



**THOMAS EDISON STATE UNIVERSITY 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, 2019 and 2018

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–17
Basic Financial Statements:	
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Net Position as of June 30, 2019 and 2018	18
Thomas Edison State University Foundation, Inc. Statements of Financial Position as of December 31, 2018 and 2017	19
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018	20
Thomas Edison State University Foundation, Inc. Statements of Activities for the years ended December 31, 2018 and 2017	21–22
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Cash Flows for the years ended June 30, 2019 and 2018	23–24
Notes to Financial Statements	25–59
Required Supplementary Information (Unaudited):	
Schedule 1 – Schedules of Employer Contributions	60
Schedule 2 – Schedules of Proportionate Share of the Net Pension Liability	61
Schedule 3 – Schedule of Proportionate Share of the Total OPEB Liability	62
Supplementary Information:	
Schedule 4 – Schedule of Net Position as of June 30, 2019	63
Schedule 5 – Schedule of Net Position as of June 30, 2018	64
Schedule 6 – Schedule of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019	65
Schedule 7 – Schedule of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018	66



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Thomas Edison State University 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, 2019 and 2018, 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 University Foundation, Inc. as of and for years ended December 31, 2018 and 2017, the discretely presented component unit of the Organization. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Thomas Edison State University Foundation, Inc., are based solely on the reports 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Thomas Edison State University and its Affiliate the New Jersey State Library as of June 30, 2019 and 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 17 and the schedules of employer contributions and schedules of proportionate share of the net pension liability as of June 30, 2019 and 2018 on pages 60 and 61, respectively, and the schedule of proportionate share of the total OPEB liability on page 62 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.

Supplementary 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 4 through 7 on pages 63 through 66, respectively, 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 4 through 7 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
December 19, 2019

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

The Introduction

This section of Thomas Edison State University (formerly 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, 2019 and 2018, with comparison to 2017 amounts presented for comparative purposes. 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 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 received University status during fiscal year 2016 and was renamed Thomas Edison State University (the University). The University 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 since 1796 and maintains approximately 2.1 million 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 332,000 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 University. As a result, the financial reporting entity was formed known as the Organization under the control of the University'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 statements 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.

Financial Highlights

The Organization's net position has decreased to \$17,756,793 at June 30, 2019 from \$19,205,844 at June 30, 2018, and \$23,711,344 at June 30, 2017. In fiscal year 2019, the Organization's net position decreased primarily because of the recognition of pension expense in accordance with Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68) of \$2,654,898. In fiscal year 2018, the Organization's net position decreased primarily because of the recognition of pension expense in accordance with GASB 68 of \$4,828,908 and a student tuition decrease of \$406,510. The University does not budget for pension expense since the liability will be paid by the State of New Jersey. The full amount of the pension expense will decrease the net position on an annual basis.

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

The Organization recorded on its financial statements the state paid revenue and expenses for other employment benefits for fiscal year 2019 and 2018. The State of New Jersey (the State) has communicated that the associated unfunded liability, deferred inflows of resources and deferred outflows of resources are the responsibility of the State and therefore, should not be reported on the Organization's financial statements. The Organization recorded on its financial statements the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits. 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 Public Employees Retirement System (PERS) plan.

Operating revenues for the year ended June 30, 2019 decreased to \$61,328,256 from \$65,136,082 in 2018, which decreased from \$65,967,649 in 2017. The decreases were from decreases in student tuition and fee revenue and federal financial aid in both fiscal years.

Net nonoperating revenues for the year ended June 30, 2019 decreased to \$30,794,793 from \$31,174,900 in fiscal year 2019, primarily due to a reduction in State paid other post employment benefits that was partially offset by an increase in State paid fringe benefits due to an increase in state paid positions from 228 to 323 at the University. Net nonoperating revenues for the year ended June 30, 2018 increased to \$31,174,900 from \$24,429,211 in fiscal year 2017, primarily due to recognizing State paid other post employment benefits and an increase in State appropriations and restricted private gifts.

Statement of Net Position

The statements 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.

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

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.

Condensed Statement of Net Position for the years ended June 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 38,766,381	35,395,076	38,799,119
Capital assets, net	62,993,674	65,302,725	67,420,875
Other assets	8,848,962	13,170,041	11,781,685
Total assets	<u>110,609,017</u>	<u>113,867,842</u>	<u>118,001,679</u>
Deferred outflows of resources	<u>15,004,197</u>	<u>20,377,509</u>	<u>21,534,700</u>
Total assets and deferred outflows of resources	<u>125,613,214</u>	<u>134,245,351</u>	<u>139,536,379</u>
Current liabilities	13,018,773	15,997,519	18,910,932
Noncurrent liabilities	78,175,999	87,160,413	95,484,155
Total liabilities	<u>91,194,772</u>	<u>103,157,932</u>	<u>114,395,087</u>
Deferred inflows of resources	<u>16,661,649</u>	<u>11,881,575</u>	<u>1,429,948</u>
Total liabilities and deferred inflows of resources	<u>107,856,421</u>	<u>115,039,507</u>	<u>115,825,035</u>
Net position:			
Net investment in capital assets	55,399,476	56,363,511	57,131,126
Restricted	3,993,870	3,417,382	2,839,147
Unrestricted	<u>(41,636,553)</u>	<u>(40,575,049)</u>	<u>(36,258,929)</u>
Net position, end of year	<u>\$ 17,756,793</u>	<u>19,205,844</u>	<u>23,711,344</u>

Net Position, End of Year

The Organization's net position at June 30, 2019 decreased \$1,449,051 or 8% from fiscal year 2018 to \$17,756,793. The Organization's net position at June 30, 2018 decreased \$4,505,500 or 19% from fiscal year 2017. The decrease in fiscal year 2019 was primarily due to pension expense of \$2,654,898. The decrease in fiscal year 2018 was primarily due to pension expense of \$4,828,908. The University's and Library's fiscal year 2019 share of pension expense was \$2,362,687 and \$292,211, respectively.

The Organization's total assets decreased to \$110,609,017 at June 30, 2019 from \$113,867,842 at June 30, 2018, which decrease from \$118,001,679 at June 30, 2017. The fiscal year 2019 decrease of \$3,285,825 or

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

3% was primarily due to depreciation of \$2,377,117 and a decrease in student account receivables of \$839,588. The fiscal year 2018 decrease of \$4,133,837 or 4% was primarily due to depreciation of \$2,492,205 and a decrease in current investments of \$4,525,745, offset by an increase in cash of \$2,658,699.

The Organization's total deferred outflows decreased \$5,373,312 or 26% from fiscal year 2018 to \$15,004,197 (University share \$9,988,272 and Library share \$5,015,925). The Organization's total deferred inflows increase \$4,780,074 or 40% from fiscal year 2018 to \$16,661,649 (University share \$9,233,093 and Library share \$7,428,556). The deferred outflows and inflows are related to pensions which include changes in assumptions, changes in proportion, net differences between projected and actual investment earnings on pension plan assets and fiscal year 2018 contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$2,349,194 (University share \$1,322,073 and Library share \$1,027,121).

The Organization's total deferred outflows decreased \$1,157,191 or 5% from fiscal year 2017 to \$20,377,509 (University share \$13,649,828 and Library share \$6,727,681). The Organization's total deferred inflows increase \$10,451,627 or 731% from fiscal year 2017 to \$11,881,575 (University share \$6,264,722 and Library share \$5,616,853). The deferred outflows and inflows are related to pensions which include changes in assumptions, changes in proportion, net differences between projected and actual investment earnings on pension plan assets and fiscal year 2017 contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$1,909,793 (University share \$1,078,012 and Library share \$831,781).

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

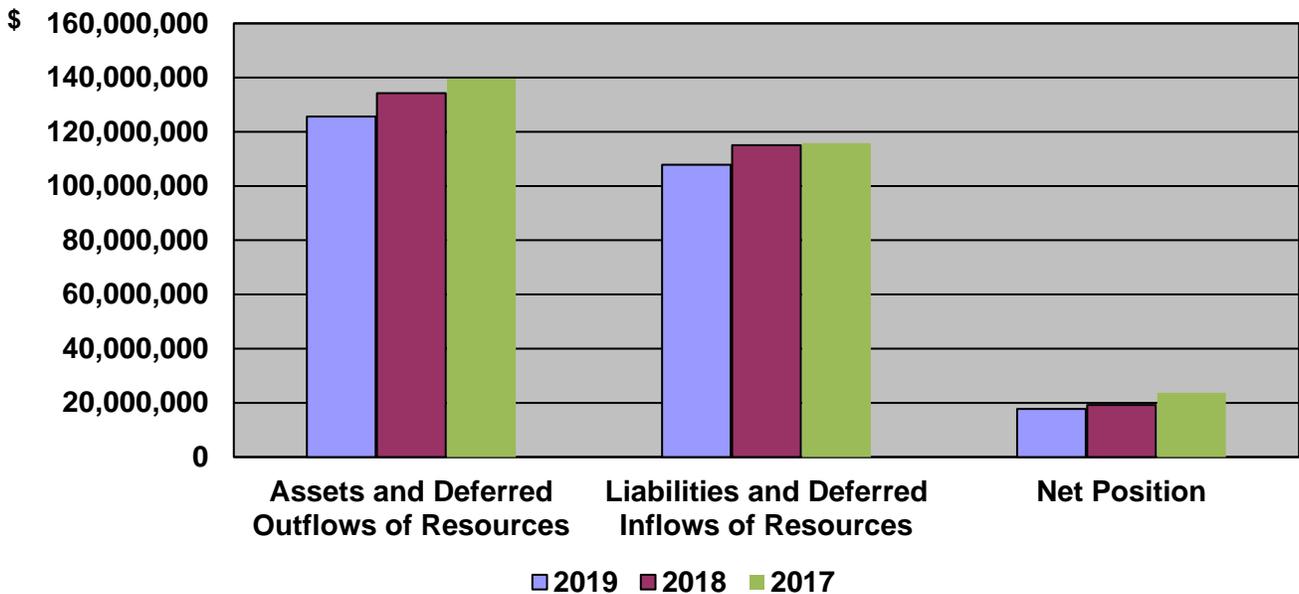
Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

The Organization's total liabilities decreased \$11,963,160 or 12% to \$91,194,772 in fiscal year 2019. The fiscal year 2019 decrease was primarily due to a \$7,587,967 decrease in the net pension liability (University share \$4,344,039 and Library share \$3,243,928), a \$422,948 decrease in unearned tuition and fees and a \$1,229,001 decrease in debt, and a \$1,942,000 decrease in accounts payable and accrued expenses. The Organization's total liabilities decreased \$11,237,155 or 10% to \$103,157,932 in fiscal year 2018. The fiscal year 2018 decrease was primarily due to a \$6,959,517 decrease in the net pension liability (University share \$3,255,731 and Library share \$3,703,786) and a \$1,987,310 decrease in unearned tuition and fees.

Statements of Net Position



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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position

The statements 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 condensed summary of the Organization's revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018 and 2017 follows:

**Condensed Statements of Revenues, Expenses and Changes in Net Position for the years ended
June 30, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Student tuition and fees, net of scholarships	\$ 43,477,037	47,471,334	47,877,844
Federal grants and contracts	8,152,348	8,617,924	8,400,243
State of New Jersey grants and contracts	<u>8,981,038</u>	<u>8,668,666</u>	<u>9,067,428</u>
Subtotal grants	17,133,386	17,286,590	17,467,671
Other	<u>717,833</u>	<u>378,158</u>	<u>622,134</u>
Total operating revenues	61,328,256	65,136,082	65,967,649
Operating expenses	<u>93,572,100</u>	<u>101,050,579</u>	<u>99,434,293</u>
Operating loss	<u>(32,243,844)</u>	<u>(35,914,497)</u>	<u>(33,466,644)</u>
Nonoperating revenues (expenses):			
State of New Jersey funding, including OPEB	28,582,693	29,348,406	22,765,670
Other nonoperating revenues, net	2,352,684	1,905,149	1,675,788
Loss on disposal of equipment	<u>(140,584)</u>	<u>(78,655)</u>	<u>(12,247)</u>
Net non-operating revenues	30,794,793	31,174,900	24,429,211
State of New Jersey capital grants	<u>—</u>	<u>234,097</u>	<u>277,236</u>
Decrease in net position	<u>(1,449,051)</u>	<u>(4,505,500)</u>	<u>(8,760,197)</u>
Net position beginning of year	<u>19,205,844</u>	<u>23,711,344</u>	<u>32,471,541</u>
Net position end of year	<u>\$ 17,756,793</u>	<u>19,205,844</u>	<u>23,711,344</u>

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

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 \$61,328,256 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of \$43,477,037; governmental grants and contracts of \$17,133,386; and other operating revenues of \$717,833. The University's share of operating revenues was \$48,254,020 and the Library's share of operating revenues was \$13,074,236.

- Student tuition and fees decreased \$3,994,297 or 8% in fiscal year 2019 due to a 6% decrease in enrollments and change in student mix. Student tuition and fees decreased \$406,510 or 1% in fiscal year 2018 due to a 6% decrease in enrollments that was partially offset by a 2.5% price increase and change in student mix.
- The decrease in Federal grants of \$465,576 or 5% in fiscal year 2019 was primarily due to the Federal Nuclear Regulatory Commission grant of \$172,146 in the prior year that ended and a decrease of \$208,379 in Pell grant revenue. The increase in Federal grants of \$217,681 or 3% in fiscal year 2018 was due to a new Federal Nuclear Regulatory Commission grant of \$172,146 and an increase in Library federal funding of \$53,769.
- The increase in State of New Jersey grants and contracts of \$312,372 or less than 4% in fiscal year 2019 was primarily due to an increase in Library state funding of \$319,707. The decrease in State of New Jersey grants and contracts of \$398,762 or 4% in fiscal year 2018 was primarily due to a decrease in Library state funding of \$375,904.

	2019		2018		2017	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating revenues:						
Student tuition and fees (net of scholarship allowances of \$2,412,000, \$2,552,000 and \$2,343,000, respectively)	\$ 43,477,037	71 %	\$ 47,471,334	73 %	\$ 47,877,844	73 %
Federal grants and contracts	8,152,348	13 %	8,617,924	13 %	8,400,243	13 %
State of New Jersey grants and contracts	8,981,038	15 %	8,668,666	13 %	9,067,428	14 %
Subtotal grants	17,133,386		17,286,590		17,467,671	

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

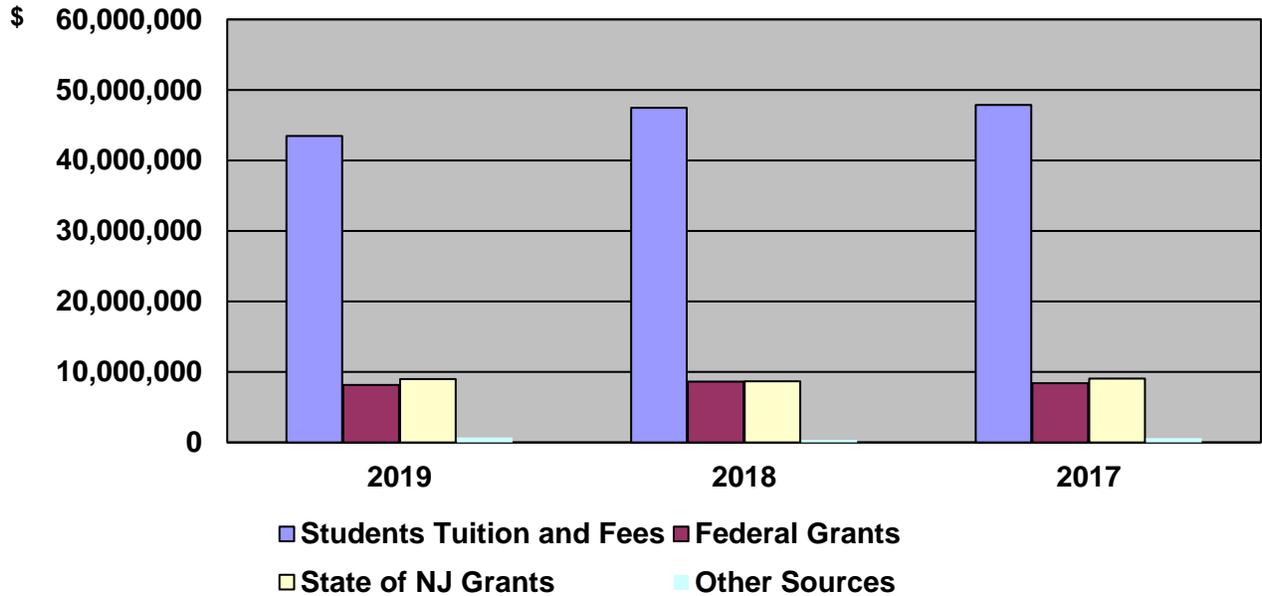
Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

	<u>Amount</u>	<u>of total</u>		<u>Amount</u>	<u>of total</u>		<u>Amount</u>	<u>of total</u>
Other sources:								
Federal indirect cost recovery	\$ 137,723	— %	\$	87,556	— %	\$	159,407	— %
Noncollegiate sponsored programs	20,017	—		47,875	—		77,301	— %
Other operating revenue	<u>560,093</u>	1		<u>242,727</u>	1		<u>385,426</u>	— %
Subtotal other sources	<u>717,833</u>			<u>378,158</u>			<u>622,134</u>	
Total operating revenues	<u>\$ 61,328,257</u>	<u>100 %</u>	\$	<u>65,136,082</u>	<u>100 %</u>	\$	<u>65,967,649</u>	<u>100 %</u>

Operating Revenues



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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

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, 2019, the Organization incurred total operating expenses of \$93,572,100, which were \$32,243,844 more than the operating revenues of \$61,328,256. The University's operating expenses share was \$71,464,548 and the Library's operating expenses share was \$22,107,552. The University's net operating loss share was \$23,210,528 and the Library's net operating loss share was \$9,033,316. The Organization's operating expenses decreased \$7,478,479 or 7% from fiscal years 2018 to 2019. The decrease is primarily due to decreases in other post employment benefit (OPEB) expenses, pension expenses, salary expenses and a small decrease in the fringe benefit rate.

- The decrease in academic support expenses of \$2,279,565 or 8% in fiscal year 2019 is primarily due to a decrease in OPEB expenses of \$471,745, decrease in pension expense of \$395,062, and a decrease in mentor expense of \$1,315,471 from lower course enrollments. The increase in academic support expenses of \$321,111 or 1% in fiscal year 2018 is primarily due to OPEB expense of \$1,386,217 which was partially offset by a decrease in mentor expense of \$251,775 from lower course enrollments, a decrease of fringe benefits of \$100,302 due to a lower fringe benefit rate and a \$564,003 decrease in bad debt expenses.
- The decrease in student services expenses of \$1,160,989 or 15% in fiscal year 2019 is primarily due to a decrease of OPEB expenses of \$259,024, a decrease of \$218,538, a decrease in salary expense of \$313,902, a decrease in fringe benefit expense of \$326,740 that is attributed to lower salaries and a lower fringe benefit rate. The increase in student services expenses of \$253,728 or 3% in fiscal year 2018 is primarily due to OPEB expenses of \$658,893 which was partially offset by a decrease in salaries and fringe benefits paid of \$110,047 and \$74,920, respectively.
- Public services expenses increased \$589,444 or 10% and \$1,470,009 or 35% in fiscal years 2019 and 2018, respectively. The increase in fiscal year 2019 was due to a full year of expenses for the Center for Leadership and Governance that was created during FY 2018 and Library grant spending due to timing. The increase in FY 2018 was due to Library grant spending due to timing, along with increased salary and fringe benefits payments at the University and combined OPEB expenses of \$324,201.
- General institutional expenses decreased \$537,040 or 4% and \$671,081 or 5% over the previous year in fiscal years 2019 and 2018, respectively. The decrease in expenses during fiscal year 2019 was due to not spending any carryforward funds during fiscal year 2019. There was \$572,913 in carryforward expenses during fiscal year 2018. The decrease in fiscal year 2018 was primarily due to decreases in bad debt expense and one time program development costs paid with the prior year surplus that was partially offset by OPEB expense of \$278,780.
- General administration expenses decreased \$2,213,586 or 10% and increased \$1,827,224 or 9% in fiscal year 2019 and 2018, respectively. The decrease in fiscal year 2019 was primarily due to a decrease of OPEB expenses of \$750,825 and a decrease of pension expenses of \$1,045,013. The increase in fiscal year 2018 was primarily due to OPEB expenses of \$1,849,883.
- State of New Jersey Library expenses decreased \$879,670 or 14% and \$1,136,971 or 15% in fiscal year 2019 and 2018, respectively. The decrease in fiscal year 2019 was primarily due to a decrease of OPEB

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

expenses of \$186,531, a decrease of pension expenses of \$91,360 and a decrease of fringe benefits of \$262,794 due to a lower fringe benefit rate. The decrease in fiscal year 2018 was primarily due to a decrease in salary and fringe benefits.

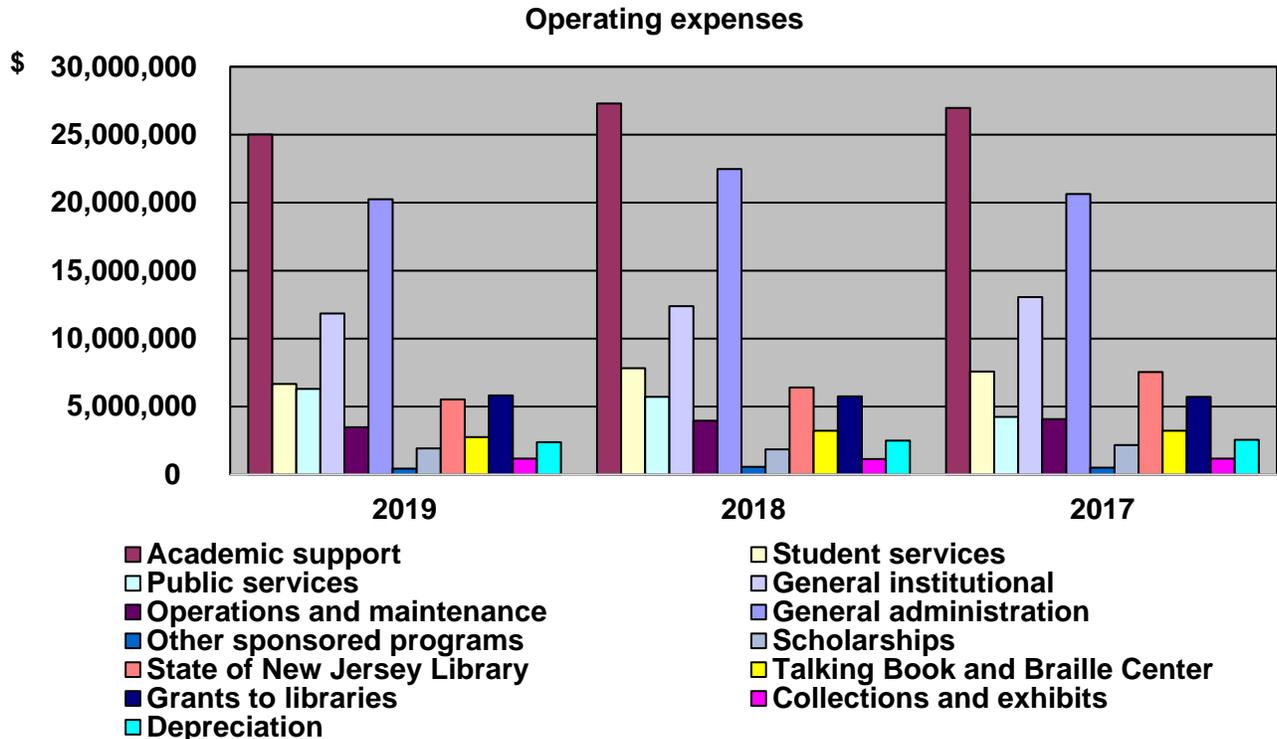
	2019		2018		2017	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating expenses:						
Academic support	\$ 25,010,562	27 %	\$ 27,290,127	27 %	\$ 26,969,016	27 %
Student services	6,664,929	7	7,825,918	8	7,572,190	8
Public services	6,302,729	7	5,713,285	6	4,243,276	4
General institutional	11,847,624	13	12,384,664	12	13,055,745	13
Operations and maintenance	3,475,314	4	3,953,165	4	4,076,887	4
General administration	20,254,786	22	22,468,372	22	20,641,148	21
Other sponsored programs	437,727	—	567,439	1	507,893	1
Scholarships	1,921,782	2	1,848,294	2	2,165,182	2
State of New Jersey Library	5,525,873	6	6,405,543	6	7,542,514	7
Talking Book & Braille Center	2,757,166	3	3,216,815	3	3,224,980	3
Grants to libraries	5,821,717	6	5,745,818	6	5,711,006	6
Collections and exhibits	1,174,774	1	1,138,934	1	1,175,502	1
Depreciation	2,377,117	2	2,492,205	2	2,548,954	3
Total operating expenses	\$ 93,572,100	100 %	\$ 101,050,579	100 %	\$ 99,434,293	100 %

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)



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 2019, the Organization generated \$30,794,793 in net nonoperating revenues. The components of the nonoperating revenues were primarily direct and indirect State of New Jersey appropriations of \$28,582,693, contributed U.S. Postal Service of \$888,503, private gifts of \$1,001,064, and investment income of \$797,731. The University's nonoperating revenue share was \$21,525,937 and the Library's nonoperating revenue share was \$9,268,856.

- The decrease in State of New Jersey appropriations of \$251,296 or 3% in fiscal year 2019 was due to a reduction in the appropriation of \$205,902 to fund National Guard tuition waivers and \$45,394 of decreased library support. The increase in State of New Jersey appropriations of \$1,012,224 or 12% in fiscal year 2018 was due to a new appropriation of \$1,000,000 to fund National Guard tuition waivers and \$12,224 of increased library support.

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

- The increase in State of New Jersey paid fringe benefits of \$1,391,305 or 10% in fiscal year 2019 was primarily due to an increase in the number of state paid fringe benefits at the University. The number of state paid positions increased from 228 in fiscal year 2018 to 323 in fiscal year 2019. This increase was partially offset by a decrease in the fringe benefit rate. The negotiated fringe benefit rate was 41.4% for the year ended 2019. The increase in State of New Jersey paid fringe benefits of \$124,995 or 1% in fiscal year 2018 was due to salary increases offset by a 3% decrease in the fringe benefit rate. The negotiated fringe benefit rate was 43.0% for the year ended 2018.
- The State of New Jersey paid other post-employment benefits decreased by \$1,905,722 in fiscal year 2019. The increase in fiscal year 2018 was due to the implementation of GASB 75.
- Private gifts were comparable in fiscal year 2019 with a decrease of only \$10,949 or 1%. The increase in private gifts in fiscal year 2018 of \$290,252 or 40% was primarily due to a grant received to establish the Center for Leadership and Governance.
- The increase in investment income of \$347,342 or 77% in fiscal year 2019 was due to increasing interest rates and improved performance in the equity portion of the portfolio. The decrease in investment income of \$138,795 in fiscal year 2018 was due to the performance in the equity portion of the portfolio.

	2019		2018		2017	
	Total	Percentage of total	Total	Percentage of total	Total	Percentage of total
Nonoperating revenues:						
State of New Jersey appropriations	\$ 9,234,405	30 %	\$ 9,485,701	30 %	\$ 8,473,477	34 %
State of New Jersey paid fringe benefits	15,808,493	51	14,417,188	46	14,292,193	58
State of New Jersey paid other post employment benefits	3,539,795	11	5,445,517	17	—	—
Subtotal State of New Jersey	28,582,693		29,348,406		22,765,670	
Contributed U.S. Postal Service	888,503	3	815,590	3	774,475	3
Private gifts - restricted	1,001,064	3	1,012,013	3	721,761	3
Investment income	797,731	2	450,389	1	589,184	2
Nonoperating revenues	\$ 31,269,991	100 %	\$ 31,626,398	100 %	\$ 24,851,090	100 %

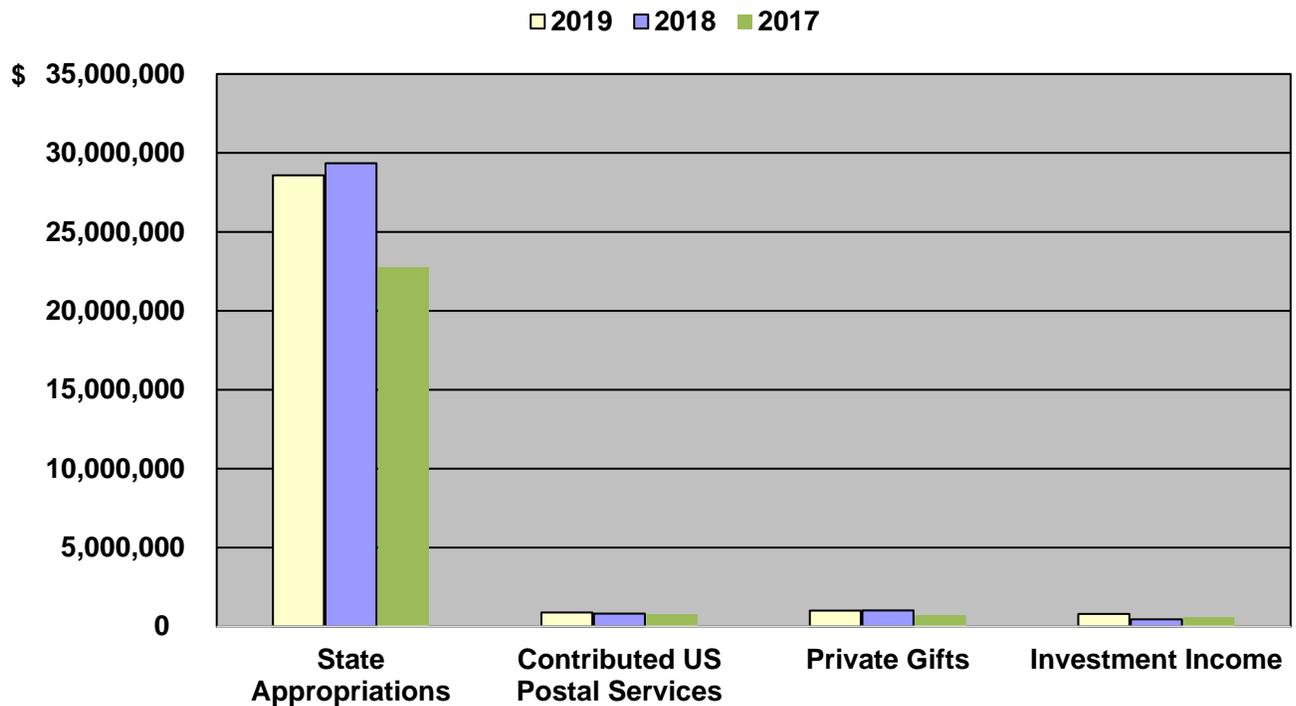
**THOMAS EDISON STATE UNIVERSITY AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

Nonoperating Revenues



Capital Assets and Debt Activities

At June 30, 2019, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$65,124,321, net of accumulated depreciation of \$34,616,355. The amount invested in capital assets, net of related debt of \$9,724,845, was \$55,399,476. Depreciation charges totaled \$2,377,117 for the current fiscal year. The \$964,035 decrease of net investment in capital assets was due to capital additions of \$208,650, principal paid on outstanding debt of \$1,345,016, less depreciation of \$2,377,117 and net capital retirements of \$140,584. At June 30, 2018, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$67,433,372, net of accumulated depreciation of \$32,639,231. The amount invested in capital assets, net of related debt of \$11,069,861, was \$56,363,511. Depreciation charges totaled \$2,492,205 for the current fiscal year. The \$767,615 decrease of net investment in capital assets was due to capital additions of \$494,512, principal paid on outstanding debt of \$1,354,229, less unspent ELF funds of \$3,694 at the conclusion of the project, depreciation of \$2,492,205 and net capital retirements of \$120,457.

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

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

Interest on indebtedness was \$334,614 in fiscal year 2019 as compared \$372,843 in fiscal year 2018, a decrease of \$38,229 or 10%. The decrease was due to the allocation of principal and interest per the amortization schedules. Interest on indebtedness was \$372,843 in fiscal year 2018 as compared \$409,633 in fiscal year 2017, a decrease of \$36,790 or 9%. The decrease was due to the allocation of principal and interest per the amortization schedules.

Tax-Exempt Lease Financing

There were no State issued bonds awarded to fund capital improvements at the Organization in fiscal year 2019.

During fiscal year 2018, the State issued bonds to fund a New Jersey Capital Improvement Fund grant award made to the University. The University 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 University was awarded \$170,000 for alterations and renovations to the entryway of the Kelsey/Townhouse Complex. The University share of the debt is \$55,399 with interest rates ranging from 3.000% to 2.486%. The project was completed during fiscal year 2018.

In October 2014, the Organization entered into a tax-exempt lease financing agreement with PNC Bank to partially fund the construction of the Glen Cairn Hall. 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 the New Jersey Equipment Leasing Fund grant award made to the University. The University 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 University was awarded \$585,000 for nursing simulation laboratory equipment. The University share of the debt is \$127,318 with an interest rate of 5.000%.

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 used for a movable shelving system at the New Jersey State Library and University Information Technology Equipment. The lease agreement payment schedule is an eight-year term with an interest rate of 2.427%.

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

Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

(Unaudited)

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 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, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net investment in capital assets:			
Depreciable assets:			
Buildings and improvements	\$ 57,119,579	58,851,607	60,490,003
Equipment and vehicles	1,197,814	1,521,650	1,966,207
Furniture and fixtures	2,223,601	2,476,788	2,511,986
Subtotal	<u>60,540,994</u>	<u>62,850,045</u>	<u>64,968,196</u>
Nondepreciable assets:			
Land	2,452,680	2,452,680	2,452,680
Construction in progress	—	—	—
Rare books, artwork, and historical documents	2,130,647	2,130,647	2,130,647
Subtotal	<u>4,583,327</u>	<u>4,583,327</u>	<u>4,583,327</u>
Total capital assets	65,124,321	67,433,372	69,551,523
Less related long-term debt, net of unspent proceeds	<u>(9,724,845)</u>	<u>(11,069,861)</u>	<u>(12,420,397)</u>
Net investment in capital assets	<u>\$ 55,399,476</u>	<u>56,363,511</u>	<u>57,131,126</u>

Economic Outlook

With net position of \$17,756,793, the Organization's financial position remains positive. A major challenge to the Organization is maintenance and growth of the University's enrollment. The University had 15,275 enrollments in fiscal year 2019. During fiscal year 2019, the University experienced an 8% decrease in student revenue, which was impacted by an overall 6% decline in total enrollments, including a change in student mix and lower course enrollments per student in certain populations. The University continued to invest significant reserves to support new products, programs, and increased enrollment to minimize student tuition increases.

**THOMAS EDISON STATE UNIVERSITY 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, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 9,683,159	8,623,847
Investments (notes 2 and 4)	20,075,684	15,952,949
Receivables:		
Students, less allowance for doubtful accounts of approximately \$2,652,000 in 2019 and \$3,251,000 in 2018	6,291,848	7,131,436
State of New Jersey	863,429	1,093,624
Federal	723,191	1,617,576
Corporate accounts, less allowance for doubtful accounts of approximately \$307,000 in 2019 and \$350,000 in 2018	298,677	350,289
Other receivables	326,412	180,636
Total receivables	<u>8,503,557</u>	<u>10,373,561</u>
Prepaid expenses and other assets	503,981	444,719
Total current assets	<u>38,766,381</u>	<u>35,395,076</u>
Noncurrent assets:		
Investments (notes 2 and 4)	2,724,445	7,622,012
Restricted investments (notes 2 and 4)	2,944,472	2,373,619
Trustee held investments – restricted (notes 3 and 4)	1,049,398	1,043,763
Rare books, artwork, and historical documents	2,130,647	2,130,647
Capital assets, net (note 5)	62,993,674	65,302,725
Total noncurrent assets	<u>71,842,636</u>	<u>78,472,766</u>
Total assets	<u>110,609,017</u>	<u>113,867,842</u>
Deferred outflows of resources:		
Pensions related (note 9)	15,004,197	20,377,509
Total assets and deferred outflows of resources	<u>125,613,214</u>	<u>134,245,351</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 6 and 7)	5,877,961	7,819,961
Unearned tuition and fees	5,016,587	5,439,535
Unearned grants and contracts	878,561	1,369,223
Deposits held in custody for others	16,663	23,784
Long-term debt – current portion (note 8)	1,229,001	1,345,016
Total current liabilities	<u>13,018,773</u>	<u>15,997,519</u>
Noncurrent liabilities:		
Compensated absences – noncurrent portion (note 7)	591,883	759,329
Long-term debt (note 8)	8,495,844	9,724,845
Net pension liability (notes 7 and 9)	69,088,272	76,676,239
Total noncurrent liabilities	<u>78,175,999</u>	<u>87,160,413</u>
Total liabilities	<u>91,194,772</u>	<u>103,157,932</u>
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pensions related (note 9)	16,661,649	11,881,575
Total liabilities and deferred inflows of resources	<u>107,856,421</u>	<u>115,039,507</u>
Net Position		
Net investment in capital assets	55,399,476	56,363,511
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	313,928	289,120
Library for the Blind and Handicapped	1,245,681	1,193,708
Public policy	1,684,546	1,184,839
Unrestricted	(41,636,553)	(40,575,049)
Total net position	<u>\$ 17,756,793</u>	<u>19,205,844</u>

See accompanying notes to financial statements.

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

Statements of Financial Position

December 31, 2018 and 2017

Assets	2018	2017
Cash	\$ 361,800	138,410
Investments	9,424,006	10,974,198
Contributions and grants receivable	223,853	528,000
Other assets	<u>60,245</u>	<u>63,587</u>
Total assets	<u>\$ 10,069,904</u>	<u>11,704,195</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,502	5,367
Contributions and grants payable	54,659	52,519
Accrued liabilities	<u>583,774</u>	<u>1,064,353</u>
Total liabilities	<u>642,935</u>	<u>1,122,239</u>
Net assets:		
Without donor restrictions	4,239,254	4,753,894
With donor restrictions	<u>5,187,715</u>	<u>5,828,062</u>
Total net assets	<u>9,426,969</u>	<u>10,581,956</u>
Total liabilities and net assets	<u>\$ 10,069,904</u>	<u>11,704,195</u>

See accompanying notes to financial statements.

**THOMAS EDISON STATE UNIVERSITY 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, 2019 and 2018

	2019	2018
Operating revenues:		
Student tuition and fees (net of scholarship allowances of approximately \$2,412,000 in 2019 and \$2,552,000 in 2018)	\$ 43,477,037	47,471,334
Federal grants and contracts	8,152,348	8,617,924
Federal indirect cost recovery	137,723	87,556
State of New Jersey grants and contracts	8,981,038	8,668,666
Noncollegiate sponsored programs	20,017	47,875
Other operating revenues	560,093	242,727
Total operating revenues	61,328,256	65,136,082
Operating expenses:		
Academic support	25,010,562	27,290,127
Student services	6,664,929	7,825,918
Public services	6,302,729	5,713,285
General institutional	11,847,624	12,384,664
Operations and maintenance	3,475,314	3,953,165
General administration	20,254,786	22,468,372
Other sponsored programs	437,727	567,439
Scholarships	1,921,782	1,848,294
State of New Jersey Library	5,525,873	6,405,543
Talking Book and Braille Center	2,757,166	3,216,815
Grants to libraries	5,821,717	5,745,818
Collections and exhibits	1,174,774	1,138,934
Depreciation	2,377,117	2,492,205
Total operating expenses	93,572,100	101,050,579
Operating loss	(32,243,844)	(35,914,497)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	9,234,405	9,485,701
State of New Jersey paid fringe benefits	15,808,493	14,417,188
State of New Jersey paid other postemployment benefits (note 9)	3,539,795	5,445,517
Contributed U.S. Postal Service	888,503	815,590
Private gifts – restricted	1,001,064	1,012,013
Investment income	797,731	450,389
Interest on indebtedness	(334,614)	(372,843)
Loss on disposal of equipment	(140,584)	(78,655)
Net nonoperating revenues	30,794,793	31,174,900
Decrease before other revenues	(1,449,051)	(4,739,597)
State of New Jersey capital grants	—	234,097
Decrease in net position	(1,449,051)	(4,505,500)
Net position as of beginning of year	19,205,844	23,711,344
Net position as of end of year	\$ 17,756,793	19,205,844

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Contributions and grants	\$ 152,916	341,942	494,858
Special events	183,382	43,164	226,546
Donated services and auction materials	270,534	—	270,534
Donated securities	7,004	53,147	60,151
Net assets released from restrictions	688,039	(688,039)	—
	1,301,875	(249,786)	1,052,089
Total support and revenues			
Expenses:			
Grants	795,787	—	795,787
Scholarships	196,374	—	196,374
Promotional	14,874	—	14,874
Special events	135,653	—	135,653
Donated services and auction materials	263,112	—	263,112
Management and general	23,549	—	23,549
Fundraising	111,434	—	111,434
	1,540,783	—	1,540,783
Total expenses			
Change in net assets before investment return	(238,908)	(249,786)	(488,694)
Net investment return	(275,732)	(390,561)	(666,293)
Change in net assets	(514,640)	(640,347)	(1,154,987)
Net assets, beginning of year	4,753,894	5,828,062	10,581,956
Net assets, end of year	\$ 4,239,254	5,187,715	9,426,969

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Contributions and grants	\$ 173,320	750,692	924,012
Special events	343,842	43,164	387,006
Donated services and auction materials	267,604	—	267,604
Donated securities	—	142,809	142,809
Net assets released from restrictions	1,061,735	(1,061,735)	—
Total support and revenues	1,846,501	(125,070)	1,721,431
Expenses:			
Grants	808,585	—	808,585
Scholarships	170,418	—	170,418
Promotional	15,512	—	15,512
Special events	229,559	—	229,559
Donated services and auction materials	249,729	—	249,729
Management and general	31,114	—	31,114
Fundraising	133,453	—	133,453
Total expenses	1,638,370	—	1,638,370
Change in net assets before investment return	208,131	(125,070)	83,061
Net investment return	514,218	839,897	1,354,115
Change in net assets	722,349	714,827	1,437,176
Net assets, beginning of year	4,031,545	5,113,235	9,144,780
Net assets, end of year	\$ 4,753,894	5,828,062	10,581,956

See accompanying notes to financial statements.

**THOMAS EDISON STATE UNIVERSITY 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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Student tuition and fees	\$ 45,663,120	46,768,241
Grants, contracts, and other revenues	14,103,720	15,959,572
Payments for salaries	(34,748,746)	(35,364,805)
Payments for fringe benefits	(1,997,933)	(3,396,498)
Payments for materials and supplies	(1,541,961)	(1,517,918)
Payments for services	(22,879,058)	(23,616,851)
Payments for maintenance	(2,637,261)	(3,172,074)
Payments to students	(1,754,143)	(2,552,053)
Payments for grants and contracts	(2,182,477)	(2,076,578)
Payments for noncapital improvements	(316,935)	(252,744)
Net cash used by operating activities	<u>(8,291,674)</u>	<u>(9,221,708)</u>
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	9,234,405	9,485,701
Private gifts – restricted	992,497	1,012,758
Agency receipts	174,917	149,431
Agency disbursements	(167,224)	(164,898)
Net cash provided by noncapital financing activities	<u>10,234,595</u>	<u>10,482,992</u>
Cash flows from capital financing activities:		
State of New Jersey capital grants	—	40,456
Purchases of capital assets	(173,011)	(462,711)
Net deposits with trustee	16,120	82,952
Principal paid on capital debt	(1,345,016)	(1,354,229)
Interest paid on capital debt	(340,519)	(381,014)
Net cash used by capital financing activities	<u>(1,842,426)</u>	<u>(2,074,546)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	26,721,276	28,588,181
Purchases of investments	(26,374,509)	(25,744,279)
Interest on investments	612,050	628,059
Net cash provided by investing activities	<u>958,817</u>	<u>3,471,961</u>
Net increase in cash	1,059,312	2,658,699
Cash as of beginning of the year	<u>8,623,847</u>	<u>5,965,148</u>
Cash as of end of the year	<u>\$ 9,683,159</u>	<u>8,623,847</u>

**THOMAS EDISON STATE UNIVERSITY 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, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (32,243,844)	(35,914,497)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,377,117	2,492,205
Noncash transactions	20,245,286	20,688,540
Change in assets and liabilities:		
Receivables	1,870,004	1,103,768
Prepaid expenses and other assets	(59,262)	(131,545)
Accounts payable and accrued expenses	(2,125,663)	(879,691)
Deposits held in custody of others	(7,121)	(34,369)
Unearned tuition and fees	(422,948)	(1,385,371)
Unearned grants and contracts	(490,662)	189,951
Net pension liability and related deferred amounts	2,565,419	4,649,301
Net cash used by operating activities	\$ (8,291,674)	(9,221,708)
Noncash transactions:		
State of New Jersey paid fringe benefits	\$ 15,808,493	14,417,188
State of New Jersey paid other postemployment benefits	3,539,795	5,445,517
Contributed U.S. Postal Service	888,503	815,590
Contributed services	8,495	10,245
Student waivers expense	(949,197)	(658,229)
Student tuition and fees	949,197	658,229
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
	\$ 20,245,286	20,688,540

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

Organization

(a) Thomas Edison State University (formerly Thomas Edison State College)

Thomas Edison State 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. In December 2015, the New Jersey Secretary of Education granted university status to the College and the College's Board of Trustees approved a resolution authorizing the institution to change its name to Thomas Edison State University (the University). The University 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 University charges the University 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 University is accredited by the Middle States Association of Colleges and Schools. Enrollment for 2019 was 15,275 students and 2018 was 16,205. Since the University was founded, 64,296 associate, baccalaureate, masters and doctoral degrees in fourteen degree programs have been awarded. The University's offices are located in Trenton, New Jersey.

(b) 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. 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 2.1 million volumes of books and historical documents.

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

Notes to Financial Statements

June 30, 2019 and 2018

(c) The Organization

The University and the State recognize that the mission of the Library complements and enhances the mission of the University. Therefore, to ensure the efficient and effective delivery of library and related services to the citizens of the State, Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the University. This statute makes permanent the conditions of Executive Order 002-1996 under which the University and the Library have been operating since July 1996. As a result, the financial reporting entity was formed known as Thomas Edison State University and its Affiliate the New Jersey State Library (the Organization) under control of the University'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 (CAFR).

Summary of Significant Accounting Policies

(a) 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 or the Board of Trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

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

Notes to Financial Statements

June 30, 2019 and 2018

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.

(b) 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.

(c) Investments

Investments in money market funds and certificates of deposit are measured at amortized cost. All other investments are reflected at fair value. 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.

(d) 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.

(e) 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. Building improvements are capitalized at \$5,000 and above. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets of the Organization are depreciated using the straight-line method over the following useful lives.

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

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

Notes to Financial Statements

June 30, 2019 and 2018

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 \$1,175,000 and \$1,139,000 in 2019 and 2018, respectively.

(f) 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 State of New Jersey, Division of Pensions and Benefits' CAFR, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. Additional information regarding pensions is discussed in note 9.

(g) Postemployment Benefits Other Than Pensions

In fiscal year 2018, the Organization adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which replaces existing standards of accounting and financial reporting for retirement plans for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governmental employers through OPEB plans that are administered either through trusts or equivalent arrangements or not administered through trusts that meet certain specified criteria. The effect of adoption of GASB 75 resulted in recording the Organization's proportionate share of OPEB revenue and expenses that the State is legally obligated for benefit payments on behalf of the Organization. The Organization recognized nonoperating revenue and operating expenses related to the support provided by the State of New Jersey. The State of New Jersey is legally obligated for benefit payments on behalf of the Organization. No net liability is required to be included in the Organization's financial statements.

(h) 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.

(i) 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.

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

Notes to Financial Statements

June 30, 2019 and 2018

(j) 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 \$15,808,493 and \$14,417,188 in 2019 and 2018, respectively, have been included in the accompanying financial statements as revenues and expenses.

(k) Contributed U.S. Postal Service

As a service to the blind citizens of the State, the U.S. Postal Service provides certain delivery services for the Talking Book and Braille Center at no cost to the Library. The estimated value of such services, based upon the amount of packages delivered, is approximately \$889,000 and \$816,000 for the years ended June 30, 2019 and 2018, respectively. Such contributed services have been included in the accompanying financial statements as revenues and expenses.

(l) Classification of Revenue

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

(m) 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.

(n) Income Taxes

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

(o) 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.

(p) Reclassifications

Certain reclassifications of 2018 amounts have been made to conform to 2019 presentations.

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

Notes to Financial Statements

June 30, 2019 and 2018

(2) Cash and Investments

(a) Cash

Cash consisted of the following demand deposits in a financial institution as of June 30, 2019 and 2018:

	Carrying amount	Bank balances
2019:		
University	\$ 4,081,012	5,842,630
Library	5,602,147	6,035,831
Total deposits	\$ 9,683,159	11,878,461
2018:		
University	\$ 3,969,938	4,693,477
Library	4,653,909	4,285,071
Total deposits	\$ 8,623,847	8,978,548

Bank balances in excess of FDIC insured amounts totaling \$11,274,109 in 2019 and \$8,365,274 in 2018 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

(b) Investments

The Organization has an investment policy which establishes guidelines for permissible investments. The investment policy 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. Fixed income and equity investments may be part of an exchange traded fund.

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

Notes to Financial Statements

June 30, 2019 and 2018

Investments consist of the following as of June 30, 2019 and 2018:

	2019		
	University	Library	Total
State of New Jersey Cash Management Fund	\$ 8,366,337	431,854	8,798,191
Money market accounts	60,769	2,017,900	2,078,669
Equities and equity exchange traded funds (ETFs)	1,332,182	563,862	1,896,044
Fixed income ETFs	1,982,424	489,273	2,471,697
Certificates of deposit	10,500,000	—	10,500,000
Total	<u>\$ 22,241,712</u>	<u>3,502,889</u>	<u>25,744,601</u>

	2018		
	University	Library	Total
State of New Jersey Cash Management Fund	\$ 330,084	422,354	752,438
Money market accounts	3,610,342	2,019,251	5,629,593
Equities and equity exchange traded funds (ETFs)	1,344,736	562,491	1,907,227
Fixed income ETFs	6,904,359	425,535	7,329,894
Certificates of deposit	10,329,428	—	10,329,428
Total	<u>\$ 22,518,949</u>	<u>3,429,631</u>	<u>25,948,580</u>

The bank balances of the certificate of deposits in excess of FDIC insured amounts totaling \$10,250,000 in 2019 and \$10,079,428 in 2018 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

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

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

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

Notes to Financial Statements

June 30, 2019 and 2018

The following table summarizes the agency ratings (Standard & Poor's) of the Organization's fixed income investments as of June 30, 2019 and 2018:

	2019		2018	
	Rating	Fair value	Rating	Fair value
University:				
Fixed income ETFs	AA-	\$ 1,982,424	AA-	\$ 6,904,359
Library:				
Fixed income ETFs	AA-	\$ 489,273	AA-	\$ 425,535

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 and money market funds are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt 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 tables summarize the maturities of the Organization's fixed income investments as of June 30, 2019 and 2018:

	2019				
	Fair value	Maturities in years			
	Less than 1	1-5	6-10	11-15	
University:					
State of New Jersey Cash Management Fund	\$ 8,366,337	8,366,337	—	—	—
Money market accounts	60,769	60,769	—	—	—
Fixed income ETFs	1,982,424	—	—	1,982,424	—
Library:					
State of New Jersey Cash Management Fund	431,854	431,854	—	—	—
Money market accounts	2,017,900	2,017,900	—	—	—
Fixed income ETFs	489,273	—	—	489,273	—
	<u>\$ 13,348,557</u>	<u>10,876,860</u>	<u>—</u>	<u>2,471,697</u>	<u>—</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

		2018				
		Maturities in years				
Fair value		Less than 1	1-5	6-10	11-15	
University:						
State of New Jersey Cash Management Fund	\$	330,084	330,084	—	—	—
Money market accounts		3,610,342	3,610,342	—	—	—
Fixed income ETFs		6,904,359	—	—	6,904,359	—
Library:						
State of New Jersey Cash Management Fund		422,354	422,354	—	—	—
Money market accounts		2,019,251	2,019,251	—	—	—
Fixed income ETFs		425,535	—	—	425,535	—
	\$	13,711,925	6,382,031	—	7,329,894	—

State of New Jersey Cash Management Funds, money market accounts, Fixed income ETFs are included in the above tables using their average weighted maturity.

(3) Trustee Held Investments – Restricted

Trustee held investments include restricted funds held for Library specific purposes by third party trustees. Trustee held investments consist of the following as of June 30, 2019 and 2018:

	2019	2018
State of New Jersey Cash Management Fund	\$ 637,480	623,257
Money market accounts	10,077	9,364
Alternative assets ETFs	99,384	103,756
Fixed income ETFs	76,121	75,945
Equity ETFs	226,336	231,441
Total	\$ 1,049,398	1,043,763

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 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 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 ETFs held by trustees and money market funds are unrated.

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

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018:

	2019		2018	
	Maturities in years		Maturities in years	
	Fair value	Less than 1	Fair value	Less than 1
Library:				
State of New Jersey Cash Management Fund	\$ 637,480	637,480	623,257	623,257
Money market accounts	10,077	10,077	9,364	9,364
Fixed income ETFs	76,121	76,121	75,945	75,945
	<u>\$ 723,678</u>	<u>723,678</u>	<u>708,566</u>	<u>708,566</u>

(4) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted or published prices for identical assets or liabilities in active markets that a government can access at the measurement date;
- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

Notes to Financial Statements

June 30, 2019 and 2018

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U.S. Government bonds and notes and corporate bonds – The fair value of government bonds and notes and corporate bonds are based on unadjusted quoted prices for identical assets or liabilities in inactive markets.
- Equity securities – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.
- Exchange traded funds – The fair value of ETFs are based on the quoted market price on an active market as of the measurement date.
- State of New Jersey Cash Management Fund – The fair value of the State of New Jersey cash management fund is based on a compilation of primarily observable market information or broker quotes in a nonactive market.
- Money market accounts and certificates of deposit – These investments are measured at amortized cost and have been excluded from fair value leveling.

The Organization’s investments as of June 30, 2019 are summarized in the following table by their fair value hierarchy:

	2019 Investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Equities and equity ETFs	\$ 1,896,044	1,896,044	—	—
Fixed income ETFs	2,471,697	2,471,697	—	—
Subtotal	4,367,741	\$ 4,367,741	—	—
Investments measured at amortized cost:				
Money market accounts	2,078,669			
Certificates of deposit	10,500,000			
Subtotal	12,578,669			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	8,798,191			
Total investments	\$ 25,744,601			

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

Notes to Financial Statements
June 30, 2019 and 2018

	2019 Trustee held investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Alternative asset ETFs	\$ 99,384	99,384	—	—
Fixed income ETFs	76,121	76,121	—	—
Equity ETFs	226,336	226,336	—	—
Subtotal	401,841	\$ 401,841	—	—
Investments measured at amortized cost:				
Money market accounts	10,077			
Subtotal	10,077			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	637,480			
Total investments	\$ 1,049,398			

The Organization's investments as of June 30, 2018 are summarized in the following table by their fair value hierarchy:

	2018 Investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Equities and equity ETFs	\$ 1,907,227	1,907,227	—	—
Fixed income ETFs	7,329,894	7,329,894	—	—
Subtotal	9,237,121	\$ 9,237,121	—	—
Investments measured at amortized cost:				
Money market accounts	5,629,593			
Certificates of deposit	10,329,428			
Subtotal	15,959,021			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	752,438			
Total investments	\$ 25,948,580			

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

Notes to Financial Statements

June 30, 2019 and 2018

	2018 Trustee held investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Alternative asset ETFs	\$ 103,756	103,756	—	—
Fixed income ETFs	75,945	75,945	—	—
Equity ETFs	231,441	231,441	—	—
Subtotal	411,142	\$ 411,142	—	—
Investments measured at amortized cost:				
Money market accounts	9,364			
Subtotal	9,364			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	623,257			
Total investments	\$ 1,043,763			

(5) 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, 2019 and 2018, capital assets and accumulated depreciation activity was as follows:

	2019			
	Beginning balance	Additions	Retirements	Ending balance
Depreciable assets:				
Buildings and improvements	\$ 64,767,882	27,123	131,979	64,663,026
Equipment and vehicles	3,638,948	63,829	199,678	3,503,099
Furniture and fixtures	4,080,066	49,689	65,538	4,064,217
University subtotal	72,486,896	140,641	397,195	72,230,342
Buildings and improvements	20,101,946	—	—	20,101,946
Equipment and vehicles	2,642,813	68,008	143,381	2,567,440
Furniture and fixtures	257,621	—	—	257,621
Library subtotal	23,002,380	68,008	143,381	22,927,007
Total depreciable assets	95,489,276	208,649	540,576	95,157,349

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

Notes to Financial Statements

June 30, 2019 and 2018

	2019			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 11,013,185	1,467,890	65,713	12,415,362
Equipment and vehicles	2,456,846	309,205	145,791	2,620,260
Furniture and fixtures	1,830,819	265,269	45,107	2,050,981
University subtotal	<u>15,300,850</u>	<u>2,042,364</u>	<u>256,611</u>	<u>17,086,603</u>
Buildings and improvements	15,005,036	224,995	—	15,230,031
Equipment and vehicles	2,303,265	92,581	143,381	2,252,465
Furniture and fixtures	30,080	17,176	—	47,256
Library subtotal	<u>17,338,381</u>	<u>334,752</u>	<u>143,381</u>	<u>17,529,752</u>
Total accumulated depreciation	<u>32,639,231</u>	<u>2,377,116</u>	<u>399,992</u>	<u>34,616,355</u>
Total depreciable assets, net	<u>62,850,045</u>	<u>(2,168,467)</u>	<u>140,584</u>	<u>60,540,994</u>
Nondepreciable assets:				
University construction in progress	—	—	—	—
University land	1,363,088	—	—	1,363,088
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	<u>2,452,680</u>	<u>—</u>	<u>—</u>	<u>2,452,680</u>
Total capital assets, net	<u>\$ 65,302,725</u>	<u>(2,168,467)</u>	<u>140,584</u>	<u>62,993,674</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

	2018			
	Beginning balance	Additions	Retirements	Ending balance
Depreciable assets:				
Buildings and improvements	\$ 64,708,955	100,869	41,942	64,767,882
Equipment and vehicles	3,814,192	76,781	252,025	3,638,948
Furniture and fixtures	4,068,675	22,538	11,147	4,080,066
University subtotal	72,591,822	200,188	305,114	72,486,896
Buildings and improvements	20,101,946	—	—	20,101,946
Equipment and vehicles	3,318,964	76,400	752,551	2,642,813
Furniture and fixtures	39,697	217,924	—	257,621
Library subtotal	23,460,607	294,324	752,551	23,002,380
Total depreciable assets	96,052,429	494,512	1,057,665	95,489,276
Less accumulated depreciation:				
Buildings and improvements	9,542,051	1,471,274	140	11,013,185
Equipment and vehicles	2,263,401	373,923	180,478	2,456,846
Furniture and fixtures	1,568,952	268,989	7,122	1,830,819
University subtotal	13,374,404	2,114,186	187,740	15,300,850
Buildings and improvements	14,778,848	226,188	—	15,005,036
Equipment and vehicles	2,903,548	149,185	749,468	2,303,265
Furniture and fixtures	27,434	2,646	—	30,080
Library subtotal	17,709,830	378,019	749,468	17,338,381
Total accumulated depreciation	31,084,234	2,492,205	937,208	32,639,231
Total depreciable assets, net	64,968,195	(1,997,693)	120,457	62,850,045
Nondepreciable assets:				
University construction in progress				—
University land	1,363,088	—	—	1,363,088
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	2,452,680	—	—	2,452,680
Total capital assets, net	\$ 67,420,875	(1,997,693)	120,457	65,302,725

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

Notes to Financial Statements

June 30, 2019 and 2018

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2019 and 2018:

	2019			2018
	University	Library	Total	Total
Vendors	\$ 2,882,601	131,844	3,014,445	4,110,178
Accrued salaries and benefits	674,213	129,784	803,997	890,266
Compensated absences	1,499,105	252,172	1,751,277	1,968,476
Other accrued expenses	127,568	180,674	308,242	851,041
Total	<u>\$ 5,183,487</u>	<u>694,474</u>	<u>5,877,961</u>	<u>7,819,961</u>

(7) Noncurrent Liabilities

For the years ended June 30, 2019 and 2018, noncurrent liabilities activity was as follows:

	2019				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
University	\$ 2,086,603	2,617,392	2,817,350	1,886,645	1,499,105
Library	641,202	607,055	791,742	456,515	252,172
Total compensated absences	2,727,805	3,224,447	3,609,092	2,343,160	1,751,277
Net pension liability:					
University	44,250,453	3,684,760	8,028,799	39,906,414	—
Library	32,425,786	1,319,332	4,563,260	29,181,858	—
Total net pension liability	76,676,239	5,004,092	12,592,059	69,088,272	—
Total	<u>\$ 79,404,044</u>	<u>8,228,539</u>	<u>16,201,151</u>	<u>71,431,432</u>	<u>1,751,277</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

	2018				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
University	\$ 2,097,337	2,710,254	2,720,988	2,086,603	1,620,011
Library	581,515	631,650	571,963	641,202	348,465
Total compensated absences	2,678,852	3,341,904	3,292,951	2,727,805	1,968,476
Net pension liability:					
University	47,506,184	4,677,151	7,932,882	44,250,453	—
Library	36,129,572	2,061,550	5,765,336	32,425,786	—
Total net pension liability	83,635,756	6,738,701	13,698,218	76,676,239	—
Total	\$ 86,314,608	10,080,605	16,991,169	79,404,044	1,968,476

(8) Long-Term Debt

For the years ended June 30, 2019 and 2018, long-term debt activity was as follows:

	2019				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Long-term debt:					
University:					
Banc of America Leasing & Capital, LLC:					
2007 Tax Exempt Lease	\$ 316,159	—	70,258	245,901	70,257
TD Bank Finance, Inc.:					
2012 Tax Exempt Lease	4,868,584	—	421,052	4,447,532	421,053
TD Equipment Finance, Inc.:					
2012 Tax Exempt Lease	46,743	—	46,743	—	—
Capital Improvement Fund:					
102-104 West State Street	387,638	—	16,475	371,163	17,240
Capital Improvement Fund:					
Kelsey/Townhouse Complex	530,841	—	22,561	508,280	23,609
Equipment Leasing Fund:					
Nursing Equipment	78,787	—	14,264	64,523	14,974
PNC Bank:					
Nursing Center	4,705,000	—	670,000	4,035,000	680,000
Capital Improvement Fund:					
Kelsey Entryway	54,224	—	1,778	52,446	1,868
University subtotal	10,987,976	—	1,263,131	9,724,845	1,229,001

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

Notes to Financial Statements

June 30, 2019 and 2018

		2019				
		<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Library:						
	TD Equipment Finance, Inc.: 2012 Tax Exempt Lease	\$ 81,885	—	81,885	—	—
	Library subtotal	81,885	—	81,885	—	—
	Total	<u>\$ 11,069,861</u>	<u>—</u>	<u>1,345,016</u>	<u>9,724,845</u>	<u>1,229,001</u>
		2018				
		<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Long-term debt:						
University:						
	Banc of America Leasing & Capital, LLC: 2007 Tax Exempt Lease	\$ 386,416	—	70,257	316,159	70,256
	TD Bank Finance, Inc.: 2012 Tax Exempt Lease	5,289,635	—	421,051	4,868,584	421,052
	TD Equipment Finance, Inc.: 2012 Tax Exempt Lease	92,416	—	45,673	46,743	46,742
	Capital Improvement Fund: 102-104 West State Street	403,509	—	15,871	387,638	16,475
	Capital Improvement Fund: Kelsey/Townhouse Complex	552,574	—	21,733	530,841	22,563
	Equipment Leasing Fund: Nursing Equipment	92,373	—	13,586	78,787	14,265
	PNC Bank: Nursing Center	5,390,000	—	685,000	4,705,000	670,000
	Capital Improvement Fund: Kelsey Entryway	55,399	—	1,175	54,224	1,778
	University subtotal	<u>12,262,322</u>	<u>—</u>	<u>1,274,346</u>	<u>10,987,976</u>	<u>1,263,131</u>
Library:						
	TD Equipment Finance, Inc.: 2012 Tax Exempt Lease	161,768	—	79,883	81,885	81,885
	Library subtotal	<u>161,768</u>	<u>—</u>	<u>79,883</u>	<u>81,885</u>	<u>81,885</u>
	Total	<u>\$ 12,424,090</u>	<u>—</u>	<u>1,354,229</u>	<u>11,069,861</u>	<u>1,345,016</u>

In December 2016, 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 \$170,000 to the University was used for alterations and renovations to the entryway of the Kelsey/Townhouse Complex.

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

Notes to Financial Statements

June 30, 2019 and 2018

The Organization's share of the bond debt service is \$55,399. As of June 30, 2019 the Organization has fully drawn down the funds. The bond debt service payment schedule has a twenty-year term. There are nineteen interest-only payments totaling \$15,786 and twenty principal plus interest payments totaling \$73,100 with interest rates ranging from 3.000% to 5.500%. As of June 30, 2019 and 2018, the Organization owes \$52,446 and \$54,224, respectively.

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 was to assist the University in covering costs associated with the construction of the Nursing Education Center in Trenton, NJ. As of June 30, 2019 the Organization has fully drawn down the funds. The bond debt service payment schedule has a ten year term. There are 121 loan payments of principal plus interest at 2.486%. As of June 30, 2019 and 2018, the Organization owes \$4,035,000 and \$4,705,000, respectively.

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 University was 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, 2019 the Organization has fully drawn down the funds. 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%. As of June 30, 2019 and 2018, the Organization owes \$371,163 and \$387,638, respectively.

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 University was 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, 2019 2019 the Organization has fully drawn down the funds. 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 \$593,360 with interest rates ranging from 3.500% to 5.00%. As of June 30, 2019 and 2018, the Organization owes \$508,280 and \$530,841, respectively.

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 University is being 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, 2019 the Organization has fully drawn down the 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%. As of June 30, 2019 and 2018, the Organization owes \$64,523 and \$78,787, respectively.

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

Notes to Financial Statements

June 30, 2019 and 2018

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 University was used for renovations to the historic Kuser Mansion in Trenton. As of June 30, 2019 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 plus interest at 3.500% that started quarterly on 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, 2019 and 2018, the Organization owes \$4,447,532 and \$4,868,583, 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 University was used for renovations to the Kelsey building and security, equipment and data processing upgrades. As of June 30, 2019 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, 2019 and 2018, the Organization owes \$245,901 and \$316,159, respectively.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2019:

	Principal	Interest
Year ending June 30:		
2020	\$ 1,229,001	300,262
2021	1,256,933	262,124
2022	1,300,039	223,051
2023	1,258,162	183,109
2024–2028	3,563,702	471,861
2029–2033	1,018,894	87,617
2034–2038	98,114	3,721
Total	\$ 9,724,845	1,531,745

(9) 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 (TIAA), Aetna Life Insurance, Lincoln Life Insurance, Metropolitan Life Insurance, Travelers Insurance, and VALIC. PERS is a cost sharing, multiple-employer defined benefit

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

Notes to Financial Statements

June 30, 2019 and 2018

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/annrprts.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. 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

(i) Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pension and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

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.

The following represents the membership tiers for PERS:

Tier	Definition
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 1/55th 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 1/60th 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.

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

Notes to Financial Statements

June 30, 2019 and 2018

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 7.50% and 7.34% of their annual covered salary for the years ended June 30, 2019 and 2018, 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 \$2,349,194 and \$1,909,793 for 2019 and 2018, respectively.

(ii) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

The Organization's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for PERS are calculated by the Division. At June 30, 2019 and 2018, the Organization reported a liability of \$69,088,272 and \$76,676,239, respectively, for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability at June 30, 2019 was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date of June 30, 2018. The total pension liability used to calculate the net pension liability at June 30, 2018 was determined by an actuarial valuation as of July 1, 2016 and rolled forward to the measurement date of June 30, 2017. The June 30, 2018 and 2017 PERS net pension liability was recorded in the statement of net position as of June 30, 2019 and June 30, 2018, respectively. The Organization's proportionate share of the respective net pension liability for the fiscal year was based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State

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

Notes to Financial Statements

June 30, 2019 and 2018

Group for the respective fiscal years. Below is a summary of PERS information for June 30, 2018 and 2017:

	2018		
	<u>University</u>	<u>Library</u>	<u>Total</u>
Proportionate share of net pension liability	\$ 39,906,414	29,181,858	69,088,272
Allocation percentage – State Group	0.1683509645 %	0.1231078756 %	0.2914588401 %
Allocation percentage – Total Plan*	0.0919634011	0.0672489117	0.1592123128
Pension expense for the year ended	\$ 3,684,762	1,319,333	5,004,095

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

	2017		
	<u>University</u>	<u>Library</u>	<u>Total</u>
Proportionate share of net pension liability	\$ 44,250,453	32,425,786	76,676,239
Allocation percentage – State Group	0.1725458313 %	0.0012643790 %	0.1738102103 %
Allocation percentage – Total Plan*	0.0904472875	0.0662778388	0.1567251263
Pension expense for the year ended	\$ 4,677,151	2,061,550	6,738,701

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

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

Notes to Financial Statements

June 30, 2019 and 2018

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

	2019		
	<u>University</u>	<u>Library</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 694,655	507,971	1,202,626
Changes of assumptions	3,899,301	2,851,392	6,750,693
Net differences between projected and actual investment earnings on pension plan investments	112,860	82,530	195,390
Changes in proportionate share Contributions subsequent to the measurement date	3,959,383	546,911	4,506,294
	<u>1,322,073</u>	<u>1,027,121</u>	<u>2,349,194</u>
	<u>\$ 9,988,272</u>	<u>5,015,925</u>	<u>15,004,197</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 332,906	243,441	576,347
Changes in assumptions	8,031,833	5,873,337	13,905,170
Changes in proportionate share	868,354	1,311,778	2,180,132
	<u>9,233,093</u>	<u>7,428,556</u>	<u>16,661,649</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

	2018		
	<u>University</u>	<u>Library</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 1,013,810	742,899	1,756,709
Changes of assumptions	5,788,242	4,241,500	10,029,742
Net differences between projected and actual investment earnings on pension plan investments	281,054	205,951	487,005
Changes in proportionate share	5,488,710	705,550	6,194,260
Contributions subsequent to the measurement date	<u>1,078,012</u>	<u>831,781</u>	<u>1,909,793</u>
	<u>\$ 13,649,828</u>	<u>6,727,681</u>	<u>20,377,509</u>
Deferred inflows of resources:			
Changes in assumptions	\$ 6,264,722	4,590,655	10,855,377
Changes in proportionate share	<u>—</u>	<u>1,026,198</u>	<u>1,026,198</u>
	<u>\$ 6,264,722</u>	<u>5,616,853</u>	<u>11,881,575</u>

\$2,349,194 reported as deferred outflows of resources at June 30, 2019 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2019 will be recognized in pension expense as follows:

	<u>University</u>	<u>Library</u>	<u>Total</u>
Years ending:			
2020	\$ 1,460,516	(307,169)	1,153,347
2021	909,866	(413,144)	496,722
2022	(912,445)	(1,126,162)	(2,038,607)
2023	(1,414,544)	(1,139,613)	(2,554,157)
2024	<u>(610,287)</u>	<u>(453,664)</u>	<u>(1,063,951)</u>
	<u>\$ (566,894)</u>	<u>(3,439,752)</u>	<u>(4,006,646)</u>

(iii) *Actuarial Assumptions*

The total pension liability as of June 30, 2019 is measured as of June 30, 2018 (based on the July 1, 2017 actuarial valuation rolled forward to June 30, 2018) and the total pension liability as of June 30, 2018 is measured as of June 30, 2017 (based on the July 1, 2016 actuarial valuation

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

Notes to Financial Statements

June 30, 2019 and 2018

rolled forward to June 30, 2017). The total pension liability as of June 30, 2019 and June 30, 2018 was determined using the following actuarial assumptions:

	2019	2018
Inflation rate	2.25%	2.25%
Salary increases:		
Through 2026	1.65–4.15% based on age	1.65–4.15% based on age
Thereafter	2.65–5.15% based on age	2.65–5.15% based on age
Investment rate of return	7.00 %	7.00 %
Discount Rate	5.66 %	5.00 %

2018

Pre-retirement mortality rates were based on the RP 2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post retirement mortality rates were based on the RP 2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP 2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

2017

Pre-retirement mortality rates were based on the RP 2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP 2014 projection scale. Post retirement mortality rates were based on the RP 2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP 2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP 2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females). The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

Notes to Financial Statements

June 30, 2019 and 2018

(iv) *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments 7.00% at June 30, 2018 and June 30, 2017, respectively, is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term rate of return 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 estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

<u>Asset class</u>	<u>PERS</u>	
	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Absolute return/risk mitigation	5.00 %	5.51 %
Cash	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment grade credit	10.00	3.78
Public high yield	2.50	6.82
Global diversified credit	5.00	7.10
Credit oriented hedge funds	1.00	6.60
Debt related private equity	2.00	10.63
Debt related real estate	1.00	6.61
Private real asset	2.50	11.83
Equity related real estate	6.25	9.23
U.S. equities	30.00	8.19
Non-US developed markets equity	11.50	9.00
Emerging market equities	6.50	11.64
Buyouts/venture capital	8.25	13.08

(v) *Discount Rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2018, and a municipal bond rate of 3.87% as of June 30, 2018, 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 contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary

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

Notes to Financial Statements

June 30, 2019 and 2018

net position as of June 30, 2018 was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2017, and a municipal bond rate of 3.58% as of June 30, 2017, 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position as of June 30, 2017 was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(vi) Change in Assumption

The discount rates used to measure the total pension liabilities was 5.66% for PERS, as of June 30, 2018 and 5.00% as of June 30, 2017. As of June 30, 2018, the single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87%, 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. As of June 30, 2017, the single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58%, 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.

(vii) 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, 2018 and 2017 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

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

Notes to Financial Statements

June 30, 2019 and 2018

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:

		2018		
		At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
	University	\$ 46,150,124	39,906,414	34,675,791
	Library	33,747,616	29,181,858	25,356,926
	Total	\$ 79,897,740	69,088,272	60,032,717
		2017		
		At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
	University	\$ 51,450,720	44,250,453	38,269,938
	Library	37,701,988	32,425,786	28,043,399
	Total	\$ 89,152,708	76,676,239	66,313,337

(b) Defined Contribution Benefit Plans

(i) 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,

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

Notes to Financial Statements

June 30, 2019 and 2018

on a pretax basis. Employer contributions are 8%. During the years ended June 30, 2019 and 2018, ABP received employer and employee contributions as follows:

	University	2019 Library	Total	2018 Total
Employer contributions	\$ 1,650,786	43,909	1,694,695	1,702,223
Employee contributions	1,031,741	27,443	1,059,184	1,063,889
Basis for contributions:				
Participating employee salaries	20,634,820	548,860	21,183,680	21,277,780

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. P.L. 2018, Chapter 14 increased the annual compensation limit to \$175,000 effective July 1, 2018. The Organization created the Supplemental Alternate Benefit Program to fund the 8% employer match above the compensation limit. These contributions are funded by the Organization.

(ii) *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 fiscal year 2019 was \$175,000. There were no employee contributions during fiscal year 2019 or 2018. The employer contributions made during fiscal year 2019 and 2018 were \$30,253 and \$74,627, respectively.

(iii) *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

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

Notes to Financial Statements

June 30, 2019 and 2018

the Compensation Committee and approved by the Board of Trustees. There were no employee contributions during fiscal year 2019 or 2018. The employer contributions made during fiscal year 2019 and 2018 were \$13,460 and \$13,679, respectively.

(c) Postemployment benefits other than pensions

The Organization's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

Plan description, including benefits provided – The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in *GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75).

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB Statement No. 75.

Total OPEB Liability and OPEB expense

As of June 30, 2019 and 2018, the State recorded a liability of \$77,203,200 and \$92,565,771 respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the Organization (the Organization's share). The Organization's share was based on the ratio of its members to the total members of the Plan. At June 30, 2019 and 2018, the Organization's share was 1.080230% and 0.327113%, and 1.131767%, and 0.329359% of the special funding situation and of the Plan, respectively.

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

Notes to Financial Statements

June 30, 2019 and 2018

For the years ended June 30, 2019 and 2018, the Organization recognized OPEB expense of \$3,539,795 and \$5,445,517 respectively. As the State is legally obligated for benefit payments on behalf of the Organization, the Organization recognized revenue equal to the support provided by the State.

Actuarial assumptions and other inputs – The State’s liability associated with the Organization at June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date of June 30, 2018. The State’s liability associated with the Organization at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017. This valuation used the following assumptions:

	2019	2018
Inflation	2.50 %	2.50 %
Discount rate	3.87 %	3.58 %
Salary increases:		
Through 2026	1.55–8.98%	1.55–8.98%
Thereafter	2.00–9.98%	2.00–9.98%

The discount rate is 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. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

The June 30, 2017 valuation used preretirement mortality rates based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The June 30, 2016 valuation used preretirement mortality rates based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2013).

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

Notes to Financial Statements

June 30, 2019 and 2018

Health Care Trend Assumptions – As of June 30, 2018, for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years. As of June 30, 2017, for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

(10) 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 University 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 University and the State with respect to the Library, accrued sick time will be funded by the State for Library employees.

The University and Library paid \$75,168 and \$86,348, respectively, in 2019. The University and Library have accrued amounts of \$387,540 and \$204,343 and \$466,592 and \$292,737, respectively, as of June 30, 2019 and 2018, 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 \$204,343 and \$292,737, respectively, has been recorded as of June 30, 2019 and 2018 in the accompanying statements of net position for Library sick accrual reimbursable from the State. At the current time, it is uncertain whether the policy followed by the State regarding unused sick time reimbursement during fiscal year 2019 will continue into fiscal year 2020 and beyond. If the State did not provide reimbursement to the University for these amounts in the future, the University would still be liable for the payments to these employees.

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

Notes to Financial Statements

June 30, 2019 and 2018

(11) Component Unit

Thomas Edison State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Organization with a fiscal year-end of December 31. As of January 11, 2017, the Foundation changed its name to the Thomas Edison State University Foundation. 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 University 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 University 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 University for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of the University and Library, the Foundation is considered a component unit of the Organization and is discretely presented in the Organization's financial statements.

During the years ended June 30, 2019 and 2018, the Foundation distributed \$968,154 and \$1,149,517, respectively, to the University 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 accounting standards. 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.

(12) 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 \$2,000,000,000. Money and securities coverage provides for the actual loss in excess of \$100,000 with a per loss limit of \$5,000,000.

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

Notes to Financial Statements

June 30, 2019 and 2018

As an instrumentality of the State of New Jersey the liability of Thomas Edison State University 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.

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.

(13) Subsequent Event

The University received donated artwork that has an approximate fair market value of \$4,000,000 on November 6, 2019. The title of the artwork is "Reception to Washington on April 21, 1789, At Trenton on His Way to New York to Assume the Duties of the Presidency of the United States" by the artist Newell Convers Wyeth which was dated 1930.

**THOMAS EDISON STATE UNIVERSITY 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 University**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,322,073	1,078,012	807,305	527,950	328,993
Contributions in relation to the contractually required contribution	1,322,073	1,078,012	807,305	527,950	328,993
Contribution deficiency (excess)	\$ —	—	—	—	—
Organization employee covered—payroll	\$ 6,971,915	7,109,582	7,481,975	7,349,168	7,555,305
Contributions as a percentage of employee covered payroll	18.96 %	15.16 %	10.79 %	7.18 %	4.35 %

New Jersey State Library

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,027,121	831,781	626,220	444,325	276,882
Contributions in relation to the contractually required contribution	1,027,121	831,781	626,220	444,325	276,882
Contribution deficiency (excess)	\$ —	—	—	—	—
Organization employee covered—payroll	\$ 5,403,489	5,229,833	5,454,972	5,313,407	5,592,606
Contributions as a percentage of employee covered payroll	19.01 %	15.90 %	11.48 %	8.36 %	4.95 %

Total

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,349,194	1,909,793	1,433,525	972,275	605,875
Contributions in relation to the contractually required contribution	2,349,194	1,909,793	1,433,525	972,275	605,875
Contribution deficiency (excess)	\$ —	—	—	—	—
Organization employee covered—payroll	\$ 12,375,404	12,339,415	12,936,947	12,662,575	13,147,911
Contributions as a percentage of employee covered payroll	18.98 %	15.48 %	11.08 %	7.68 %	4.61 %

Information provided for required supplementary information will be provided for ten (10) years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

**THOMAS EDISON STATE UNIVERSITY 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 University

	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.168 %	0.173 %	0.162 %	0.146 %	0.136 %
Organization proportion of the net pension liability – Total Plan	0.092	0.090	0.081	0.075	0.071
Organization proportionate share of the net pension liability	\$ 39,906,414	44,250,453	47,406,184	34,608,556	27,459,799
Organization employee covered–payroll	7,109,582	7,481,975	7,349,168	7,555,305	6,978,413
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	561.30%	591.43 %	634.94 %	458.07 %	393.50 %
Plan fiduciary net position as a percentage of the total pension liability	40.45	36.78	31.20	38.21	42.74

New Jersey State Library

	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.123 %	0.126 %	0.123 %	0.123 %	0.127 %
Organization proportion of the net pension liability – Total Plan	0.067	0.066	0.061	0.063	0.066
Organization proportionate share of the net pension liability	\$ 29,181,858	32,425,786	36,129,572	29,126,717	25,544,272
Organization employee covered–payroll	5,229,833	5,454,972	5,313,407	5,592,606	5,527,456
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	557.99%	594.43 %	662.32 %	520.81 %	462.13 %
Plan fiduciary net position as a percentage of the total pension liability	40.45	36.78	31.20	38.21	42.74

Total

	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.291 %	0.299 %	0.285 %	0.269 %	0.263 %
Organization proportion of the net pension liability – Total Plan	0.159	0.156	0.142	0.138	0.136
Organization proportionate share of the net pension liability	\$ 69,088,272	76,676,239	83,535,756	63,735,273	53,004,071
Organization employee covered–payroll	12,339,415	12,936,947	12,662,575	13,147,911	12,505,869
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	559.90%	592.70 %	646.49 %	484.76 %	423.83 %
Plan fiduciary net position as a percentage of the total pension liability	40.45	36.78	31.20	38.21	42.74

Information provided for required supplementary information will be provided for ten (10) years, as the information becomes available in subsequent years.

Notes to Required Supplementary Information

Changes in benefit terms – There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.
Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate of return as follows:

PERS

For 2018, the discount rate changed to 5.66% and the long-term rate of return remained at 7.00%.

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%.

For 2016, the discount rate changed to 3.98% and the long-term rate of return changed to 7.65% from 7.90%.

For 2015, the discount rate changed to 4.90% from 5.39%.

See accompanying independent auditors' report.

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

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Total OPEB Liability

Total	2019	2018
Organization proportion of the collective total OPEB liability	— %	— %
Organization proportionate share of the collective total OPEB liability	— %	— %
State's proportionate share of the total OPEB liability associated with the Organization	\$ <u>77,203,200</u>	<u>92,565,771</u>
Total OPEB Liability	<u>77,203,200</u>	<u>92,565,771</u>
Organization employee covered—payroll	\$ 32,984,372	29,528,781
Organization proportionate share of the collective total OPEB liability as a percentage of the employee covered-payroll	— %	— %

Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years

Notes to Required Supplementary Information

For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions.

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate. For 2018, the discount rate changed to 3.87% from 3.58%.

See accompanying independent auditors' report.

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

Schedule of Net Position

June 30, 2019

Assets	University	Library	Total
Current assets:			
Cash	\$ 4,081,012	5,602,147	9,683,159
Investments	18,314,431	1,761,253	20,075,684
Receivables:			
Students, net	6,291,848	—	6,291,848
State of New Jersey	438,631	424,798	863,429
Federal	23,242	699,949	723,191
Corporate accounts, net	298,677	—	298,677
Other receivables	322,346	4,066	326,412
Total receivables	7,374,744	1,128,813	8,503,557
Prepaid expenses and other assets	237,580	266,401	503,981
Due to University from Library	(37,584)	37,584	—
Total current assets	29,970,183	8,796,198	38,766,381
Noncurrent assets:			
Investments	2,242,735	481,710	2,724,445
Restricted investments	1,684,546	1,259,926	2,944,472
Trustee held investments – restricted	—	1,049,398	1,049,398
Rare books, artwork, and historical documents	566,597	1,564,050	2,130,647
Capital assets	56,506,827	6,486,847	62,993,674
Total noncurrent assets	61,000,705	10,841,931	71,842,636
Total assets	90,970,888	19,638,129	110,609,017
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pensions related	9,988,272	5,015,925	15,004,197
Total assets and deferred outflows of resources	\$ 100,959,160	24,654,054	125,613,214
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 5,183,488	694,473	5,877,961
Unearned tuition and fees	5,016,587	—	5,016,587
Unearned grants and contracts	91,592	786,969	878,561
Deposits held in custody for others	16,663	—	16,663
Long-term debt – current portion	1,229,001	—	1,229,001
Total current liabilities	11,537,331	1,481,442	13,018,773
Noncurrent liabilities:			
Compensated absences – noncurrent portion	387,540	204,343	591,883
Long-term debt	8,495,844	—	8,495,844
Net pension liability	39,906,414	29,181,858	69,088,272
Total noncurrent liabilities	48,789,798	29,386,201	78,175,999
Total liabilities	60,327,129	30,867,643	91,194,772
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pensions related	9,233,093	7,428,556	16,661,649
Total liabilities and deferred inflows of resources	\$ 69,560,222	38,296,199	107,856,421
Net Position			
Net investment in capital assets	\$ 47,348,579	8,050,897	55,399,476
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	—	313,928	313,928
Library for the Blind and Handicapped	—	1,245,681	1,245,681
Public policy	1,684,546	—	1,684,546
Unrestricted	(17,634,187)	(24,002,366)	(41,636,553)
Total net position	\$ 31,398,938	(13,642,145)	17,756,793

See accompanying independent auditors' report.

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

Schedule of Net Position

June 30, 2018

Assets	University	Library	Total
Current assets:			
Cash	\$ 3,969,938	4,653,909	8,623,847
Investments	14,072,890	1,880,059	15,952,949
Receivables:			
Students, net	7,131,436	—	7,131,436
State of New Jersey	466,667	626,957	1,093,624
Federal	38,023	1,579,553	1,617,576
Corporate accounts, net	350,289	—	350,289
Other receivables	176,642	3,994	180,636
Total receivables	8,163,057	2,210,504	10,373,561
Prepaid expenses and other assets	177,393	267,326	444,719
Due to University from Library	152,143	(152,143)	—
Total current assets	26,535,421	8,859,655	35,395,076
Noncurrent assets:			
Investments	7,184,820	437,192	7,622,012
Restricted investments	1,261,239	1,112,380	2,373,619
Trustee held investments – restricted	—	1,043,763	1,043,763
Rare books, artwork, and historical documents	566,597	1,564,050	2,130,647
Capital assets	58,549,134	6,753,591	65,302,725
Total noncurrent assets	67,561,790	10,910,976	78,472,766
Total assets	94,097,211	19,770,631	113,867,842
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pensions related	13,649,828	6,727,681	20,377,509
Total assets and deferred outflows of resources	\$ 107,747,039	26,498,312	134,245,351
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 6,965,580	854,381	7,819,961
Unearned tuition and fees	5,439,535	—	5,439,535
Unearned grants and contracts	264,868	1,104,355	1,369,223
Deposits held in custody for others	23,784	—	23,784
Long-term debt – current portion	1,263,131	81,885	1,345,016
Total current liabilities	13,956,898	2,040,621	15,997,519
Noncurrent liabilities:			
Compensated absences – noncurrent portion	466,592	292,737	759,329
Long-term debt	9,724,845	—	9,724,845
Net pension liability	44,250,453	32,425,786	76,676,239
Total noncurrent liabilities	54,441,890	32,718,523	87,160,413
Total liabilities	68,398,788	34,759,144	103,157,932
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pensions related	6,264,722	5,616,853	11,881,575
Total liabilities and deferred inflows of resources	\$ 74,663,510	40,375,997	115,039,507
Net Position			
Net investment in capital assets	\$ 48,127,755	8,235,756	56,363,511
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	—	289,120	289,120
Library for the Blind and Handicapped	—	1,193,708	1,193,708
Public policy	1,261,239	(76,400)	1,184,839
Unrestricted	(16,305,465)	(24,269,584)	(40,575,049)
Total net position	\$ 33,083,529	(13,877,685)	19,205,844

See accompanying independent auditors' report.

**THOMAS EDISON STATE UNIVERSITY 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, 2019

	<u>University</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 43,477,037	—	43,477,037
Federal grants and contracts	4,004,290	4,148,058	8,152,348
Federal indirect cost recovery	85,648	52,075	137,723
State of New Jersey grants and contracts	113,497	8,867,541	8,981,038
Noncollegiate sponsored programs	20,017	—	20,017
Other operating revenues	553,531	6,562	560,093
Total operating revenues	<u>48,254,020</u>	<u>13,074,236</u>	<u>61,328,256</u>
Operating expenses:			
Academic support	25,010,562	—	25,010,562
Student services	6,664,929	—	6,664,929
Public services	2,389,675	3,913,054	6,302,729
General institutional	11,847,624	—	11,847,624
Operations and maintenance	3,427,484	47,830	3,475,314
General administration	17,722,400	2,532,386	20,254,786
Other sponsored programs	437,727	—	437,727
Scholarships	1,921,782	—	1,921,782
State of New Jersey Library	—	5,525,873	5,525,873
Talking Book and Braille Center	—	2,757,166	2,757,166
Grants to libraries	—	5,821,717	5,821,717
Collections and exhibits	—	1,174,774	1,174,774
Depreciation	2,042,365	334,752	2,377,117
Total operating expenses	<u>71,464,548</u>	<u>22,107,552</u>	<u>93,572,100</u>
Operating loss	<u>(23,210,528)</u>	<u>(9,033,316)</u>	<u>(32,243,844)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	4,086,098	5,148,307	9,234,405
State of New Jersey paid fringe benefits	13,649,850	2,158,643	15,808,493
State of New Jersey paid other post employment benefits	2,672,760	867,035	3,539,795
Contributed U.S. Postal Service	—	888,503	888,503
Private gifts – restricted	893,048	108,016	1,001,064
Investment income	698,133	99,598	797,731
Interest on indebtedness	(333,368)	(1,246)	(334,614)
Loss on disposal of equipment	(140,584)	—	(140,584)
Net nonoperating revenues	<u>21,525,937</u>	<u>9,268,856</u>	<u>30,794,793</u>
(Decrease) increase in net position	(1,684,591)	235,540	(1,449,051)
Net position as of beginning of year	<u>33,083,529</u>	<u>(13,877,685)</u>	<u>19,205,844</u>
Net position as of end of year	<u>\$ 31,398,938</u>	<u>(13,642,145)</u>	<u>17,756,793</u>

See accompanying independent auditors' report.

**THOMAS EDISON STATE UNIVERSITY 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, 2018

	<u>University</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 47,471,334	—	47,471,334
Federal grants and contracts	4,363,162	4,254,762	8,617,924
Federal indirect cost recovery	32,292	55,264	87,556
State of New Jersey grants and contracts	120,832	8,547,834	8,668,666
Noncollegiate sponsored programs	47,875	—	47,875
Other operating revenues	235,877	6,850	242,727
	<u>52,271,372</u>	<u>12,864,710</u>	<u>65,136,082</u>
Operating expenses:			
Academic support	27,290,127	—	27,290,127
Student services	7,825,918	—	7,825,918
Public services	2,096,666	3,616,619	5,713,285
General institutional	12,384,664	—	12,384,664
Operations and maintenance	3,905,529	47,636	3,953,165
General administration	19,731,256	2,737,116	22,468,372
Other sponsored programs	567,439	—	567,439
Scholarships	1,848,294	—	1,848,294
State of New Jersey Library	—	6,405,543	6,405,543
Talking Book and Braille Center	—	3,216,815	3,216,815
Grants to libraries	—	5,745,818	5,745,818
Collections and exhibits	—	1,138,934	1,138,934
Depreciation	2,114,186	378,019	2,492,205
	<u>77,764,079</u>	<u>23,286,500</u>	<u>101,050,579</u>
Operating loss	<u>(25,492,707)</u>	<u>(10,421,790)</u>	<u>(35,914,497)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	4,292,000	5,193,701	9,485,701
State of New Jersey paid fringe benefits	12,221,956	2,195,232	14,417,188
State of New Jersey paid other post employment benefits	4,145,764	1,299,753	5,445,517
Contributed U.S. Postal Service	—	815,590	815,590
Private gifts – restricted	956,963	55,050	1,012,013
Investment income	346,860	103,529	450,389
Interest on indebtedness	(369,640)	(3,203)	(372,843)
Loss on disposal of equipment	(75,572)	(3,083)	(78,655)
	<u>21,518,331</u>	<u>9,656,569</u>	<u>31,174,900</u>
Net nonoperating revenues	<u>21,518,331</u>	<u>9,656,569</u>	<u>31,174,900</u>
Decrease before other revenues	<u>(3,974,376)</u>	<u>(765,221)</u>	<u>(4,739,597)</u>
State of New Jersey capital grants	<u>16,173</u>	<u>217,924</u>	<u>234,097</u>
Decrease in net position	<u>(3,958,203)</u>	<u>(547,297)</u>	<u>(4,505,500)</u>
Net position as of beginning of year	<u>37,041,732</u>	<u>(13,330,388)</u>	<u>23,711,344</u>
Net position as of end of year	<u>\$ 33,083,529</u>	<u>(13,877,685)</u>	<u>19,205,844</u>

See accompanying independent auditors' report.