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

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

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Thomas Edison State College and its Affiliate the New Jersey State Library (the Organization), a component unit of the State of New Jersey, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Thomas Edison State College and its Affiliate the New Jersey State Library as of June 30, 2013 and 2012, 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 3–15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

KPMG LLP

Short Hills, NJ
September 13, 2013

The Introduction

This section of Thomas Edison State College and its Affiliate the New Jersey State Library's (the Organization) financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal years that ended on June 30, 2013 and 2012 with comparisons to 2011. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the Organization's basic financial statements, which follow.

Organization

Thomas Edison State College (the College) was founded by the New Jersey Board of Higher Education in 1972 as an institution that provides flexible and accessible, high quality college opportunities primarily for adults. The College is accredited by the Middle States Association of Colleges and Schools. The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State of New Jersey. The Library has existed as part of the State of New Jersey since 1796 and maintains approximately 2,036,000 volumes of books and historical documents. Included in the Library is the Talking Book & Braille Center (formerly known as the Library for the Blind and Handicapped), which maintains approximately 591,000 books, audiotapes and other nonprint items. Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the College. As a result, the financial reporting entity was formed known as the Organization under the control of the College's board of trustees.

Using this Annual Financial Report

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

Financial Highlights

At June 30, 2013, the Organization's net position has increased to $73,531,157 from $69,304,624 and increased to $69,304,624 from $67,122,403 at June 30, 2012 and 2011, respectively. Operating expenses increased by $3,691,487 in fiscal year 2013. This increase in 2013 was caused by increases in academic support, student services, general institutional and general administration associated with increases in course enrollments. These increases were partially offset by the decrease in public services. Operating expenses increased by $3,346,427 in fiscal year 2012. This increase in 2012 was caused by increases in academic support and general administration associated with increases in course enrollments. These increases were partially offset by the decrease at the Talking Book and Braille Center.

Current year operating revenues for the year ended June 30, 2013 increased to $67,903,347 from $64,127,367 and increased to $64,127,367 from $58,947,452 for the years ended June 30, 2012 and 2011, respectively, primarily from increases in student tuition and fees revenue. These increases were partially offset by decreases in federal grants and contracts. A three-year Broadband Technology Opportunity Program (BTOP) grant was received in 2011. Federal funding was reduced in fiscal years 2013 and 2012 due to decreases in the BTOP grant.

Net nonoperating revenues for the year ended June 30, 2013 increased to $21,498,237 from $19,538,418 in fiscal year 2012, primarily due to increases in State of New Jersey paid fringe benefits which was partially offset by decreases in private gifts. Net nonoperating revenues for the year ended June 30, 2012 decreased to $19,538,418 from $20,245,014 in fiscal year 2011, primarily due to decreases in private gifts associated with matching funds provided by private sources in support of the BTOP grant and increases in losses on disposal of equipment, which was partially offset by increases in State of New Jersey paid fringe benefits.

Statement of Net Position

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

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories: Net investment in capital assets, restricted, and unrestricted.

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

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

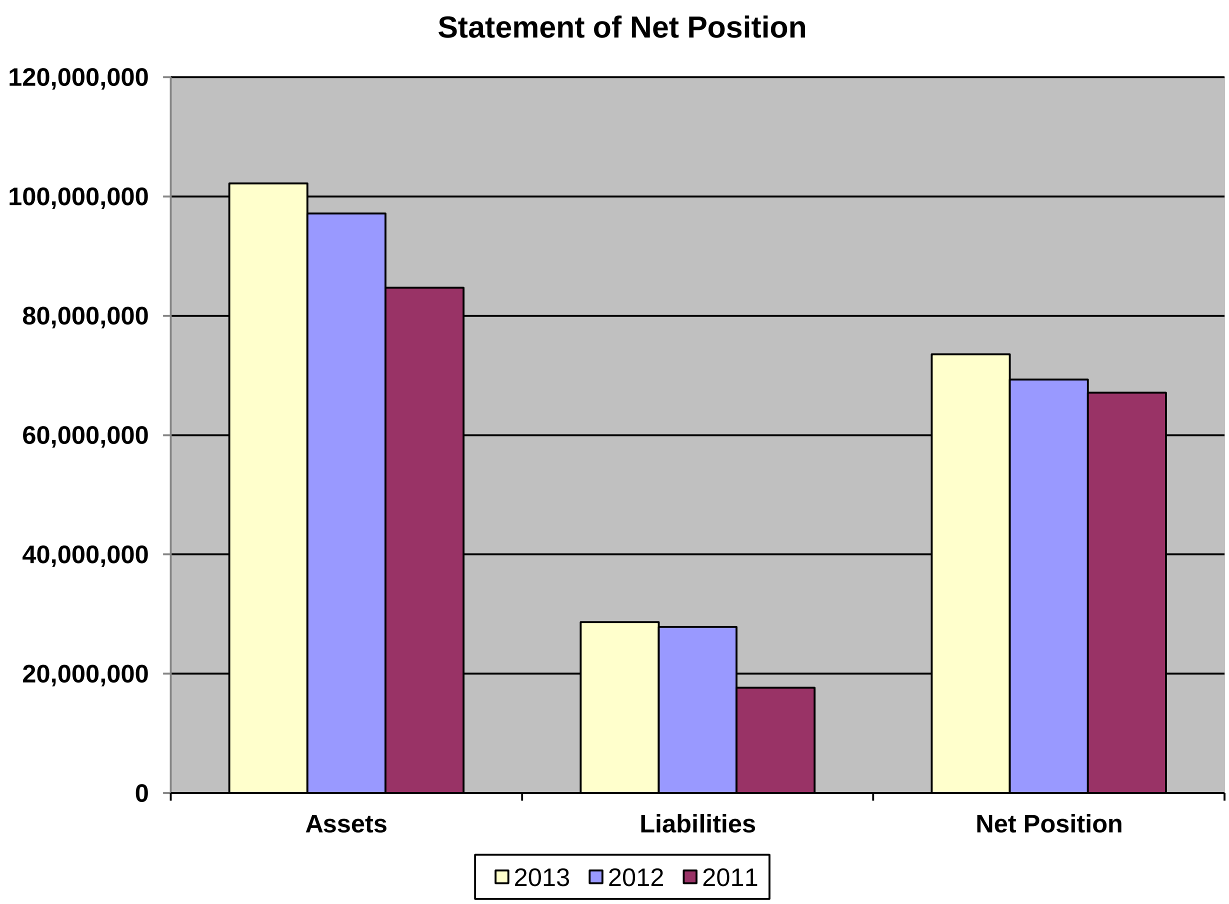
Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management to the board of trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital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

Net Position, End of Year

The Organization's financial position increased during the fiscal years ended June 30, 2013 and 2012. Its net position increased $4,226,533 or 6% from fiscal year 2012 to $73,531,157 and its net position increased $2,182,221 or 3% from fiscal year 2011 to $69,304,624. The College's share in net position increased $4,899,106 or 10% in fiscal year 2013 and increased $3,053,427 or 6% in fiscal year 2012. The fiscal year 2013 increase was primarily due to a $4,933,593 or 11% increase in student tuition and fees. The fiscal year 2012 increase was primarily due to a $5,903,058 or 16% increase in student tuition and fees. The College's total enrollment increased by 1% and 2% over the prior year in 2013 and 2012, respectively. The increase in fiscal year 2013 was due to an increase of 7% in traditional students that was partially offset by a 6% decrease in

(Continued)

contract populations. The increase in fiscal year 2012 was due to an increase of 13% in traditional students that was partially offset by a 10% decrease in contract populations. The Library's share in net position decreased $672,573 or 4% and decreased $871,206 or 4% in fiscal year 2013 and 2012, respectively. The fiscal year 2013 decrease was due to depreciation. The fiscal year 2012 decrease was due to depreciation and losses on disposal of equipment.



THOMAS EDISON STATE COLLEGE AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY
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Management's Discussion and Analysis

June 30, 2013 and 2012

		2013	2012	2011
Current assets	$	58,543,121	52,581,518	47,721,480
Capital assets, net		37,745,323	32,795,190	32,469,110
Other assets		5,915,196	11,765,951	4,739,114
Total assets	$	102,203,640	97,142,659	84,929,704
Current liabilities	$	19,500,662	17,815,635	16,127,208
Noncurrent liabilities		9,171,821	10,022,400	1,680,093
Total liabilities	$	28,672,483	27,838,035	17,807,301
Net position:				
Net investment in capital assets	$	30,975,875	30,840,127	32,290,241
Restricted		2,370,639	2,753,681	2,846,323
Unrestricted		40,184,643	35,710,816	31,985,839
Net position, end of year	$	73,531,157	69,304,624	67,122,403
Increase in net position	$	4,226,533	2,182,221	1,055,329

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Organization's results of operations. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, expenses paid by the institution, operating and nonoperating, and any other changes to net position. A summary of the Organization's revenues, expenses, and changes in net position for the years ended June 30, 2013, 2012, and 2011 follows:

Changes in Net Position for the Years ended June 30, 2013, 2012, and 2011

		2013	2012	2011
Operating revenues:				
Student tuition and fees, net of scholarships	$	48,041,444	43,107,851	37,204,793
Federal grants and contracts		10,626,683	11,753,482	12,697,606
State of New Jersey grants and contracts		8,782,882	8,598,539	8,636,074
Subtotal grants		19,409,565	20,352,021	21,333,680
Other		452,338	667,495	408,979
Total operating revenues		67,903,347	64,127,367	58,947,452
Operating expenses		85,175,051	81,483,564	78,137,137
Operating loss		(17,271,704)	(17,356,197)	(19,189,685)
Nonoperating revenues (expenses):				
State of New Jersey funding		19,595,980	17,623,651	16,600,570
Other nonoperating revenues, net		1,971,584	2,476,244	4,052,529
Loss on disposal of equipment		(69,327)	(561,477)	(408,085)
Net nonoperating revenues		21,498,237	19,538,418	20,245,014
Increase in net position		4,226,533	2,182,221	1,055,329
Net position beginning of year		69,304,624	67,122,403	66,067,074
Net position end of year	$	73,531,157	69,304,624	67,122,403

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.

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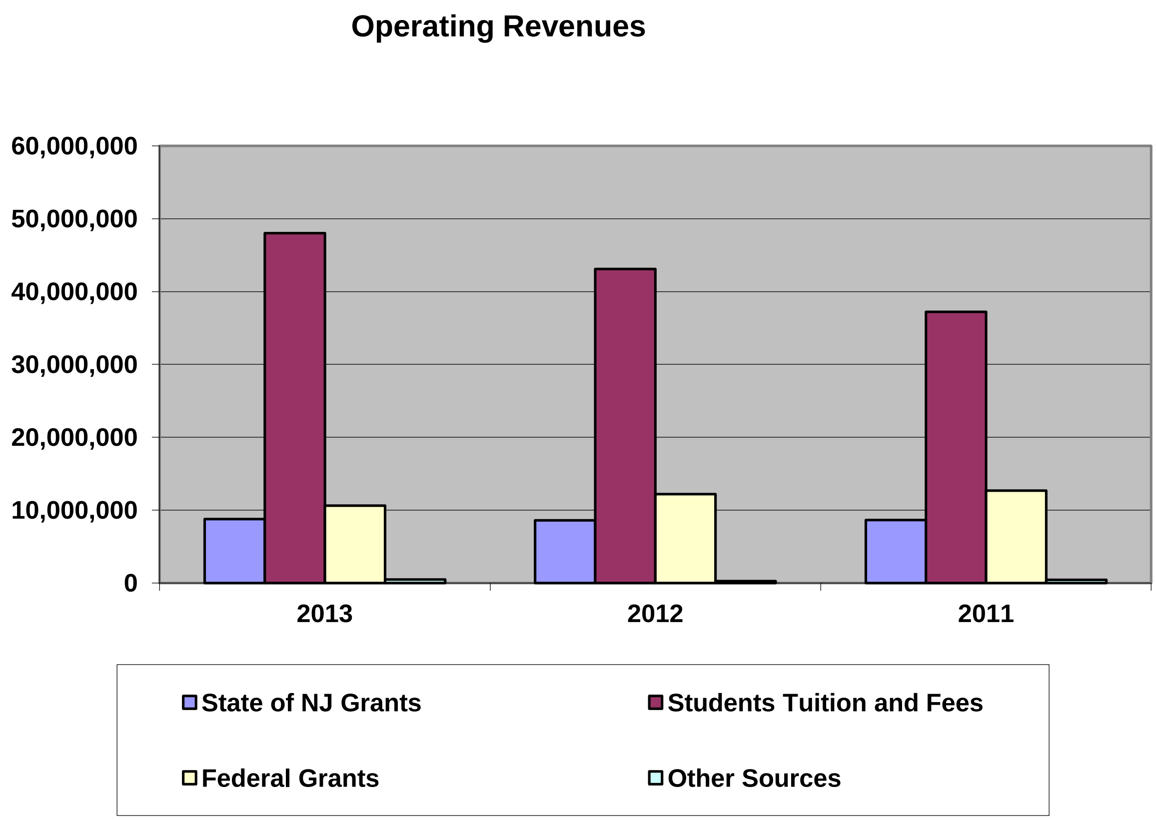
During the year, the Organization generated $67,903,347 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of $48,041,444; governmental grants and contracts of $19,409,565; and other operating revenues of $452,338. The College's share of operating revenues was $54,112,012 and the Library's operating revenues share was $13,791,335.

- Student tuition and fees increased $4,933,593 or 11% and $5,903,058 or 16% over the previous year in fiscal year 2013 and 2012, respectively. The increase was due to increased enrollments and a 4% fee increase in fiscal year 2013 and a 6% fee increase in fiscal year 2012.
- The decrease in Federal grants of $1,126,799 or 10% in fiscal year 2013 was primarily due to a decrease of $944,009 in BTOP grant revenue. Fiscal year 2013 was the final year of the three year BTOP grant. The decrease in Federal grants of $944,124 or 7% in fiscal year 2012 was primarily due to a decrease of $1,427,191 in BTOP grant revenue that was partially offset by an increase in PELL grants of $1,266,666 or 33%.
- Federal indirect cost recovery decreased $252,737 or 59% and increased $257,446 or 153% in fiscal year 2013 and fiscal year 2012 respectively. The decrease in fiscal year 2013 was primarily due to fully drawing down indirect costs from the BTOP grant in 2012. The increase in fiscal year 2012 was primarily due to indirect costs associated with the BTOP grant.

	2013		2012		2011	
	Amount	**Percentage of total**	**Amount**	**Percentage of total**	**Amount**	**Percentage of total**
Operating revenues:						
Student tuition and fees (net of scholarship allowances of $2,929,000, $2,761,000 and $1,969,000, respectively)	$ 48,041,444	71%	$ 43,107,851	67%	$ 37,204,793	63%
Federal grants and contracts	10,626,683	16	11,753,482	18	12,697,606	22
State of New Jersey grants and contracts	8,782,882	13	8,598,539	14	8,636,074	15
Subtotal grants	19,409,565		20,352,021		21,333,680	
Other sources:						
Federal indirect cost recovery	172,527	—	425,264	1	167,818	—
Noncollegiate sponsored programs	59,229	—	6,353	—	29,596	—
Other operating revenue	220,582	—	235,878	—	211,565	—
Subtotal other sources	452,338		667,495		408,979	
Total operating revenues	$ 67,903,347	100%	$ 64,127,367	100%	$ 58,947,452	100%



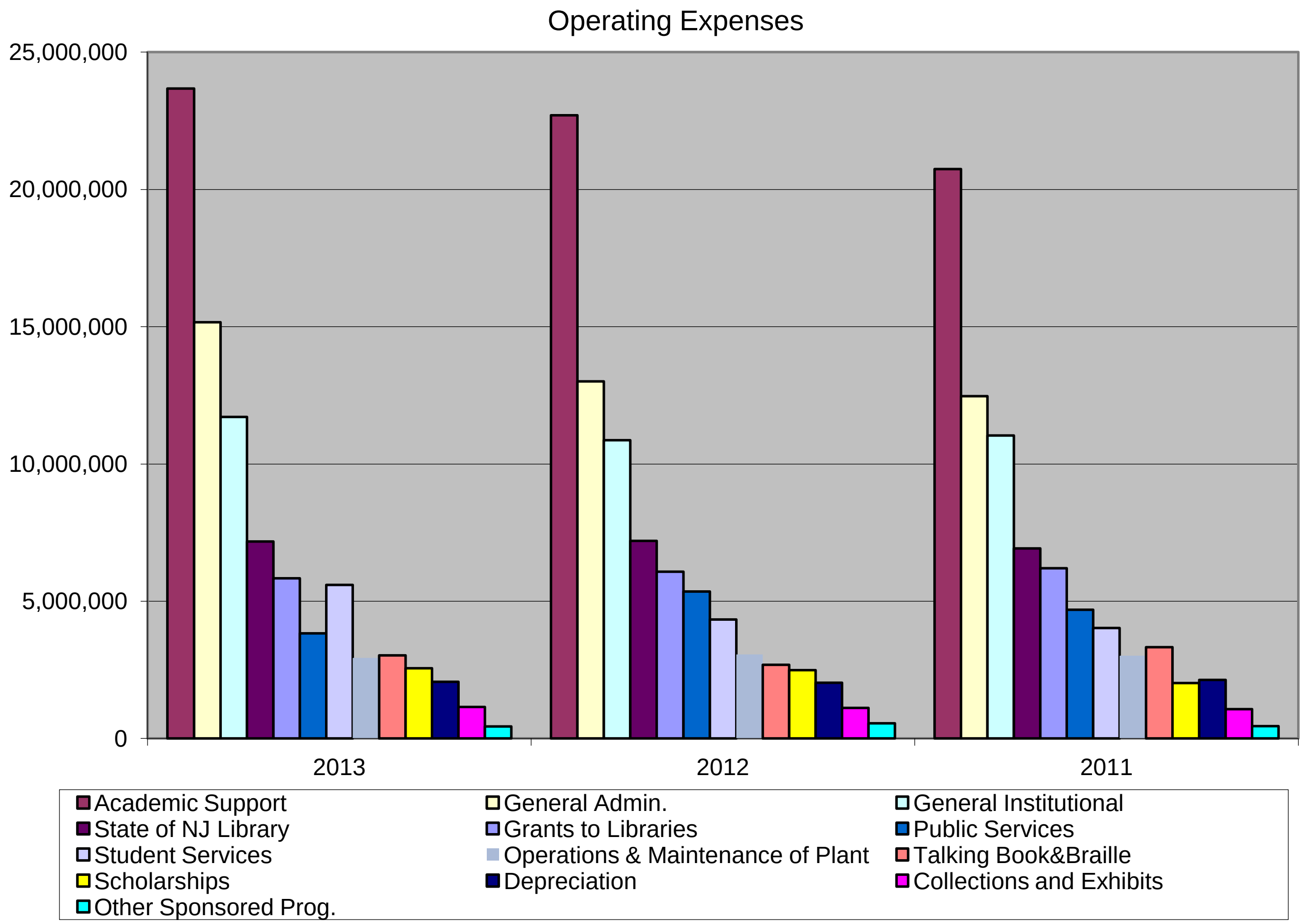
Operating Expenses

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, 2013, the Organization incurred total operating expenses of $85,175,051, which were $17,271,704 greater than the operating revenues of $67,903,347. The College's operating expenses share was $62,441,104 and the Library's operating expenses share was $22,733,947. The College's net operating loss share was $8,329,092 and the Library's net operating loss share was $8,942,612. The Organization's operating expenses increased $3,691,487 or 5% from fiscal year 2012 to 2013. The increase was primarily due to costs associated with increases in course enrollments.

- The increase in academic support expenses of $972,220 or 4% in fiscal year 2013 is primarily due to a $748,108 increase in mentor expenses associated with increased course enrollments and a $264,409 increase in online testing costs. The increase in academic support expenses of $1,954,519 or 9% in fiscal year 2012 is primarily due to a $977,792 increase in mentor expenses associated with increased course enrollments and $529,143 in additional costs associated with the new Nursing accelerated program.

- The increase in student services expenses of $1,263,359 or 29% in fiscal year 2013 is due to increases of $695,648 in salary and $503,721 in fringe benefits that is attributable to supporting the 7% increase in traditional enrollments. The fringe benefit cost was increased due to the rate changing from 30.3% in fiscal year 2012 to 37.7% in fiscal year 2013. The increase in student services expenses of $301,847 or 7% in fiscal year 2012 is attributable to supporting the 13% increase in traditional enrollments.
- Public services expenses decreased $1,526,510 or 28% and increased $663,147 or 14% in fiscal year 2013 and 2012, respectively. The decrease in the current year was due to a reduction in BTOP expenses of $1,007,468. The increase in 2012 was due to $667,588 additional BTOP expenses as the program was operating.
- General institutional increased $850,721 or 8% and decreased $168,611 or 2% over the previous year in fiscal year 2013 and 2012, respectively. The increase in fiscal year 2013 was due to a $1,060,218 increase in carryforward expenses. Carryforward expenses represent investments in new programs and facilities. The expense was comparable in fiscal year 2012 to the prior years.
- General administration expenses increased $2,157,439 or 17% and $536,858 or 4% in fiscal year 2013 and 2012, respectively. The increase in fiscal year 2013 was due to increased staff to support enrollment growth and increased fringe benefit costs. The increase in fiscal year 2012 was due to increased staff to support enrollment growth.

	2013		2012		2011	
	Amount	**Percentage of total**	**Amount**	**Percentage of total**	**Amount**	**Percentage of total**
Operating expenses:						
Academic support	$ 23,672,702	28%	$ 22,700,482	28%	$ 20,745,963	26%
Student services	5,593,532	7	4,330,173	6	4,028,326	5
Public services	3,831,948	4	5,358,458	7	4,695,311	6
General institutional	11,715,216	14	10,864,495	13	11,033,106	14
Operations and maintenance	2,940,225	3	3,064,896	4	3,019,496	4
General administration	15,167,690	18	13,010,251	16	12,473,393	16
Other sponsored programs	438,731	1	550,842	1	454,007	1
Scholarships	2,557,341	3	2,488,413	3	2,025,239	3
State of New Jersey Library	7,178,673	8	7,195,126	9	6,926,875	9
Talking Book & Braille Center	3,025,261	4	2,686,499	3	3,330,175	4
Grants to libraries	5,839,429	7	6,078,643	7	6,206,411	8
Collections and exhibits	1,148,345	1	1,118,709	1	1,064,449	1
Depreciation	2,065,958	2	2,036,577	2	2,134,386	3
Total operating expenses	$ 85,175,051	100%	$ 81,483,564	100%	$ 78,137,137	100%



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 2013, the Organization generated $21,498,237 in net nonoperating revenues. The components of the nonoperating revenues were primarily direct and indirect State of New Jersey appropriations of $19,595,980, contributed U.S. Postal Service of $993,718, investment income of $577,535, and private grants of $463,937. The College's net nonoperating revenue share was $13,228,198 and the Library's net nonoperating revenue share was $8,270,039.

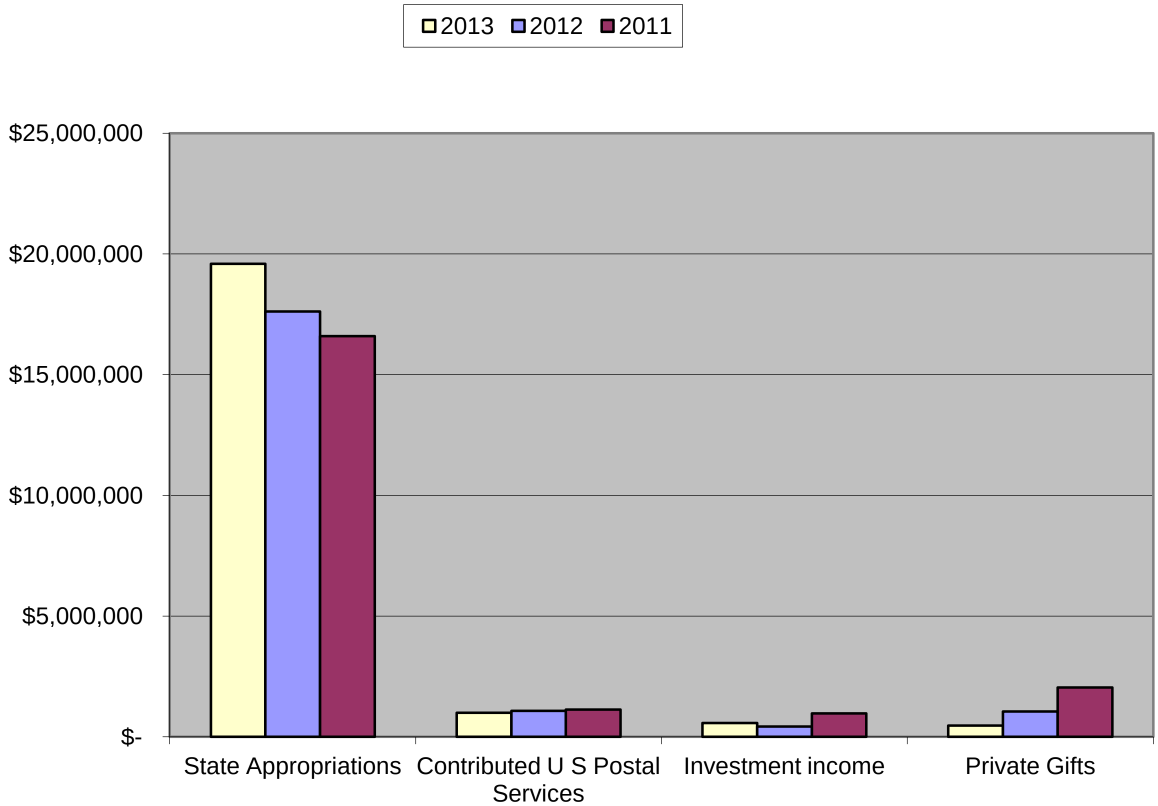
- The increase in State of New Jersey paid fringe benefits of $2,320,447 or 26% in fiscal year 2013 was due to increased salary and the increased fringe benefit rate. The increase in fiscal year 2012 of $727,181 or

9% was due to the increased fringe benefit rate. The negotiated fringe benefit rate was 37.7%, 30.3%, and 27.5% for the years ended 2013, 2012, and 2011, respectively.

- The increase in investment income of $147,517 in fiscal year 2013 was due to increased performance on equities and bonds. The decrease in investment income of $533,548 in fiscal year 2012 was due to the low interest rate environment.
- The decrease in private gifts in fiscal year 2013 of $591,033 or 56% and the decrease in private gifts in fiscal year 2012 of $986,768 or 48% was due to decreases in private matching gifts for the BTOP grant.

	2013		2012		2011	
	Total	**Percentage of total**	**Total**	**Percentage of total**	**Total**	**Percentage of total**
Nonoperating revenues (expenses):						
State of New Jersey appropriations	$ 6,869,814	32%	$ 6,982,420	36%	$ 6,751,000	33%
State of New Jersey paid fringe benefits	11,311,039	52	8,990,592	46	8,263,411	41
State of New Jersey paid facilities rental	1,415,127	6	1,650,639	8	1,586,159	8
Subtotal State of New Jersey	19,595,980	90	17,623,651	90	16,600,570	82
Contributed U.S. Postal Service	993,718	5	1,078,158	6	1,134,159	6
Private gifts	463,937	2	1,054,970	5	2,041,738	10
Investment income	577,535	3	430,018	2	963,566	4
Interest on indebtedness	(63,606)	—	(86,902)	—	(86,934)	—
Loss on disposal of equipment	(69,327)	—	(561,477)	(3)	(408,085)	(2)
Net nonoperating revenues	$ 21,498,237	100%	$ 19,538,418	100%	$ 20,245,014	100%

Nonoperating revenues (expenses)



Capital Assets and Debt Activities

At June 30, 2013, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to $39,626,694, net of accumulated depreciation of $29,432,882. The amount invested in capital assets, net of related debt of $8,650,819, was $30,975,875. Depreciation charges totaled $2,065,958 for the current fiscal year. The $135,748 increase of net investment in capital assets was due to capital additions of $7,085,418, principal paid on outstanding debt of $704,989, less additional debt incurred from prior year, net of unspent proceeds of $5,519,374, depreciation of $2,065,958 and net equipment retirements of $69,327.

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

Tax-Exempt Lease Financing

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 is for $8,000,000, of which $904,704 was unspent as of

June 30, 2013. The project is expected to be completed by September 2013. The payment schedule has a 20 year term with an interest rate of 3.5%.

In July 2011, the Organization entered in a tax-exempt lease financing arrangement in which TD Equipment Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for $948,000 to be used for a movable shelving system at the New Jersey State Library and College Information Technology Equipment. The lease agreement payment schedule is an 8 year term with an interest rate of 2.427%.

In September 2010, the Organization entered in a tax-exempt lease financing arrangement in which Banc of America Leasing and Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for $700,000 to be used for furniture and data processing equipment. The lease agreement payment schedule is a 5 year term with an interest rate of 2.37%.

In September 2007, the Organization entered in a tax-exempt lease financing arrangement in which Banc of America Leasing and Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing is for $2,700,000 to be used for building improvements, security, equipment, and data processing upgrades. The lease agreement calls for three separate payment schedules to be paid over 5, 7, and 15 years with interest rates of 4.10%, 4.38% and 4.57%.

		2013	2012	2011
Net investment in capital assets:				
Depreciable assets:				
Buildings and improvements	$	28,698,021	22,624,116	23,050,844
Equipment and vehicles		4,566,565	5,211,694	6,079,947
Furniture and fixtures		2,117,713	1,484,807	1,632,880
Subtotal		35,382,299	29,320,617	30,763,671
Nondepreciable assets:				
Land		1,717,268	1,705,439	1,705,439
Construction in progress		645,756	1,769,134	—
Rare books, artwork, and historical documents		1,881,371	1,881,371	1,881,371
Subtotal		4,244,395	5,355,944	3,586,810
Total capital assets		39,626,694	34,676,561	34,350,481
Less related long-term debt, net of unspent proceeds		(8,650,819)	(3,836,434)	(2,060,240)
Net investment in capital assets	$	30,975,875	30,840,127	32,290,241

(Continued)

Conclusion and Economic Outlook

With net position of $73,531,157, the Organization's financial position remains positive. A major challenge to the Organization is sustaining the College's enrollment growth. The College had 20,878 enrollments in fiscal year 2013. The College experienced a 1% increase in student enrollments. The College was able to generate an 11% increase in student revenue with a price increase of 4% along with increases in our traditional students.

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

The College continued to invest significant reserves to support new products, programs, and increased continuous enrollment to minimize student tuition increases. The College increased tuition 4% in fiscal year 2014.

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

Statements of Net Position

Business-Type Activities – Organization Only

June 30, 2013 and 2012

Assets		**2013**	**2012**
Current assets:			
Cash (note 2)	$	9,053,854	6,505,048
Investments (note 2)		43,702,449	38,834,886
Receivables:			
Students, less allowance for doubtful accounts of $1,992,000 in 2013 and $1,904,000 in 2012		3,141,444	3,325,956
State of New Jersey		489,324	596,546
Federal		982,062	2,100,979
Corporate accounts, less allowance for doubtful accounts of $462,000 in 2013 and $446,000 in 2012		683,413	844,199
Other receivables		84,602	113,805
Total receivables		5,380,845	6,981,485
Prepaid expenses and other assets		405,973	260,099
Total current assets		58,543,121	52,581,518
Noncurrent assets:			
Restricted investments (note 2)		1,191,029	1,605,098
Trustee held investments – restricted (note 3)		2,842,796	8,279,482
Rare books, artwork, and historical documents		1,881,371	1,881,371
Capital assets, net (note 4)		37,745,323	32,795,190
Total noncurrent assets		43,660,519	44,561,141
Total assets		102,203,640	97,142,659
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (notes 5 and 6)		8,412,608	7,236,680
Unearned tuition and fees		8,378,904	7,953,525
Unearned grants and contracts		1,926,416	1,942,486
Deposits held in custody for others		4,194	6,019
Long-term debt – current portion (note 7)		778,540	676,925
Total current liabilities		19,500,662	17,815,635
Noncurrent liabilities:			
Compensated absences – noncurrent portion (note 6)		394,838	438,813
Long-term debt (note 7)		8,776,983	9,583,587
Total noncurrent liabilities		9,171,821	10,022,400
Total liabilities		28,672,483	27,838,035
Net Position			
Net investment in capital assets		30,975,875	30,840,127
Restricted for:			
Nonexpendable:			
Aid to local libraries		416,073	416,073
Library for the Blind and Handicapped		333,642	333,642
Expendable:			
Aid to local libraries		471,597	840,004
Library for the Blind and Handicapped		886,840	838,744
Public policy		262,487	325,218
Unrestricted		40,184,643	35,710,816
Total net position	$	73,531,157	69,304,624

See accompanying notes to financial statements.

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

Statements of Financial Position

December 31, 2012 and 2011

Assets		**2012**	**2011**
Cash	$	137,412	140,232
Investments		6,503,909	5,911,213
Contributions receivable		59,800	115,795
Other assets		66,287	48,833
Total assets	$	6,767,408	6,216,073
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	2,206	6,500
Grants payable		216,470	251,380
Accrued liabilities		32,999	29,756
Total liabilities		251,675	287,636
Net assets:			
Unrestricted		2,598,026	2,192,549
Temporarily restricted		750,167	616,382
Permanently restricted		3,167,540	3,119,506
Total net assets		6,515,733	5,928,437
Total liabilities and net assets	$	6,767,408	6,216,073

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – Organization Only

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $2,929,000 in 2013 and $2,761,000 in 2012)	$ 48,041,444	43,107,851
Federal grants and contracts	10,626,683	11,753,482
Federal indirect cost recovery	172,527	425,264
State of New Jersey grants and contracts	8,782,882	8,598,539
Noncollegiate sponsored programs	59,229	6,353
Other operating revenues	220,582	235,878
Total operating revenues	67,903,347	64,127,367
Operating expenses:		
Academic support	23,672,702	22,700,482
Student services	5,593,532	4,330,173
Public services	3,831,948	5,358,458
General institutional	11,715,216	10,864,495
Operations and maintenance	2,940,225	3,064,896
General administration	15,167,690	13,010,251
Other sponsored programs	438,731	550,842
Scholarships	2,557,341	2,488,413
State of New Jersey Library	7,178,673	7,195,126
Talking Book and Braille Center	3,025,261	2,686,499
Grants to libraries	5,839,429	6,078,643
Collections and exhibits	1,148,345	1,118,709
Depreciation	2,065,958	2,036,577
Total operating expenses	85,175,051	81,483,564
Operating loss	(17,271,704)	(17,356,197)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	6,869,814	6,982,420
State of New Jersey paid fringe benefits	11,311,039	8,990,592
State of New Jersey paid facilities rental	1,415,127	1,650,639
Contributed U.S. Postal Service	993,718	1,078,158
Private gifts – restricted	463,937	1,054,970
Investment income	577,535	430,018
Interest on indebtedness	(63,606)	(86,902)
Loss on disposal of equipment	(69,327)	(561,477)
Net nonoperating revenues	21,498,237	19,538,418
Increase in net position	4,226,533	2,182,221
Net position as of beginning of year	69,304,624	67,122,403
Net position as of end of year	$ 73,531,157	69,304,624

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2012

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

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2011

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:					
Contributions and grants	$	153,317	202,409	23,840	379,566
Special events		136,733	—	15,941	152,674
Donated services and auction materials		281,437	—	—	281,437
Net assets released from restrictions		215,783	(215,783)	—	—
Total support and revenues		787,270	(13,374)	39,781	813,677
Expenses:					
Grants		259,173	—	—	259,173
Scholarships		22,142	—	—	22,142
Promotional		17,394	—	—	17,394
Special events		89,553	—	—	89,553
Donated services and auction materials		281,437	—	—	281,437
Management and general		69,706	—	—	69,706
Fundraising		18,918	—	—	18,918
Total expenses		758,323	—	—	758,323
Change in net assets before investment return		28,947	(13,374)	39,781	55,354
Net investment return		131,120	105,270	—	236,390
Change in net assets		160,067	91,896	39,781	291,744
Net assets, beginning of year		2,032,482	524,486	3,079,725	5,636,693
Net assets, end of year	$	2,192,549	616,382	3,119,506	5,928,437

See accompanying notes to financial statements.

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

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Student tuition and fees	$ 51,067,797	46,725,803
Grants, contracts, and other revenues	17,678,475	17,844,472
Payments for salaries	(30,225,249)	(28,324,937)
Payments for fringe benefits	(2,060,188)	(2,316,108)
Payments for materials and supplies	(1,733,751)	(1,685,890)
Payments for services	(26,728,982)	(27,022,030)
Payments for maintenance	(1,360,587)	(1,400,981)
Payments to students	(2,928,818)	(2,761,403)
Payments for grants and contracts	(2,201,189)	(2,492,257)
Payments for noncapital improvements	(557,766)	(472,827)
Net cash provided by (used by) operating activities	949,742	(1,906,158)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	6,869,814	6,982,420
Private gifts – restricted	433,110	1,015,482
Agency receipts	146,459	128,207
Agency disbursements	(147,334)	(136,315)
Net cash provided by noncapital financing activities	7,302,049	7,989,794
Cash flows from capital financing activities:		
Proceeds from issuance of capital debt	—	8,948,000
Purchases of capital assets	(6,236,185)	(2,434,044)
Net withdrawals from (deposits with) trustee	5,467,714	(7,130,900)
Principal paid on capital debt	(704,989)	(747,728)
Interest paid on capital debt	(351,437)	(213,410)
Net cash used by capital financing activities	(1,824,897)	(1,578,082)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	36,068,374	35,312,678
Purchases of investments	(40,424,334)	(36,242,504)
Interest on investments	477,872	497,097
Net cash used by investing activities	(3,878,088)	(432,729)
Net increase in cash	2,548,806	4,072,825
Cash as of beginning of the year	6,505,048	2,432,223
Cash as of end of the year	$ 9,053,854	6,505,048

(Continued)

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

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2013 and 2012

		2013	2012
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating loss	$	(17,271,704)	(17,356,197)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
Depreciation expense		2,065,958	2,036,577
Noncash transactions		13,751,017	11,757,814
Change in assets and liabilities:			
Receivables		1,571,437	307,190
Prepaid expenses and other assets		(90,007)	(126,531)
Accounts payable and accrued expenses		513,732	127,762
Unearned tuition and fees		425,379	1,396,569
Unearned grants and contracts		(16,070)	(49,342)
Net cash provided by (used by) operating activities	$	949,742	(1,906,158)
Noncash transactions:			
State of New Jersey paid fringe benefits	$	11,311,039	8,990,592
State of New Jersey paid facilities rental		1,415,127	1,650,639
Contributed U.S. Postal Service		993,718	1,078,158
Contributed services		31,133	38,425
Student waivers expense		(618,691)	(653,162)
Student tuition and fees		618,691	653,162
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
	$	13,751,017	11,757,814

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

Thomas Edison State College

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

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

The College is accredited by the Middle States Association of Colleges and Schools. Enrollment for 2013 was 20,878 students. Since the College was founded 46,732 associate, baccalaureate, and masters degrees in fourteen degree programs have been awarded. The College's offices are located in Trenton, New Jersey.

The New Jersey State Library

The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State of New Jersey. This is accomplished by enabling citizens of the State and other libraries within the State, to have access to a national network of publications as well as the collection of books and historical documents at the Library, including a priceless Jerseyana collection. The Library also ensures that affiliated libraries within the State are provided Federal and State funds needed to administer library operations and update collections of books and records. The Library has existed as part of the State since 1796 and maintains approximately 2,036,000 volumes of books and historical documents. Included in the Library is the Talking Book & Braille Center (formerly known as the Library for the Blind and Handicapped), which maintains approximately 591,000 books, audiotapes and other nonprint items.

The Organization

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

(Continued)

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

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

Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

  Nonexpendable – Net position subject to externally imposed stipulations that must be maintained permanently by the Organization.

  Expendable – Net position whose use by the Organization is subject to externally imposed stipulations that can be fulfilled by actions of Organization pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated by specific purposes by action of management to the Board of Trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs (see note 11).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Organization's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The Organization reports as a business-type activity, as defined by

(Continued)

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

Investments

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

Rare Books, Artwork, and Historical Documents

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

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold is $1,000 and above for all furniture, equipment and vehicles. All building improvements are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets of the Organization are depreciated using the straight-line method over the following useful lives.

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

The Organization does not capitalize the existing collections of the library, including books and microfiche, except for rare books, artwork, and historical documents, as they have a short estimated useful life. Included in the accompanying financial statements as an expense are accessions of approximately $1,148,000 and $1,119,000 in 2013 and 2012, respectively.

Student Tuition and Fees

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

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State of New Jersey and Federal Grants and Contracts

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

State of New Jersey Paid Fringe Benefits

The State of New Jersey pays for the fringe benefits for certain employees of the Organization. Fringe benefits paid by the State of $11,311,039 and $8,990,592 in 2013 and 2012, respectively, have been included in the accompanying financial statements as revenues and expenses.

State of New Jersey Paid Facilities Rental

The College occupies office space provided by the State with a fair rental value for the years ended June 30, 2013 and 2012 of $1,415,127 and $1,650,639, respectively. The College currently does not pay any rental fees to the State in connection with the aforementioned office space and therefore has included the fair rental value as revenues and expenses in the accompanying financial statements.

Contributed U.S. Postal Service

As a service to the blind citizens of the State of New Jersey, the U.S. Postal Service provides certain delivery services for the Talking Book & Braille Center at no cost to the Library. The estimated value of such services, based upon the amount of packages delivered, is $993,718 and $1,078,158 for the years ended June 30, 2013 and 2012, respectively. Such contributed services have been included in the accompanying financial statements as revenues and expenses.

Classification of Revenue

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

Financial Dependency

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

Income Taxes

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

(Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of 2012 amounts have been made to conform to the 2013 presentation.

(2) Cash and Investments

Cash

Cash consisted of the following demand deposits in a financial institution as of June 30, 2013 and 2012:

		Carrying amount	Bank balances
2013:			
College	$	5,864,245	7,092,467
Library		3,189,609	3,225,979
Total deposits	$	9,053,854	10,318,446
2012:			
College	$	4,179,375	5,344,881
Library		2,325,673	2,527,605
Total deposits	$	6,505,048	7,872,486

Bank balances in excess of FDIC insured amounts totaling $9,887,859 in 2013 and $7,372,486 in 2012 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

Investments

The Organization has an investment policy which establishes guidelines for permissible investments. The Organization may be invested in instruments that protect principal while securing the highest rates such as, but not limited to obligations of the United States government; certificates of deposit; commercial paper of major banks; repurchase agreements; and equities.

Investments are stated at fair value, and consist of the following as of June 30, 2013 and 2012:

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

		2012		
		College	**Library**	**Total**
State of New Jersey Cash Management Fund	$	322,623	412,808	735,431
Money market		9,179,828	4,115,264	13,295,092
U.S. government bonds and notes		8,982,090	—	8,982,090
Equity mutual funds		1,389,759	426,821	1,816,580
Fixed income mutual funds		—	55,650	55,650
Corporate bonds		2,045,222	—	2,045,222
Corporate stocks		—	248,110	248,110
Certificates of deposit		13,261,809	—	13,261,809
Total	$	35,181,331	5,258,653	40,439,984

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 “AA”, as rated by the Standard and Poor’s or Moody’s rating agency.

(Continued)

The following table summarizes the agency ratings (Moody's) of the Organization's fixed income investments as of June 30, 2013 and 2012:

	2013			2012		
	Rating		**Fair value**	**Rating**		**Fair value**
College:						
U.S. government bonds and notes	AAA	$	9,136,368	AAA	$	8,982,090
Corporate bonds	BAA2		—	BAA2		2,045,222
		$	9,136,368		$	11,027,312

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Organization does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The following table summarizes the maturities of the Organization's fixed income investments as of June 30, 2013 and 2012:

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

(Continued)

	2012				
		Maturities in years			
	Fair value	Less than 1	1-5	6-10	11-15
College:					
State of New Jersey Cash Management Fund	$ 322,623	322,623	—	—	—
Money market	9,179,828	9,179,828	—	—	—
U.S. government bonds and notes	8,982,090	—	5,043,878	2,469,237	1,468,975
Corporate bonds	2,045,222	2,045,222	—	—	—
Library:					
State of New Jersey Cash Management Fund	412,808	412,808	—	—	—
Money market	4,115,264	4,115,264	—	—	—
Fixed income mutual funds	55,650	55,650	—	—	—
	$ 25,113,485	16,131,395	5,043,878	2,469,237	1,468,975

(3) Trustee Held Investments – Restricted

Trustee held investments include restricted funds held for specific purposes by third-party trustees. Trustee held investments are carried in the statements of net position at fair value and consist of the following as of June 30, 2013 and 2012:

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

		2012		
		College	Library	Total
State of New Jersey Cash Management Fund	$	—	806,445	806,445
Money market		7,130,899	9,206	7,140,105
Alternative investments		—	48,004	48,004
Fixed income mutual funds		—	80,587	80,587
Equity mutual funds		—	204,341	204,341
Total	$	7,130,899	1,148,583	8,279,482

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 "AA", as rated by the Standard and Poor's or Moody's rating agency.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Organization does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The following table summarizes the maturities of the Organization's trustee held investments – restricted as of June 30, 2013 and 2012:

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

(Continued)

	2012				
	Maturities in years				
	Fair value	Less than 1	1-5	6-10	11-15
College:					
Money market	$ 7,130,899	7,130,899	—	—	—
Library:					
State of New Jersey Cash Management Fund	806,445	806,445	—	—	—
Money market	9,206	9,206	—	—	—
Fixed income mutual funds	80,587	80,587	—	—	—
	$ 8,027,137	8,027,137	—	—	—

(4) Capital Assets

The Organization’s principal locations are in buildings, which are owned by the State and are dedicated for use by the Organization. Although legal title rests with the State, the Organization has been given, through legislation, exclusive use of the buildings and has included the cost of capital assets in the accompanying statements of net position. For the years ended June 30, 2013 and 2012, capital assets and accumulated depreciation activity was as follows:

	2013			
	Beginning balance	Additions	Retirements	Ending balance
Depreciable assets:				
Buildings and improvements	$ 21,675,070	6,777,732	74,898	28,377,904
Equipment and vehicles	6,061,173	335,253	210,725	6,185,701
Furniture and fixtures	2,178,804	789,691	3,335	2,965,160
College subtotal	29,915,047	7,902,676	288,958	37,528,765
Buildings and improvements	20,095,072	—	1,128	20,093,944
Equipment and vehicles	7,696,134	294,291	984,850	7,005,575
Furniture and fixtures	186,897	—	—	186,897
Library subtotal	27,978,103	294,291	985,978	27,286,416
Total depreciable assets	57,893,150	8,196,967	1,274,936	64,815,181
Less accumulated depreciation:				
Buildings and improvements	5,548,703	419,706	28,554	5,939,855
Equipment and vehicles	4,000,894	522,648	193,825	4,329,717
Furniture and fixtures	835,754	151,142	1,329	985,567
College subtotal	10,385,351	1,093,496	223,708	11,255,139

	2013			
	Beginning balance	**Additions**	**Retirements**	**Ending balance**
Buildings and improvements	$ 13,597,322	237,778	1,128	13,833,972
Equipment and vehicles	4,544,716	731,050	980,772	4,294,994
Furniture and fixtures	45,142	3,635	—	48,777
Library subtotal	18,187,180	972,463	981,900	18,177,743
Total accumulated depreciation	28,572,531	2,065,959	1,205,608	29,432,882
Total depreciable assets, net	29,320,619	6,131,008	69,328	35,382,299
Nondepreciable assets:				
College construction in progress	1,769,134	645,756	1,769,134	645,756
College land	615,847	11,829	—	627,676
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	3,474,573	657,585	1,769,134	2,363,024
Total capital assets, net	$ 32,795,192	6,788,593	1,838,462	37,745,323

	2012			
	Beginning balance	**Additions**	**Retirements**	**Ending balance**
Depreciable assets:				
Buildings and improvements	$ 21,666,000	9,069	—	21,675,069
Equipment and vehicles	5,967,438	518,558	424,823	6,061,173
Furniture and fixtures	2,201,038	5,435	27,670	2,178,803
College subtotal	29,834,476	533,062	452,493	29,915,045
Buildings and improvements	21,036,024	603,500	1,544,452	20,095,072
Equipment and vehicles	8,680,703	18,938	1,003,510	7,696,131
Furniture and fixtures	186,897	—	—	186,897
Library subtotal	29,903,624	622,438	2,547,962	27,978,100
Total depreciable assets	59,738,100	1,155,500	3,000,455	57,893,145

(Continued)

	2012			
	Beginning balance	**Additions**	**Retirements**	**Ending balance**
Less accumulated depreciation:				
Buildings and improvements	$ 5,137,017	411,686	—	5,548,703
Equipment and vehicles	3,791,527	524,327	314,960	4,000,894
Furniture and fixtures	713,551	140,735	18,532	835,754
College subtotal	9,642,095	1,076,748	333,492	10,385,351
Buildings and improvements	14,514,163	224,132	1,140,973	13,597,322
Equipment and vehicles	4,776,667	732,062	964,013	4,544,716
Furniture and fixtures	41,504	3,635	—	45,139
Library subtotal	19,332,334	959,829	2,104,986	18,187,177
Total accumulated depreciation	28,974,429	2,036,577	2,438,478	28,572,528
Total depreciable assets, net	30,763,671	(881,077)	561,977	29,320,617
Nondepreciable assets:				
College construction in progress	—	1,769,134	—	1,769,134
College land	615,847	—	—	615,847
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	1,705,439	1,769,134	—	3,474,573
Total capital assets, net	$ 32,469,110	888,057	561,977	32,795,190

During 2013 and 2012, the Organization has capitalized interest expense, net of related interest income of $282,487 and $193,212, respectively, in construction in progress in the accompanying statements of net position.

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2013 and 2012:

	2013 College	2013 Library	2013 Total	2012 Total
Vendors	$ 4,764,848	178,608	4,943,456	3,975,991
Accrued salaries and benefits	1,082,195	263,563	1,345,758	1,419,778
Compensated absences	1,227,767	275,592	1,503,359	1,576,809
Other accrued expenses	478,993	141,042	620,035	264,102
Total	$ 7,553,803	858,805	8,412,608	7,236,680

(6) Noncurrent Liabilities

For the years ended June 30, 2013 and 2012, noncurrent liabilities activity was as follows:

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

2012	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
College	$ 1,505,403	2,006,505	1,953,707	1,558,201	1,250,663
Library	373,855	589,564	505,998	457,421	326,146
Total	$ 1,879,258	2,596,069	2,459,705	2,015,622	1,576,809

(7) Long-Term Debt

For the years ended June 30, 2013 and 2012, long-term debt activity was as follows:

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

	2012				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Long-term debt:					
College:					
Banc of America					
2005 Tax Exempt Lease	$ 115,066	—	115,066	—	—
2007 Tax Exempt Lease	1,344,964	—	387,153	957,811	244,121
2010 Tax Exempt Lease	600,210	—	135,841	464,369	139,096
TD Bank					
2012 Tax Exempt Lease	—	8,000,000	—	8,000,000	210,526
2012 Tax Exempt Lease	—	344,500	39,810	304,690	30,228
College subtotal	2,060,240	8,344,500	677,870	9,726,870	623,971
Library:					
TD Bank					
2012 Tax Exempt Lease	—	603,500	69,858	533,642	52,954
Library subtotal	—	603,500	69,858	533,642	52,954
Total	$ 2,060,240	8,948,000	747,728	10,260,512	676,925

In October 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Bank Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of $8,000,000 by the College is to be used for renovations to the historic Kuser Mansion in Trenton. As of June 30, 2013, the Organization has drawn down $6,333,260 of the funds. The lease rental payment schedule has a twenty-year term. There are four interest-only payments totaling $265,222, followed by 76 lease payments of $105,263 (Fixed Principal Payment) plus interest (Interest Portion @ 3.5%) that are scheduled quarterly starting March 31, 2013. The Organization can make a prepayment from any bond proceeds that remain unspent at the end of construction. This would apply to only one pay-down to be made at the time of completion 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, 2013 and 2012, the Organization owes $7,789,474 and $8,000,000, respectively.

In July 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Equipment Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of $948,000 by the College is to be used for data processing equipment in the Kuser facility and for moveable shelving replacement at the Library. As of June 30, 2013, the Organization has fully drawn down the funds. The lease rental payment schedule has an eight-year term. There are 32 lease payments of $32,646 (Rental Payment) which includes interest (Interest Portion @ 2.427%) that are scheduled every quarter. As of June 30, 2013 and 2012, the Organization owes $727,085 and $838,332, respectively.

In September 2010, the Organization entered into a tax-exempt lease financing arrangement in which Banc of America Leasing & Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of $700,000 by the College is to be used for data processing equipment and for work station replacement at the Academic Center. As of June 30, 2013, the Organization has fully drawn down the funds. The lease rental payment schedule has a five-year term. There are 60 lease payments of $12,383 (Rental Payment) which includes interest (Interest Portion @ 2.37%) that are scheduled every month. As of June 30, 2013 and 2012, the Organization owes $325,273 and $464,369, respectively.

In September 2007, the Organization entered into a tax-exempt lease financing arrangement in which Banc of America Leasing & Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sub lessee. The lease financing of $2,700,000 by the College is to be used for renovations to the Kelsey building and security, equipment and data processing upgrades. As of June 30, 2013, 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, 2013 and 2012, the Organization owes $713,691 and $957,811, respectively.

(Continued)

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2013:

		Principal	Interest
Year ending June 30:			
2014	$	778,540	325,000
2015		769,328	299,293
2016		647,935	275,979
2017		613,861	254,106
2018		616,863	232,953
2019-2023		2,550,049	869,758
2024-2028		2,105,263	458,132
2029-2033		1,473,684	98,102
Total	$	9,555,523	2,813,323

(8) Line of Credit

The Organization maintained an unsecured line of credit with a bank, in the amount of $2,500,000 with an interest rate of 1% above LIBOR during fiscal year 2011 and through February 29, 2012. The line of credit expired on February 29, 2012 and was not renewed. The Organization did not utilize the line of credit throughout fiscal year 2012 or 2013 and no balances were outstanding at the end of those fiscal years.

(9) Retirement Plans

Plan Descriptions

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

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

PERS

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

PERS members are required to contribute 6.64% and 6.5% of their annual covered salary for the years ended June 30, 2013 and 2012, respectively. The State, in accordance with state statutes, makes employer contributions on behalf of the Organization. The State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey’s annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2013 and 2012 due to legislation enacted in 1997 by the State, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the Organization are established and may be amended by the State.

(Continued)

Alternate Benefit Program

ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The Organization assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating Organization employees are required to contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8%. During the years ended June 30, 2013 and 2012, ABP received employer and employee contributions as follows:

		2013		2012
	College	**Library**	**Total**	**Total**
Employer contributions	$ 1,319,613	45,360	1,364,973	1,262,030
Employee contributions	824,758	28,350	853,108	788,769
Basis for contributions:				
Participating employee salaries	16,495,160	567,000	17,062,160	15,775,380

Employer contributions to ABP are paid by the State and are reflected in the accompanying financial statements as State paid fringe benefits revenue and as expenses. The maximum compensation to be considered for employer retirement contributions is $141,000 per New Jersey state law Chapter 31, P.L. 2010. This law was effective as of July 1, 2010. The Organization created the Supplemental Alternate Benefit Program to fund the 8% employer match above the $141,000 compensation limit. These contributions are funded by the Organization.

Supplemental Alternate Benefit Program

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The Organization will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during each calendar year is $141,000. There were no employee contributions during fiscal year 2013. The employer contributions made during fiscal year 2013 and 2012 were $36,146 and $27,643, respectively.

(Continued)

Supplemental Retirement Program

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Employer may contribute to the plan, on behalf of participants who are employees of the employer during the plan year and are eligible to share in the employer contributions for such plan year, as determined by the Compensation Committee and approved by the Board of Trustees. There were no employee contributions during fiscal year 2013. The employer contributions made during fiscal year 2013 and 2012 were $9,625 and $8,392, respectively.

Postemployment Benefits Other Than Pensions

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

(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 College service prior to retirement are not entitled to payments for accumulated sick leave balances. Prior to 1991, the State reimbursed the College for payments made to retiring employees for accrued sick leave; however, during 1991 through 2013, the State did not make such reimbursements to the College. Since Federal and State funds comprise approximately 99% of the total revenues of the Library, and through developing a memorandum of understanding between the College and the State with respect to the Library, accrued sick time will be funded by the State for Library employees.

The College and Library paid $22,490 and $26,992, respectively, in 2013 and $20,608 and $4,955, respectively, in 2012. The College and Library have accrued amounts of $278,750 and $116,088, respectively, as of June 30, 2013, and $307,538 and $131,275, respectively, as of June 30, 2012, 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 $116,088 and $131,275 has been recorded as of June 30, 2013 and 2012, respectively, in the accompanying statements of net position for Library sick accrual reimbursable from the State. Any employee of the Organization who leaves prior to retirement age is ineligible to receive payment for accrued sick time. At the current time, it is uncertain whether the policy followed by the State regarding unused sick time reimbursement during fiscal year 2013 will continue into fiscal year 2014 and beyond. If the State did not provide reimbursement to the College for these amounts in the future, the College would still be liable for the payments to these employees.

(Continued)

The College entered into a contract with Claremont Construction Group, Inc. on January 31, 2012 to renovate the historic Kuser Mansion located at 315 West State Street in Trenton. The initial contract was for $4,901,354 and has been subsequently amended to $5,730,312. The construction is anticipated to be completed by September 2013. The remaining commitment as of June 30, 2013 was approximately $287,000.

(11) Component Unit

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

During the year ended June 30, 2013 and 2012, the Foundation distributed $328,146 and $102,506, respectively, to the College for restricted purposes. Complete financial statements for the Foundation can be obtained from the Controller's Office at 101 West State Street, Trenton, NJ 08608.

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

(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 $1,000,000,000. Money and securities coverage provides for the actual loss in excess of $25,000 with a per loss limit of $5,000,000.

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

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.

Schedule 1

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

(A Component Unit of the State of New Jersey)

Schedule of Net Position

June 30, 2013

Assets		**College**	**Library**	**Total**
Current assets:				
Cash	$	5,864,245	3,189,609	9,053,854
Investments		39,963,761	3,738,688	43,702,449
Receivables:				
Students, net		3,141,444	—	3,141,444
State of New Jersey		211,932	277,392	489,324
Federal		342,504	639,558	982,062
Corporate accounts, net		683,413	—	683,413
Other receivables		77,285	7,317	84,602
Total receivables		4,456,578	924,267	5,380,845
Prepaid expenses and other assets		259,481	146,492	405,973
Due to College from Library		125,048	(125,048)	—
Total current assets		50,669,113	7,874,008	58,543,121
Noncurrent assets:				
Restricted investments		262,487	928,542	1,191,029
Trustee held investments – restricted		1,663,186	1,179,610	2,842,796
Rare books, artwork, and historical documents		317,321	1,564,050	1,881,371
Capital assets		27,547,057	10,198,266	37,745,323
Total noncurrent assets		29,790,051	13,870,468	43,660,519
Total assets		80,459,164	21,744,476	102,203,640
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses		7,553,803	858,805	8,412,608
Unearned tuition and fees		8,378,904	—	8,378,904
Unearned grants and contracts		130,459	1,795,957	1,926,416
Deposits held in custody for others		4,194	—	4,194
Long-term debt – current portion		705,986	72,554	778,540
Total current liabilities		16,773,346	2,727,316	19,500,662
Noncurrent liabilities:				
Compensated absences – noncurrent portion		278,750	116,088	394,838
Long-term debt		8,386,715	390,268	8,776,983
Total noncurrent liabilities		8,665,465	506,356	9,171,821
Total liabilities		25,438,811	3,233,672	28,672,483
Net Position				
Net investment in capital assets		19,676,381	11,299,494	30,975,875
Restricted for:				
Nonexpendable:				
Aid to local libraries		—	416,073	416,073
Library for the Blind and Handicapped		—	333,642	333,642
Expendable:				
Aid to local libraries		—	471,597	471,597
Library for the Blind and Handicapped		—	886,840	886,840
Public policy		262,487	—	262,487
Unrestricted		35,081,485	5,103,158	40,184,643
Total net position	$	55,020,353	18,510,804	73,531,157

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Net Position

June 30, 2012

Assets	**College**	**Library**	**Total**
Current assets:			
Cash	$ 4,179,375	2,325,673	6,505,048
Investments	34,856,113	3,978,773	38,834,886
Receivables:			
Students, net	3,325,956	—	3,325,956
State of New Jersey	254,062	342,484	596,546
Federal	1,569,983	530,996	2,100,979
Corporate accounts, net	844,199	—	844,199
Other receivables	106,183	7,622	113,805
Total receivables	6,100,383	881,102	6,981,485
Prepaid expenses and other assets	154,877	105,222	260,099
Due to College from Library	(391,317)	391,317	—
Total current assets	44,899,431	7,682,087	52,581,518
Noncurrent assets:			
Restricted investments	325,218	1,279,880	1,605,098
Trustee held investments – restricted	7,130,899	1,148,583	8,279,482
Rare books, artwork, and historical documents	317,321	1,564,050	1,881,371
Capital assets	21,914,675	10,880,515	32,795,190
Total noncurrent assets	29,688,113	14,873,028	44,561,141
Total assets	74,587,544	22,555,115	97,142,659
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	6,321,321	915,359	7,236,680
Unearned tuition and fees	7,953,525	—	7,953,525
Unearned grants and contracts	151,024	1,791,462	1,942,486
Deposits held in custody for others	6,019	—	6,019
Long-term debt – current portion	623,971	52,954	676,925
Total current liabilities	15,055,860	2,759,775	17,815,635
Noncurrent liabilities:			
Compensated absences – noncurrent portion	307,538	131,275	438,813
Long-term debt	9,102,899	480,688	9,583,587
Total noncurrent liabilities	9,410,437	611,963	10,022,400
Total liabilities	24,466,297	3,371,738	27,838,035
Net Position			
Net investment in capital assets	18,929,204	11,910,923	30,840,127
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	—	840,004	840,004
Library for the Blind and Handicapped	—	838,744	838,744
Public policy	325,218	—	325,218
Unrestricted	30,866,825	4,843,991	35,710,816
Total net position	$ 50,121,247	19,183,377	69,304,624

See accompanying independent auditors' report.

Schedule 3

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

(A Component Unit of the State of New Jersey)

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2013

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

See accompanying independent auditors’ report.

Schedule 4

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

(A Component Unit of the State of New Jersey)

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2012

	College	Library	Total
Operating revenues:			
Student tuition and fees, net	$ 43,107,851	—	43,107,851
Federal grants and contracts	5,467,907	6,285,575	11,753,482
Federal indirect cost recovery	144,968	280,296	425,264
State of New Jersey grants and contracts	190,592	8,407,947	8,598,539
Noncollegiate sponsored programs	6,353	—	6,353
Other operating revenues	173,437	62,441	235,878
Total operating revenues	49,091,108	15,036,259	64,127,367
Operating expenses:			
Academic support	22,700,482	—	22,700,482
Student services	4,330,173	—	4,330,173
Public services	970,522	4,387,936	5,358,458
General institutional	10,864,495	—	10,864,495
Operations and maintenance	3,018,438	46,458	3,064,896
General administration	11,208,760	1,801,491	13,010,251
Other sponsored programs	550,842	—	550,842
Scholarships	2,488,413	—	2,488,413
State of New Jersey Library	—	7,195,126	7,195,126
Talking Book and Braille Center	—	2,686,499	2,686,499
Grants to libraries	—	6,078,643	6,078,643
Collections and exhibits	—	1,118,709	1,118,709
Depreciation	1,076,748	959,829	2,036,577
Total operating expenses	57,208,873	24,274,691	81,483,564
Operating loss	(8,117,765)	(9,238,432)	(17,356,197)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	1,821,000	5,161,420	6,982,420
State of New Jersey paid fringe benefits	7,345,515	1,645,077	8,990,592
State of New Jersey paid facilities rental	1,650,639	—	1,650,639
Contributed U.S. Postal Service	—	1,078,158	1,078,158
Private gifts – restricted	141,105	913,865	1,054,970
Investment income	405,012	25,006	430,018
Interest on indebtedness	(73,578)	(13,324)	(86,902)
Loss on disposal of equipment	(118,501)	(442,976)	(561,477)
Net nonoperating revenues	11,171,192	8,367,226	19,538,418
Increase (decrease) in net position	3,053,427	(871,206)	2,182,221
Net position as of beginning of year	47,067,820	20,054,583	67,122,403
Net position as of end of year	$ 50,121,247	19,183,377	69,304,624

See accompanying independent auditors' report.