fiscal year 2015, the College experienced a 1% decrease in student revenue which was impacted by a one-year decline in enrollments being offset by a 3% price increase for 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 and expended funding to renovate the 102-104 West State Street facility and the Kelsey and Townhouse Complex located at 101 West State Street that were completed in fiscal year 2015.

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 3.2% in fiscal year 2016.

The College recorded on its financial statements the net pension liability and related pension amounts as determined by the Division. The State has communicated that the GASB 68 pension liability "allocations do not impact state laws or past funding arrangements that have been established annually in the State budget". The State has historically made and has communicated it will continue to make direct payments on behalf of the Organization to the PERS plan.

**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, 2015 and 2014

| <b>Assets and Deferred Outflows of Resources</b>  | <b>2015</b>   | <b>2014</b> |
|---|---------------|-------------|
| Current assets:   |               |             |
| Cash (note 2)   | \$ 11,816,787 | 15,297,725  |
| Investments (note 2)  | 31,145,021    | 32,671,633  |
| Receivables:  |               |             |
| Students, less allowance for doubtful accounts of \$2,526,000 in 2015 and \$1,864,000 in 2014       | 5,906,169     | 4,528,500   |
| State of New Jersey   | 3,716,570     | 753,857     |
| Federal   | 618,321       | 848,962     |
| Corporate accounts, less allowance for doubtful accounts of \$456,000 in 2015 and \$444,000 in 2014 | 563,745       | 633,729     |
| Other receivables   | 158,984       | 114,760     |
| Total receivables   | 10,963,789    | 6,879,808   |
| Prepaid expenses and other assets   | 306,435       | 290,766     |
| Total current assets  | 54,232,032    | 55,139,932  |
| Noncurrent assets:  |               |             |
| Investments (note 2)  | 4,681,216     | 6,114,354   |
| Restricted investments (note 2)   | 1,402,094     | 1,417,574   |
| Trustee held investments – restricted (note 3)  | 8,578,354     | 4,611,950   |
| Rare books, artwork, and historical documents   | 2,130,647     | 2,104,867   |
| Capital assets, net (note 4)  | 53,966,630    | 40,503,901  |
| Total noncurrent assets   | 70,758,941    | 54,752,646  |
| Total assets  | 124,990,973   | 109,892,578 |
| Deferred outflows of resources:   |               |             |
| Pensions related (note 9)   | 2,175,387     | —           |
| Total assets and deferred outflows of resources   | 127,166,360   | 109,892,578 |
| <b>Liabilities and Deferred Inflows of Resources</b>  |               |             |
| Current liabilities:  |               |             |
| Accounts payable and accrued expenses (notes 5 and 6)   | 10,446,124    | 9,136,848   |
| Unearned tuition and fees   | 8,394,078     | 8,559,001   |
| Unearned grants and contracts   | 1,947,545     | 1,635,644   |
| Deposits held in custody for others   | 28,493        | 479         |
| Long-term debt – current portion (note 7)   | 1,314,888     | 779,013     |
| Total current liabilities   | 22,131,128    | 20,110,985  |
| Noncurrent liabilities:   |               |             |
| Compensated absences – noncurrent portion (note 6)  | 665,214       | 492,933     |
| Unearned grants and contracts   | 457,682       | 1,616,557   |
| Long-term debt (note 7)   | 13,666,523    | 8,336,411   |
| Net pension liability (note 9)  | 53,004,071    | —           |
| Total noncurrent liabilities  | 67,793,490    | 10,445,901  |
| Total liabilities   | 89,924,618    | 30,556,886  |
| Deferred inflows of resources:  |               |             |
| Pensions related (note 9)   | 3,007,593     | —           |
| Total liabilities and deferred inflows of resources   | 92,932,211    | 30,556,886  |
| <b>Net Position</b>   |               |             |
| Net investment in capital assets  | 47,878,499    | 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  | 273,127       | 281,485     |
| Library for the Blind and Handicapped   | 1,032,307     | 1,009,023   |
| Public policy   | 360,459       | 410,739     |
| Unrestricted  | (16,059,958)  | 42,741,281  |
| Total net position  | \$ 34,234,149 | 79,335,692  |

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, 2014 and 2013

|                                     | <b>Assets</b> | <b>2014</b>      | <b>2013</b>      |
|-------------------------------------|---------------|------------------|------------------|
| Cash                                | \$            | 146,387          | 201,151          |
| Investments                         |               | 8,565,122        | 7,627,465        |
| Contributions and grants receivable |               | 979,903          | 65,500           |
| Other assets                        |               | 72,637           | 59,830           |
| Total assets                        | \$            | <u>9,764,049</u> | <u>7,953,946</u> |
| <b>Liabilities and Net Assets</b>   |               |                  |                  |
| Liabilities:                        |               |                  |                  |
| Accounts payable                    | \$            | 2,923            | 4,791            |
| Contributions and grants payable    |               | 1,210,774        | 386,187          |
| Accrued liabilities                 |               | 42,287           | 36,579           |
| Total liabilities                   |               | <u>1,255,984</u> | <u>427,557</u>   |
| Net assets:                         |               |                  |                  |
| Unrestricted                        |               | 3,477,220        | 3,025,220        |
| Temporarily restricted              |               | 1,378,994        | 1,261,909        |
| Permanently restricted              |               | 3,651,851        | 3,239,260        |
| Total net assets                    |               | <u>8,508,065</u> | <u>7,526,389</u> |
| Total liabilities and net assets    | \$            | <u>9,764,049</u> | <u>7,953,946</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, 2015 and 2014

|  | <b>2015</b>   | <b>2014</b>  |
|--|---------------|--------------|
| Operating revenues:  |               |              |
| Student tuition and fees (net of scholarship allowances<br>of \$3,157,000 in 2015 and \$3,170,000 in 2014) | \$ 50,620,422 | 51,211,343   |
| Federal grants and contracts   | 9,691,265     | 9,789,909    |
| Federal indirect cost recovery   | 301,952       | 172,109      |
| State of New Jersey grants and contracts   | 8,886,064     | 9,034,725    |
| Noncollegiate sponsored programs   | 38,265        | 8,310        |
| Other operating revenues   | 402,351       | 220,581      |
| Total operating revenues   | 69,940,319    | 70,436,977   |
| Operating expenses:  |               |              |
| Academic support   | 24,960,871    | 24,187,947   |
| Student services   | 6,832,038     | 6,909,848    |
| Public services  | 3,845,577     | 4,119,069    |
| General institutional  | 12,976,257    | 12,819,703   |
| Operations and maintenance   | 4,071,264     | 3,287,153    |
| General administration   | 18,404,679    | 17,381,958   |
| Other sponsored programs   | 523,127       | 389,059      |
| Scholarships   | 2,797,481     | 2,604,478    |
| State of New Jersey Library  | 6,897,547     | 6,888,036    |
| Talking Book and Braille Center  | 2,778,688     | 2,741,513    |
| Grants to libraries  | 5,701,190     | 5,746,103    |
| Collections and exhibits   | 1,181,106     | 1,163,373    |
| Depreciation   | 1,826,377     | 1,952,773    |
| Total operating expenses   | 92,796,202    | 90,191,013   |
| Operating loss   | (22,855,883)  | (19,754,036) |
| Nonoperating revenues (expenses):  |               |              |
| State of New Jersey appropriations   | 8,752,081     | 8,723,919    |
| State of New Jersey paid fringe benefits   | 10,710,315    | 13,141,558   |
| Contributed U.S. Postal Service  | 889,105       | 955,726      |
| Private gifts – restricted   | 335,158       | 932,410      |
| Investment income  | 345,834       | 885,741      |
| Interest on indebtedness   | (265,409)     | (321,745)    |
| Loss on disposal of equipment  | (488,665)     | (1,446,029)  |
| Net nonoperating revenues  | 20,278,419    | 22,871,580   |
| (Decrease) increase before other revenues  | (2,577,464)   | 3,117,544    |
| State of New Jersey capital grants   | 8,827,501     | 2,686,991    |
| Increase in net position   | 6,250,037     | 5,804,535    |
| Net position as of beginning of year   | 79,335,692    | 73,531,157   |
| Cumulative effect of change in accounting principle (Note 1)   | (51,351,580)  | —            |
| Net position as of beginning of year, as restated  | 27,984,112    | 73,531,157   |
| Net position as of end of year   | \$ 34,234,149 | 79,335,692   |

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, 2014

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Support and revenues:                            |                     |                                   |                                   |                  |
| Contributions and grants                         | \$ 209,811          | \$ 1,219,540                      | 386,398                           | 1,815,749        |
| Special events                                   | 213,138             | —                                 | 29,193                            | 242,331          |
| Donated services and<br>auction materials        | 257,021             | —                                 | —                                 | 257,021          |
| Donated securities                               | 10,065              | —                                 | —                                 | 10,065           |
| Net assets released from restrictions            | 1,421,486           | (1,418,486)                       | (3,000)                           | —                |
| Total support and revenues                       | <u>2,111,521</u>    | <u>(198,946)</u>                  | <u>412,591</u>                    | <u>2,325,166</u> |
| Expenses:  |                     |                                   |                                   |                  |
| Grants   | 990,258             | —                                 | —                                 | 990,258          |
| Scholarships                                     | 456,791             | —                                 | —                                 | 456,791          |
| Promotional                                      | 16,917              | —                                 | —                                 | 16,917           |
| Special events                                   | 105,166             | —                                 | —                                 | 105,166          |
| Donated services and<br>auction materials        | 257,021             | —                                 | —                                 | 257,021          |
| Management and general                           | 105,817             | —                                 | —                                 | 105,817          |
| Fundraising                                      | 19,409              | —                                 | —                                 | 19,409           |
| Total expenses                                   | <u>1,951,379</u>    | <u>—</u>                          | <u>—</u>                          | <u>1,951,379</u> |
| Change in net assets before<br>investment return | 160,142             | (198,946)                         | 412,591                           | 373,787          |
| Net investment return                            | <u>241,071</u>      | <u>366,818</u>                    | <u>—</u>                          | <u>607,889</u>   |
| Change in net assets                             | 401,213             | 167,872                           | 412,591                           | 981,676          |
| Net assets, beginning of year                    | 3,025,220           | 1,261,909                         | 3,239,260                         | 7,526,389        |
| Reclassification of net assets                   | <u>50,787</u>       | <u>(50,787)</u>                   | <u>—</u>                          | <u>—</u>         |
| Net assets, end of year                          | <u>\$ 3,477,220</u> | <u>1,378,994</u>                  | <u>3,651,851</u>                  | <u>8,508,065</u> |

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

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| 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<br>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                       | <u>1,313,908</u>    | <u>(245,663)</u>                  | <u>71,720</u>                     | <u>1,139,965</u> |
| 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<br>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                                   | <u>1,144,281</u>    | <u>—</u>                          | <u>—</u>                          | <u>1,144,281</u> |
| Change in net assets before<br>investment return | 169,627             | (245,663)                         | 71,720                            | (4,316)          |
| Net investment return                            | <u>257,567</u>      | <u>757,405</u>                    | <u>—</u>                          | <u>1,014,972</u> |
| Change in net assets                             | 427,194             | 511,742                           | 71,720                            | 1,010,656        |
| Net assets, beginning of year                    | <u>2,598,026</u>    | <u>750,167</u>                    | <u>3,167,540</u>                  | <u>6,515,733</u> |
| Net assets, end of year                          | <u>\$ 3,025,220</u> | <u>1,261,909</u>                  | <u>3,239,260</u>                  | <u>7,526,389</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, 2015 and 2014

|  | <b>2015</b>   | <b>2014</b>  |
|--|---------------|--------------|
| Cash flows from operating activities:                |               |              |
| Student tuition and fees                             | \$ 51,541,323 | 52,759,038   |
| Grants, contracts, and other revenues                | 15,858,150    | 15,122,633   |
| Payments for salaries                                | (33,520,592)  | (31,651,522) |
| Payments for fringe benefits                         | (2,590,659)   | (2,850,923)  |
| Payments for materials and supplies                  | (1,714,356)   | (1,688,190)  |
| Payments for services                                | (28,742,812)  | (26,835,103) |
| Payments for maintenance                             | (3,139,400)   | (2,789,152)  |
| Payments to students                                 | (3,156,798)   | (3,170,418)  |
| Payments for grants and contracts                    | (2,061,950)   | (2,106,863)  |
| Payments for noncapital improvements                 | (490,519)     | (449,400)    |
| Net cash used by operating activities                | (8,017,613)   | (3,659,900)  |
| Cash flows from noncapital financing activities:     |               |              |
| State of New Jersey appropriations                   | 8,819,472     | 8,656,528    |
| Private gifts – restricted                           | 313,946       | 898,168      |
| Agency receipts                                      | 136,363       | 150,740      |
| Agency disbursements                                 | (139,663)     | (152,461)    |
| Net cash provided by noncapital financing activities | 9,130,118     | 9,552,975    |
| Cash flows from capital financing activities:        |               |              |
| Proceeds from issuance of capital debt               | 7,000,000     | 1,154,068    |
| State of New Jersey capital grants                   | 5,132,181     | 4,187,663    |
| Purchases of capital assets                          | (14,703,893)  | (6,856,129)  |
| Net deposits with trustee                            | (3,986,278)   | (1,915,377)  |
| Principal paid on capital debt                       | (1,134,013)   | (1,594,167)  |
| Interest paid on capital debt                        | (261,255)     | (317,168)    |
| Net cash used by capital financing activities        | (7,953,258)   | (5,341,110)  |
| Cash flows from investing activities:                |               |              |
| Proceeds from sales and maturities of investments    | 24,261,683    | 22,377,431   |
| Purchases of investments                             | (21,372,314)  | (17,261,139) |
| Interest on investments                              | 470,446       | 575,614      |
| Net cash provided by investing activities            | 3,359,815     | 5,691,906    |
| Net (decrease) increase in cash                      | (3,480,938)   | 6,243,871    |
| Cash as of beginning of the year                     | 15,297,725    | 9,053,854    |
| Cash as of end of the year                           | \$ 11,816,787 | 15,297,725   |

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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, 2015 and 2014

|   | <b>2015</b>     | <b>2014</b>  |
|---|-----------------|--------------|
| Reconciliation of operating loss to net cash used by operating activities:        |                 |              |
| Operating loss  | \$ (22,855,883) | (19,754,036) |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                 |              |
| Depreciation expense  | 1,826,377       | 1,952,773    |
| Noncash transactions  | 11,622,991      | 14,131,344   |
| Change in assets and liabilities:   |                 |              |
| Receivables   | (1,609,790)     | (1,285,529)  |
| Prepaid expenses and other assets   | (15,669)        | 59,340       |
| Accounts payable and accrued expenses   | 382,686         | 1,346,883    |
| Unearned tuition and fees   | (164,923)       | 180,097      |
| Unearned grants and contracts   | 311,901         | (290,772)    |
| Net pension liability   | 2,484,697       | —            |
| Net cash used by operating activities   | \$ (8,017,613)  | (3,659,900)  |
| Noncash transactions:   |                 |              |
| State of New Jersey paid fringe benefits  | \$ 10,710,315   | 13,141,558   |
| Contributed U.S. Postal Service   | 889,105         | 955,726      |
| Contributed services  | 23,571          | 34,060       |
| Student waivers expense   | (700,158)       | (483,693)    |
| Student tuition and fees  | 700,158         | 483,693      |
| 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    |
|   | \$ 11,622,991   | 14,131,344   |

See accompanying notes to financial statements.

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**(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 2015 was 18,684 students. Since the College was founded 53,407 associate, baccalaureate, and master's 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 2,043,000 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 526,000 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

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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, *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*: 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 the 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 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.

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.

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***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 GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

***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.

***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.

|                           | <u>Useful lives</u> |
|---------------------------|---------------------|
| 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 \$1,181,000 and \$1,163,000 in 2015 and 2014, respectively.

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***Net pension liability and related pension amounts***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR), which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml). Additional information regarding pensions is discussed in Footnote 9.

***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 scholarship expenses and are recognized in the period incurred. Student tuition and fees collected in advance of the fiscal year are recorded as unearned tuition and fees 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 grants and contracts 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 \$10,710,315 and \$13,141,558 in 2015 and 2014, respectively, have been included in the accompanying financial statements as revenues and expenses.

***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 \$889,105 and \$955,726 for the years ended June 30, 2015 and 2014, 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

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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.

***New Accounting Standards Adopted***

In fiscal year 2015, the Organization adopted two new accounting standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local government employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Certain Organization employees are provided with defined benefit pensions through the Public Employees' Retirement System (PERS) a cost-sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. In accordance with the provisions of GASB 68, the Organization has reported its proportionate share of PERS net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The effect of adoption of GASB 68 resulted in restating the Organization's net position at July 1, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71) addresses an issue regarding the application of transition provisions of GASB 68 related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension or after the

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measurement date of the government's beginning net pension liability. The effect of the adoption of GASB 71 was included within the restatement of the Organization's net position.

The following is a reconciliation of total net position at June 30, 2014 as previously reported and the restated July 1, 2014 net position for the Organization:

|  | <b>College</b> | <b>Library</b> | <b>Total</b> |
|--|----------------|----------------|--------------|
| Total net position as previously reported<br>as of June 30, 2014 | \$ 62,386,575  | 16,949,117     | 79,335,692   |
| Restatement to beginning of year net position                    | (25,420,443)   | (25,931,137)   | (51,351,580) |
| Total net position as of July 1, 2014 (restated)                 | \$ 36,966,132  | (8,982,020)    | 27,984,112   |

***Accounting Pronouncements Applicable to the System, Issued but Not Yet Effective***

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. The Organization is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This Statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67), and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2016. The Organization is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. The Organization is evaluating the impact of this new statement.

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June 30, 2015 and 2014

(2) **Cash and Investments**

*Cash*

Cash consisted of the following demand deposits in a financial institution as of June 30, 2015 and 2014:

|                | <b>Carrying<br/>amount</b> | <b>Bank<br/>balances</b> |
|----------------|----------------------------|--------------------------|
| 2015:          |                            |                          |
| College        | \$ 7,297,355               | 7,984,184                |
| Library        | 4,519,432                  | 4,549,477                |
| Total deposits | \$ 11,816,787              | 12,533,661               |
| 2014:          |                            |                          |
| College        | \$ 10,989,736              | 11,979,603               |
| Library        | 4,307,989                  | 4,367,859                |
| Total deposits | \$ 15,297,725              | 16,347,462               |

Bank balances in excess of FDIC insured amounts totaling \$11,921,000 in 2015 and \$15,908,829 in 2014 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.

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Investments are stated at fair value, and consist of the following as of June 30, 2015 and 2014:

|                                 | <b>2015</b>          |                  |                   |
|---------------------------------|----------------------|------------------|-------------------|
|                                 | <b>College</b>       | <b>Library</b>   | <b>Total</b>      |
| State of New Jersey Cash        |                      |                  |                   |
| Management Fund                 | \$ 323,214           | 413,563          | 736,777           |
| Money market                    | 15,744,032           | 2,015,665        | 17,759,697        |
| U.S. government bonds and notes | 4,832,338            | —                | 4,832,338         |
| Equities and equity funds       | 2,492,959            | 321,573          | 2,814,532         |
| Fixed income mutual funds       | —                    | 344,229          | 344,229           |
| Alternative investments         | —                    | 187,515          | 187,515           |
| Corporate bonds                 | 368,706              | —                | 368,706           |
| Certificates of deposit         | 10,184,537           | —                | 10,184,537        |
| Total                           | <u>\$ 33,945,786</u> | <u>3,282,545</u> | <u>37,228,331</u> |

|                                 | <b>2014</b>          |                  |                   |
|---------------------------------|----------------------|------------------|-------------------|
|                                 | <b>College</b>       | <b>Library</b>   | <b>Total</b>      |
| 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         |
| Equities and equity 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> |

Bank balances in excess of FDIC insured amounts totaling \$9,934,537 in 2015 and \$9,826,933 in 2014 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.

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The following table summarizes the agency ratings (Moody's) of the Organization's fixed income investments as of June 30, 2015 and 2014:

|                                 | 2015      |              | 2014     |              |
|---------------------------------|-----------|--------------|----------|--------------|
|                                 | Rating    | Fair value   | Rating   | Fair value   |
| College:                        |           |              |          |              |
| U.S. government bonds and notes | Aaa       | \$ 4,832,338 | Aaa      | \$ 7,388,079 |
| Corporate bonds                 | Aa to Baa | 368,706      | Aa to Ba | 249,043      |
|                                 |           | \$ 5,201,044 |          | \$ 7,637,122 |

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 State of New Jersey 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, 2015 and 2014:

|  | 2015                |             |           |         |       |
|--|---------------------|-------------|-----------|---------|-------|
|  | Maturities in years |             |           |         |       |
|  | Fair value          | Less than 1 | 1-5       | 6-10    | 11-15 |
| College:                                 |                     |             |           |         |       |
| State of New Jersey Cash Management Fund | \$ 323,214          | 323,214     | —         | —       | —     |
| Money market                             | 15,744,032          | 15,744,032  | —         | —       | —     |
| U.S. government bonds and notes          | 4,832,338           | 502,520     | 3,813,148 | 516,670 | —     |
| Corporate bonds                          | 368,706             | 17,308      | 119,464   | 231,934 | —     |
| Library:                                 |                     |             |           |         |       |
| State of New Jersey Cash Management Fund | 413,563             | 413,563     | —         | —       | —     |
| Money market                             | 2,015,665           | 2,015,665   | —         | —       | —     |
| Fixed income mutual funds                | 344,229             | 344,229     | —         | —       | —     |
|  | \$ 24,041,747       | 19,360,531  | 3,932,612 | 748,604 | —     |

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|                                    |    | <b>2014</b>                |                        |            |             |              |
|------------------------------------|----|----------------------------|------------------------|------------|-------------|--------------|
|                                    |    | <b>Maturities in years</b> |                        |            |             |              |
|                                    |    | <b>Fair<br/>value</b>      | <b>Less<br/>than 1</b> | <b>1-5</b> | <b>6-10</b> | <b>11-15</b> |
| College:                           |    |                            |                        |            |             |              |
| State of New Jersey Cash           |    |                            |                        |            |             |              |
| Management Fund                    | \$ | 323,007                    | 323,007                | —          | —           | —            |
| Money market                       |    | 16,463,545                 | 16,463,545             | —          | —           | —            |
| U.S. government bonds<br>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       |

**(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, 2015 and 2014:

|                           |    | <b>2015</b>    |                |              |
|---------------------------|----|----------------|----------------|--------------|
|                           |    | <b>College</b> | <b>Library</b> | <b>Total</b> |
| State of New Jersey Cash  |    |                |                |              |
| Management Fund           | \$ | —              | 609,166        | 609,166      |
| Money market              |    | 7,564,840      | 16,390         | 7,581,230    |
| Alternative investments   |    | —              | 95,480         | 95,480       |
| Fixed income mutual funds |    | —              | 68,783         | 68,783       |
| Equity mutual funds       |    | —              | 223,695        | 223,695      |
| Total                     | \$ | 7,564,840      | 1,013,514      | 8,578,354    |

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|  | <b>2014</b>         |                  |                  |
|--|---------------------|------------------|------------------|
|  | <u>College</u>      | <u>Library</u>   | <u>Total</u>     |
| 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                                    | <u>\$ 3,578,562</u> | <u>1,033,388</u> | <u>4,611,950</u> |

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 State of New Jersey 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, 2015 and 2014:

|  | <u>2015</u>         |                    | <u>2014</u>       |                    |
|--|---------------------|--------------------|-------------------|--------------------|
|  | <u>Fair value</u>   | <u>Less than 1</u> | <u>Fair value</u> | <u>Less than 1</u> |
| College:                                 |                     |                    |                   |                    |
| Money market                             | \$ 7,564,840        | 7,564,840          | 3,578,562         | 3,578,562          |
| Library:                                 |                     |                    |                   |                    |
| State of New Jersey Cash Management Fund | 609,166             | 609,166            | 608,387           | 608,387            |
| Money market                             | 16,390              | 16,390             | 17,322            | 17,322             |
| Fixed income mutual funds                | 68,783              | 68,783             | 80,601            | 80,601             |
|  | <u>\$ 8,259,179</u> | <u>8,259,179</u>   | <u>4,284,872</u>  | <u>4,284,872</u>   |

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**(4) Capital Assets**

The Organization's principal locations are in buildings, some of which are owned by the State and are dedicated for use by the Organization. Although legal title for buildings owned by the State 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, 2015 and 2014, capital assets and accumulated depreciation activity was as follows:

|                                  | <b>2015</b>                  |                   |                    |                           |
|----------------------------------|------------------------------|-------------------|--------------------|---------------------------|
|                                  | <u>Beginning<br/>balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Ending<br/>balance</u> |
| Depreciable assets:              |                              |                   |                    |                           |
| Buildings and improvements       | \$ 29,422,339                | 5,755,023         | 28,139             | 35,149,223                |
| Equipment and vehicles           | 5,805,868                    | 617,816           | 1,847,665          | 4,576,019                 |
| Furniture and fixtures           | 2,742,966                    | 405,837           | —                  | 3,148,803                 |
| College subtotal                 | <u>37,971,173</u>            | <u>6,778,676</u>  | <u>1,875,804</u>   | <u>42,874,045</u>         |
| Buildings and improvements       | 20,093,944                   | —                 | —                  | 20,093,944                |
| Equipment and vehicles           | 4,553,454                    | 115,731           | 1,579,994          | 3,089,191                 |
| Furniture and fixtures           | 149,414                      | —                 | 109,717            | 39,697                    |
| Library subtotal                 | <u>24,796,812</u>            | <u>115,731</u>    | <u>1,689,711</u>   | <u>23,222,832</u>         |
| Total depreciable assets         | <u>62,767,985</u>            | <u>6,894,407</u>  | <u>3,565,515</u>   | <u>66,096,877</u>         |
| Less accumulated depreciation:   |                              |                   |                    |                           |
| Buildings and improvements       | 6,532,327                    | 631,810           | 6,187              | 7,157,950                 |
| Equipment and vehicles           | 4,431,164                    | 367,610           | 1,673,601          | 3,125,173                 |
| Furniture and fixtures           | 921,192                      | 198,187           | —                  | 1,119,379                 |
| College subtotal                 | <u>11,884,683</u>            | <u>1,197,607</u>  | <u>1,679,788</u>   | <u>11,402,502</u>         |
| Buildings and improvements       | 14,071,682                   | 237,710           | —                  | 14,309,392                |
| Equipment and vehicles           | 3,319,108                    | 388,414           | 1,397,062          | 2,310,460                 |
| Furniture and fixtures           | 19,496                       | 2,646             | —                  | 22,142                    |
| Library subtotal                 | <u>17,410,286</u>            | <u>628,770</u>    | <u>1,397,062</u>   | <u>16,641,994</u>         |
| Total accumulated depreciation   | <u>29,294,969</u>            | <u>1,826,377</u>  | <u>3,076,850</u>   | <u>28,044,496</u>         |
| Total depreciable assets, net    | <u>33,473,016</u>            | <u>5,068,030</u>  | <u>488,665</u>     | <u>38,052,381</u>         |
| Nondepreciable assets:           |                              |                   |                    |                           |
| College construction in progress | 4,744,060                    | 11,115,426        | 2,232,062          | 13,627,424                |
| College land                     | 1,197,233                    | —                 | —                  | 1,197,233                 |
| Library land                     | 1,089,592                    | —                 | —                  | 1,089,592                 |
| Total nondepreciable assets      | <u>7,030,885</u>             | <u>11,115,426</u> | <u>2,232,062</u>   | <u>15,914,249</u>         |
| Total capital assets, net        | <u>\$ 40,503,901</u>         | <u>16,183,456</u> | <u>2,720,727</u>   | <u>53,966,630</u>         |

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|                                  | <b>2014</b>                  |                  |                    |                           |
|----------------------------------|------------------------------|------------------|--------------------|---------------------------|
|                                  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending<br/>balance</u> |
| 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>         |

During 2015 and 2014, the Organization has capitalized interest expense, net of related interest income of \$119,068 and \$0, respectively, in construction in progress in the accompanying statements of net position.

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**(5) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following as of June 30, 2015 and 2014:

|                               | <b>2015</b>         |                |                   | <b>2014</b>      |
|-------------------------------|---------------------|----------------|-------------------|------------------|
|                               | <b>College</b>      | <b>Library</b> | <b>Total</b>      | <b>Total</b>     |
| Vendors                       | \$ 6,019,954        | 117,127        | 6,137,081         | 5,389,451        |
| Accrued salaries and benefits | 1,601,602           | 322,691        | 1,924,293         | 1,605,243        |
| Compensated absences          | 1,526,263           | 323,149        | 1,849,412         | 1,836,957        |
| Other accrued expenses        | 532,913             | 2,425          | 535,338           | 305,197          |
| Total                         | <u>\$ 9,680,732</u> | <u>765,392</u> | <u>10,446,124</u> | <u>9,136,848</u> |

**(6) Noncurrent Liabilities**

For the years ended June 30, 2015 and 2014, noncurrent liabilities activity was as follows:

|  | <b>2015</b>                   |                   |                   |                           |                            |
|--|-------------------------------|-------------------|-------------------|---------------------------|----------------------------|
|  | <b>Beginning<br/>balance*</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Ending<br/>balance</b> | <b>Current<br/>portion</b> |
| Compensated absences:                  |                               |                   |                   |                           |                            |
| College                                | \$ 1,857,197                  | 2,541,528         | 2,444,946         | 1,953,779                 | 1,526,263                  |
| Library                                | 472,693                       | 637,685           | 549,531           | 560,847                   | 323,149                    |
| Total compensated<br>absences          | 2,329,890                     | 3,179,213         | 2,994,477         | 2,514,626                 | 1,849,412                  |
| Net pension liability:                 |                               |                   |                   |                           |                            |
| College                                | 25,654,511                    | 2,872,762         | 1,067,474         | 27,459,799                | —                          |
| Library                                | 26,148,877                    | 1,787,322         | 2,391,927         | 25,544,272                | —                          |
| Total net pension<br>liability         | 51,803,388                    | 4,660,084         | 3,459,401         | 53,004,071                | —                          |
| Unearned grants and contracts:         |                               |                   |                   |                           |                            |
| College                                | 1,697,673                     | 671,103           | 1,505,493         | 863,283                   | 405,601                    |
| Library                                | 1,554,528                     | 4,565,598         | 4,578,182         | 1,541,944                 | 1,541,944                  |
| Total unearned grants<br>and contracts | 3,252,201                     | 5,236,701         | 6,083,675         | 2,405,227                 | 1,947,545                  |
| Total                                  | <u>\$ 57,385,479</u>          | <u>13,075,998</u> | <u>12,537,553</u> | <u>57,923,924</u>         | <u>3,796,957</u>           |

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|  | <b>2014</b>                  |                  |                   |                           |                            |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|
|  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance</u> | <u>Current<br/>portion</u> |
| 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<br>absences          | 1,898,197                    | 2,935,687        | 2,503,994         | 2,329,890                 | 1,836,957                  |
| Unearned grants and contracts:         |                              |                  |                   |                           |                            |
| College                                | 130,459                      | 4,460,725        | 2,893,511         | 1,697,673                 | 81,116                     |
| Library                                | 1,795,957                    | 4,537,037        | 4,778,466         | 1,554,528                 | 1,554,528                  |
| Total unearned grants<br>and contracts | 1,926,416                    | 8,997,762        | 7,671,977         | 3,252,201                 | 1,635,644                  |
| Total                                  | \$ 3,824,613                 | 11,933,449       | 10,175,971        | 5,582,091                 | 3,472,601                  |

\* Beginning balance for net pension liability was restated for the effect of the implementation of GASB 68.

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**(7) Long-Term Debt**

For the years ended June 30, 2015 and 2014, long-term debt activity was as follows:

|  | <u>Beginning<br/>balance</u> | <b>2015</b>      |                   | <u>Ending<br/>balance</u> | <u>Current<br/>portion</u> |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|
|  |                              | <u>Additions</u> | <u>Reductions</u> |                           |                            |
| Long-term debt:                            |                              |                  |                   |                           |                            |
| College:                                   |                              |                  |                   |                           |                            |
| Banc of America Leasing &<br>Capital, LLC: |                              |                  |                   |                           |                            |
| 2007 Tax Exempt Lease                      | \$ 612,603                   | —                | 85,673            | 526,930                   | 70,257                     |
| 2010 Tax Exempt Lease                      | 182,845                      | —                | 145,842           | 37,003                    | 37,003                     |
| TD Bank Finance, Inc.:                     |                              |                  |                   |                           |                            |
| 2012 Tax Exempt Lease                      | 6,552,795                    | —                | 421,053           | 6,131,742                 | 421,053                    |
| TD Equipment Finance, Inc.:                |                              |                  |                   |                           |                            |
| 2012 Tax Exempt Lease                      | 222,846                      | —                | 42,429            | 180,417                   | 43,512                     |
| Capital Improvement Fund                   |                              |                  |                   |                           |                            |
| 102-104 West State Street                  | 433,333                      | —                | —                 | 433,333                   | 14,616                     |
| Capital Improvement Fund                   |                              |                  |                   |                           |                            |
| Kelsey/Townhouse Complex                   | 593,417                      | —                | —                 | 593,417                   | 20,016                     |
| Equipment Leasing Fund                     |                              |                  |                   |                           |                            |
| Nursing Equipment                          | 127,318                      | —                | 9,685             | 117,633                   | 12,322                     |
| PNC Bank:                                  |                              |                  |                   |                           |                            |
| Nursing Center                             | —                            | 7,000,000        | 355,000           | 6,645,000                 | 620,000                    |
| College subtotal                           | <u>8,725,157</u>             | <u>7,000,000</u> | <u>1,059,682</u>  | <u>14,665,475</u>         | <u>1,238,779</u>           |
| Library:                                   |                              |                  |                   |                           |                            |
| TD Equipment Finance, Inc.:                |                              |                  |                   |                           |                            |
| 2012 Tax Exempt Lease                      | 390,267                      | —                | 74,331            | 315,936                   | 76,109                     |
| Library subtotal                           | <u>390,267</u>               | <u>—</u>         | <u>74,331</u>     | <u>315,936</u>            | <u>76,109</u>              |
| Total                                      | <u>\$ 9,115,424</u>          | <u>7,000,000</u> | <u>1,134,013</u>  | <u>14,981,411</u>         | <u>1,314,888</u>           |

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|  | 2014                 |                  |                  |                   |                    |
|--|----------------------|------------------|------------------|-------------------|--------------------|
|  | Beginning<br>balance | Additions        | Reductions       | Ending<br>balance | Current<br>portion |
| Long-term debt:                            |                      |                  |                  |                   |                    |
| College:                                   |                      |                  |                  |                   |                    |
| Banc of America Leasing &<br>Capital, LLC: |                      |                  |                  |                   |                    |
| 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 Finance, Inc.:                     |                      |                  |                  |                   |                    |
| 2012 Tax Exempt Lease                      | 7,789,474            | —                | 1,236,679        | 6,552,795         | 421,053            |
| TD Equipment Finance, Inc.:                |                      |                  |                  |                   |                    |
| 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 Equipment Finance, Inc.:                |                      |                  |                  |                   |                    |
| 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>     |

In October 2014, the Organization entered into a tax-exempt lease financing arrangement in which PNC Bank is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$7,000,000 is to assist the College in covering costs associated with the construction of the Nursing Education Center in Trenton, NJ. As of June 30, 2015, the Organization has drawn down \$0. The bond debt service payment schedule has a ten-year term. There are 121 loan payments of Principal plus Interest (Interest Portion @ 2.486%). The first payment was scheduled for December 1, 2014 and was interest only. As of June 30, 2015, the Organization owes \$6,645,000.

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, 2015, the Organization has drawn down \$1,397,000. 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 was scheduled to

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start on September 1, 2014 and was interest only. As of June 30, 2015 and 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, 2015, the Organization has drawn down \$1,913,000. 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 was scheduled to start September 1, 2014 and was interest only. As of June 30, 2015 and 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 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, 2015, 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 was scheduled to start November 1, 2014. As of June 30, 2015 and 2014, the Organization owes \$117,633 and \$127,318, respectively.

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 sublessee. 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, 2015, 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 a 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, 2015 and 2014, the Organization owes \$6,131,742 and \$6,552,795, 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 sublessee. 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, 2015, 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, 2015 and 2014, the Organization owes \$496,353 and \$613,113, respectively.

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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 sublessee. 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, 2015, 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, 2015 and 2014, the Organization owes \$37,003 and \$182,845, 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 sublessee. 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, 2015, 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 schedule has an interest rate of 4.570%, which will be repaid over a fifteen-year period. As of June 30, 2015 and 2014, the Organization owes \$526,930 and \$612,603, respectively.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2015:

|                      | <u>Principal</u>     | <u>Interest</u>  |
|----------------------|----------------------|------------------|
| Year ending June 30: |                      |                  |
| 2016                 | \$ 1,314,888         | 453,074          |
| 2017                 | 1,297,839            | 414,418          |
| 2018                 | 1,352,957            | 375,169          |
| 2019                 | 1,343,242            | 335,513          |
| 2020                 | 1,227,136            | 295,180          |
| 2021-2025            | 5,923,443            | 905,459          |
| 2026-2030            | 2,222,999            | 261,221          |
| 2031-2034            | 298,907              | 29,683           |
| Total                | <u>\$ 14,981,411</u> | <u>3,069,717</u> |

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**(8) Retirement Plans**

The Organization participates in two major retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the Division), 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. The ABP alternatives are defined contribution plans that are administered by a separate Board of Trustees. 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.

A publicly available Comprehensive Annual Financial Report (CAFR) of the State of New Jersey Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS’s and ABP’s fiduciary net position, can be obtained at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml) or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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.

**a) *Defined Benefit Pension Plan***

***Plan description***

PERS was established under the provisions of N.J.S.A. 43:15A to provide retirement, death and disability benefits, 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 vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

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The following represents the membership tiers for PERS:

| <b>Tier</b> | <b>Definition</b>  |
|-------------|--|
| 1           | Members who were enrolled prior to July 1, 2007  |
| 2           | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3           | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4           | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5           | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PERS members were required to contribute 6.92% and 6.78% of their annual covered salary for the years ended June 30, 2015 and 2014, respectively. The State makes employer contributions on behalf of the Organization. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The State's contribution for the Organization was \$436,289 and \$451,808 for 2015 and 2014, respectively.

***Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources***

The Organization's respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense for PERS are calculated by the Division. At June 30, 2015, the Organization reported a liability of \$53,004,071 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date of June 30, 2014. The June 30, 2014 PERS net pension liability was recorded in the statement of net position as of June 30, 2015. The Organization's proportionate share of the respective net pension liability for the fiscal year was based

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on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for fiscal year 2014. Below is a summary of PERS information:

|  | <u>College</u> | <u>Library</u> | <u>Total</u>  |
|--|----------------|----------------|---------------|
| Proportionate share of net pension liability as of June 30, 2014 | \$ 27,459,799  | 25,544,272     | 53,004,071    |
| 2014 Allocation percentage - State Group                         | 0.1364319411%  | 0.1269147891%  | 0.2633467302% |
| 2014 Allocation percentage - Total Plan*                         | 0.0706818863%  | 0.0657512944%  | 0.1364331807% |
| 2013 Allocation percentage - State Group                         | 0.1329344107%  | 0.1354960771%  | 0.2684304878% |
| 2013 Allocation percentage - Total Plan*                         | 0.0667901681%  | 0.0680772239%  | 0.1348673920% |
| Pension expense for the year ended June 30, 2014                 | \$ 1,697,009   | 1,223,977      | 2,920,986     |

\* Allocation percentage calculated as the Organization's respective net pension liability as a percentage of the total plan's net pension liability.

The Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2015:

|  | <u>College</u>      | <u>Library</u>   | <u>Total</u>     |
|--|---------------------|------------------|------------------|
| <b>Deferred Outflows of Resources:</b>   |                     |                  |                  |
| Changes of assumptions   | \$ 605,588          | 563,345          | 1,168,933        |
| Changes in proportionate share   | 570,165             | —                | 570,165          |
| Contributions subsequent to the measurement date   | 226,028             | 210,261          | 436,289          |
|  | <u>\$ 1,401,781</u> | <u>773,606</u>   | <u>2,175,387</u> |
| <b>Deferred Inflows of Resources:</b>  |                     |                  |                  |
| Changes in proportionate share   | \$ —                | 1,398,918        | 1,398,918        |
| Net differences between projected and actual investment earnings on pension plan investments | 833,406             | 775,269          | 1,608,675        |
|  | <u>\$ 833,406</u>   | <u>2,174,187</u> | <u>3,007,593</u> |

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\$436,289 reported as deferred outflows of resources related to pensions resulting from contributions made on behalf of the Organization by the State subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|               | <b>College</b> | <b>Library</b> | <b>Total</b> |
|---------------|----------------|----------------|--------------|
| Years ending: |                |                |              |
| 2016          | \$ 7,780       | (347,415)      | (339,635)    |
| 2017          | 7,780          | (347,415)      | (339,635)    |
| 2018          | 7,780          | (347,415)      | (339,635)    |
| 2019          | 7,780          | (347,415)      | (339,635)    |
| 2020          | 216,131        | (153,598)      | 62,533       |
| Thereafter    | 95,096         | (67,584)       | 27,512       |
|               | \$ 342,347     | (1,610,842)    | (1,268,495)  |

***Actuarial Assumptions***

The total pension liability measured as of June 30, 2014 based on the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions:

|                           | <b>PERS</b>               |
|---------------------------|---------------------------|
| Inflation rate            | 3.01%                     |
| Salary increases:         |                           |
| 2012-2021                 | 2.15 - 4.40% based on age |
| Thereafter                | 3.15 - 5.40% based on age |
| Investment rate of return | 7.90%                     |

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best

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estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of<br/>Return</u> |
|-----------------------------|------------------------------|---|
| Cash                        | 6.00%                        | 0.80%   |
| Core bonds                  | 1.00%                        | 2.49%   |
| Intermediate-term bonds     | 11.20%                       | 2.26%   |
| Mortgages                   | 2.50%                        | 2.17%   |
| High yield bonds            | 5.50%                        | 4.82%   |
| Inflation-indexed bonds     | 2.50%                        | 3.51%   |
| Broad US equities           | 25.90%                       | 8.22%   |
| Developed foreign equities  | 12.70%                       | 8.12%   |
| Emerging market equities    | 6.50%                        | 9.91%   |
| Private equity              | 8.25%                        | 13.02%  |
| Hedge funds/absolute return | 12.25%                       | 4.92%   |
| Real estate (property)      | 3.20%                        | 5.80%   |
| Commodities                 | 2.50%                        | 5.35%   |

***Discount Rate***

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Organization's proportionate share of the collective net pension liability for the PERS as of June 30, 2014 calculated using the discount rate as disclosed above for each plan as well as what the Organization's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

|         |    | <u>At 1% decrease<br/>(4.39%)</u> | <u>At current discount<br/>rate (5.39%)</u> | <u>At 1% increase<br/>(6.39%)</u> |
|---------|----|-----------------------------------|---|-----------------------------------|
| College | \$ | 32,433,216                        | 27,459,799                                  | 23,288,824                        |
| Library |    | 30,170,756                        | 25,544,272                                  | 21,664,254                        |
| Total   | \$ | <u>62,603,972</u>                 | <u>53,004,071</u>                           | <u>44,953,078</u>                 |

***b) Defined Contribution Benefit Plans***

***Alternate Benefit Program***

ABP provides the choice of seven 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, 2015 and 2014, ABP received employer and employee contributions as follows:

|                                 |    | <u>2015</u>    |                |              | <u>2014</u>  |
|---------------------------------|----|----------------|----------------|--------------|--------------|
|                                 |    | <u>College</u> | <u>Library</u> | <u>Total</u> | <u>Total</u> |
| Employer contributions          | \$ | 1,515,102      | 49,424         | 1,564,526    | 1,444,664    |
| Employee contributions          |    | 946,939        | 30,890         | 977,829      | 902,915      |
| Basis for contributions:        |    |                |                |              |              |
| Participating employee salaries |    | 18,938,780     | 617,800        | 19,556,580   | 18,058,300   |

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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. 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 2015 or 2014. The employer contributions made during fiscal year 2015 and 2014 were \$49,408 and \$41,890, 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). The Organization 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 2015 or 2014. The employer contributions made during fiscal year 2015 and 2014 were \$11,637 and \$11,049, respectively.

**c) *Postemployment Benefits Other Than Pensions***

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the Organization's retired employees. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credit after June 30, 1997 may share in the cost of health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not

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available to the Organization and no expenses or liabilities for benefits are reflected in the Organization's financial statements.

**(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. Since Federal and State funds comprise 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 \$28,995 and \$0, respectively, in 2015 and \$50,153 and \$13,585, respectively, in 2014. The College and Library have accrued amounts of \$427,516 and \$237,698, respectively, as of June 30, 2015, and \$335,317 and \$157,616, respectively, as of June 30, 2014, 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 \$237,698 and \$157,616 has been recorded as of June 30, 2015 and 2014, 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 2015 will continue into fiscal year 2016 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 was subsequently amended to \$791,215. The construction is anticipated to be completed during 2015. The remaining commitment as of June 30, 2015 was \$257,788.

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 was completed during fiscal year 2015. There is no remaining commitment as of June 30, 2015.

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, 2015 was \$14,828,814.

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**(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, 2015 and 2014, the Foundation distributed \$736,327 and \$434,127, 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, 2015 and 2014

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)

Required Supplementary Information (Unaudited)

Schedules of Employer Contributions

**State of New Jersey Public Employees' Retirement System  
Thomas Edison State College**

|  | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|
| Contractually required contribution                                  | \$ 226,028     | 234,068        |
| Contributions in relation to the contractually required contribution | <u>226,028</u> | <u>234,068</u> |
| Contribution deficiency (excess)                                     | <u>\$ —</u>    | <u>—</u>       |
| Organization employee covered—payroll                                | \$ 7,555,305   | 6,978,413      |
| Contributions as a percentage of employee covered payroll            | 2.99%          | 3.35%          |

**New Jersey State Library**

|  | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|
| Contractually required contribution                                  | \$ 210,261     | 217,740        |
| Contributions in relation to the contractually required contribution | <u>210,261</u> | <u>217,740</u> |
| Contribution deficiency (excess)                                     | <u>\$ —</u>    | <u>—</u>       |
| Organization employee covered—payroll                                | \$ 5,592,606   | 5,527,456      |
| Contributions as a percentage of employee covered payroll            | 3.76%          | 3.94%          |

**Total**

|  | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|
| Contractually required contribution                                  | \$ 436,289     | 451,808        |
| Contributions in relation to the contractually required contribution | <u>436,289</u> | <u>451,808</u> |
| Contribution deficiency (excess)                                     | <u>\$ —</u>    | <u>—</u>       |
| Organization employee covered—payroll                                | \$ 13,147,911  | 12,505,869     |
| Contributions as a percentage of employee covered payroll            | 3.32%          | 3.61%          |

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)

Required Supplementary Information (Unaudited)  
Schedules of Proportionate Share of the Net Pension Liability

**State of New Jersey Public Employees' Retirement System  
Thomas Edison State College**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| Organization proportion of the net pension liability – State Group  | 0.1364319411% | 0.1329344107% |
| Organization proportion of the net pension liability – Total Plan   | 0.0706818863% | 0.0667901681% |
| Organization proportionate share of the net pension liability   | \$ 27,459,799 | 25,654,511    |
| Organization employee covered–payroll   | 6,978,413     | 6,346,226     |
| Organization proportionate share of the net pension liability as a percentage of the employee covered-payroll | 393.50%       | 404.25%       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 42.74%        | 40.71%        |

**New Jersey State Library**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| Organization proportion of the net pension liability – State Group  | 0.1269147891% | 0.1354960771% |
| Organization proportion of the net pension liability – Total Plan   | 0.0657512944% | 0.0680772239% |
| Organization proportionate share of the net pension liability   | \$ 25,544,272 | 26,148,877    |
| Organization employee covered–payroll   | 5,527,456     | 5,640,824     |
| Organization proportionate share of the net pension liability as a percentage of the employee covered-payroll | 462.13%       | 463.56%       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 42.74%        | 40.71%        |

**Total**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| Organization proportion of the net pension liability – State Group  | 0.2633467302% | 0.2684304878% |
| Organization proportion of the net pension liability – Total Plan   | 0.1364331807% | 0.1348673920% |
| Organization proportionate share of the net pension liability   | \$ 53,004,071 | 51,803,388    |
| Organization employee covered–payroll   | 12,505,869    | 11,987,050    |
| Organization proportionate share of the net pension liability as a percentage of the employee covered-payroll | 423.83%       | 432.16%       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 42.74%        | 40.71%        |

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, 2015

| <b>Assets and Deferred Outflows of Resources</b>     | <b>College</b>       | <b>Library</b>      | <b>Total</b>       |
|--|----------------------|---------------------|--------------------|
| Current assets:                                      |                      |                     |                    |
| Cash   | \$ 7,297,355         | 4,519,432           | 11,816,787         |
| Investments  | 28,904,111           | 2,240,910           | 31,145,021         |
| Receivables:   |                      |                     |                    |
| Students, net  | 5,906,169            | —                   | 5,906,169          |
| State of New Jersey                                  | 2,913,328            | 803,242             | 3,716,570          |
| Federal  | 214,171              | 404,150             | 618,321            |
| Corporate accounts, net                              | 563,745              | —                   | 563,745            |
| Other receivables                                    | 155,364              | 3,620               | 158,984            |
| Total receivables                                    | <u>9,752,777</u>     | <u>1,211,012</u>    | <u>10,963,789</u>  |
| Prepaid expenses and other assets                    | 168,803              | 137,632             | 306,435            |
| Due to College from Library                          | 125,311              | (125,311)           | —                  |
| Total current assets                                 | <u>46,248,357</u>    | <u>7,983,675</u>    | <u>54,232,032</u>  |
| Noncurrent assets:                                   |                      |                     |                    |
| Investments  | 4,681,216            | —                   | 4,681,216          |
| Restricted investments                               | 360,459              | 1,041,635           | 1,402,094          |
| Trustee held investments – restricted                | 7,564,840            | 1,013,514           | 8,578,354          |
| Rare books, artwork, and historical documents        | 566,597              | 1,564,050           | 2,130,647          |
| Capital assets                                       | 46,296,200           | 7,670,430           | 53,966,630         |
| Total noncurrent assets                              | <u>59,469,312</u>    | <u>11,289,629</u>   | <u>70,758,941</u>  |
| Total assets   | <u>105,717,669</u>   | <u>19,273,304</u>   | <u>124,990,973</u> |
| Deferred outflows of resources:                      |                      |                     |                    |
| Pensions related                                     | 1,401,781            | 773,606             | 2,175,387          |
| Total assets and deferred outflows of resources      | <u>107,119,450</u>   | <u>20,046,910</u>   | <u>127,166,360</u> |
|  |                      |                     |                    |
| <b>Liabilities and Deferred Inflows of Resources</b> |                      |                     |                    |
| Current liabilities:                                 |                      |                     |                    |
| Accounts payable and accrued expenses                | 9,680,732            | 765,392             | 10,446,124         |
| Unearned tuition and fees                            | 8,394,078            | —                   | 8,394,078          |
| Unearned grants and contracts                        | 405,601              | 1,541,944           | 1,947,545          |
| Deposits held in custody for others                  | 28,493               | —                   | 28,493             |
| Long-term debt – current portion                     | 1,238,779            | 76,109              | 1,314,888          |
| Total current liabilities                            | <u>19,747,683</u>    | <u>2,383,445</u>    | <u>22,131,128</u>  |
| Noncurrent liabilities:                              |                      |                     |                    |
| Compensated absences – noncurrent portion            | 427,516              | 237,698             | 665,214            |
| Unearned grants and contracts                        | 457,682              | —                   | 457,682            |
| Long-term debt                                       | 13,426,696           | 239,827             | 13,666,523         |
| Net pension liability                                | 27,459,799           | 25,544,272          | 53,004,071         |
| Total noncurrent liabilities                         | <u>41,771,693</u>    | <u>26,021,797</u>   | <u>67,793,490</u>  |
| Total liabilities                                    | <u>61,519,376</u>    | <u>28,405,242</u>   | <u>89,924,618</u>  |
| Deferred inflows of resources:                       |                      |                     |                    |
| Pensions related                                     | 833,406              | 2,174,187           | 3,007,593          |
| Total liabilities and deferred inflows of resources  | <u>61,519,376</u>    | <u>28,405,242</u>   | <u>89,924,618</u>  |
|  |                      |                     |                    |
| <b>Net Position</b>                                  |                      |                     |                    |
| Net investment in capital assets                     | 38,959,955           | 8,918,544           | 47,878,499         |
| 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                               | —                    | 273,127             | 273,127            |
| Library for the Blind and Handicapped                | —                    | 1,032,307           | 1,032,307          |
| Public policy  | 360,459              | —                   | 360,459            |
| Unrestricted   | 5,446,254            | (21,506,212)        | (16,059,958)       |
| Total net position                                   | <u>\$ 44,766,668</u> | <u>(10,532,519)</u> | <u>34,234,149</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 Net Position

June 30, 2014

| <b>Assets</b>                                 | <b>College</b> | <b>Library</b> | <b>Total</b> |
|---|----------------|----------------|--------------|
| 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  |
|   |                |                |              |
| <b>Liabilities</b>                            |                |                |              |
| 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   |
|   |                |                |              |
| <b>Net Position</b>                           |                |                |              |
| 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 Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

|  | <u>College</u>       | <u>Library</u>      | <u>Total</u>        |
|--|----------------------|---------------------|---------------------|
| Operating revenues:  |                      |                     |                     |
| Student tuition and fees, net                                | \$ 50,620,422        | —                   | 50,620,422          |
| Federal grants and contracts                                 | 5,708,752            | 3,982,513           | 9,691,265           |
| Federal indirect cost recovery                               | 113,037              | 188,915             | 301,952             |
| State of New Jersey grants and contracts                     | 291,425              | 8,594,639           | 8,886,064           |
| Noncollegiate sponsored programs                             | 38,265               | —                   | 38,265              |
| Other operating revenues                                     | 389,624              | 12,727              | 402,351             |
| Total operating revenues                                     | <u>57,161,525</u>    | <u>12,778,794</u>   | <u>69,940,319</u>   |
| Operating expenses:  |                      |                     |                     |
| Academic support   | 24,960,871           | —                   | 24,960,871          |
| Student services   | 6,832,038            | —                   | 6,832,038           |
| Public services  | 1,254,834            | 2,590,743           | 3,845,577           |
| General institutional  | 12,976,257           | —                   | 12,976,257          |
| Operations and maintenance                                   | 4,021,108            | 50,156              | 4,071,264           |
| General administration                                       | 16,126,846           | 2,277,833           | 18,404,679          |
| Other sponsored programs                                     | 523,127              | —                   | 523,127             |
| Scholarships   | 2,797,481            | —                   | 2,797,481           |
| State of New Jersey Library                                  | —                    | 6,897,547           | 6,897,547           |
| Talking Book and Braille Center                              | —                    | 2,778,688           | 2,778,688           |
| Grants to libraries  | —                    | 5,701,190           | 5,701,190           |
| Collections and exhibits                                     | —                    | 1,181,106           | 1,181,106           |
| Depreciation   | 1,197,607            | 628,770             | 1,826,377           |
| Total operating expenses                                     | <u>70,690,169</u>    | <u>22,106,033</u>   | <u>92,796,202</u>   |
| Operating loss   | <u>(13,528,644)</u>  | <u>(9,327,239)</u>  | <u>(22,855,883)</u> |
| Nonoperating revenues (expenses):                            |                      |                     |                     |
| State of New Jersey appropriations                           | 3,551,000            | 5,201,081           | 8,752,081           |
| State of New Jersey paid fringe benefits                     | 8,848,217            | 1,862,098           | 10,710,315          |
| Contributed U.S. Postal Service                              | —                    | 889,105             | 889,105             |
| Private gifts – restricted                                   | 247,785              | 87,373              | 335,158             |
| Investment income  | 307,303              | 38,531              | 345,834             |
| Interest on indebtedness                                     | (256,610)            | (8,799)             | (265,409)           |
| Loss on disposal of equipment                                | (196,016)            | (292,649)           | (488,665)           |
| Net nonoperating revenues                                    | <u>12,501,679</u>    | <u>7,776,740</u>    | <u>20,278,419</u>   |
| Increase (decrease) before other revenues                    | <u>(1,026,965)</u>   | <u>(1,550,499)</u>  | <u>(2,577,464)</u>  |
| State of New Jersey capital grants                           | 8,827,501            | —                   | 8,827,501           |
| Increase (decrease) in net position                          | <u>7,800,536</u>     | <u>(1,550,499)</u>  | <u>6,250,037</u>    |
| Net position as of beginning of year                         | <u>62,386,575</u>    | <u>16,949,117</u>   | <u>79,335,692</u>   |
| Cumulative effect of change in accounting principle (Note 1) | <u>(25,420,443)</u>  | <u>(25,931,137)</u> | <u>(51,351,580)</u> |
| Net position as of beginning of year, as restated            | <u>36,966,132</u>    | <u>(8,982,020)</u>  | <u>27,984,112</u>   |
| Net position as of end of year                               | <u>\$ 44,766,668</u> | <u>(10,532,519)</u> | <u>34,234,149</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           |
| Increase (decrease) in net position       | 7,366,222            | (1,561,687)        | 5,804,535           |
| Net position as of beginning of year      | <u>55,020,353</u>    | <u>18,510,804</u>  | <u>73,531,157</u>   |
| 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.