



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

Financial Statements, Management's Discussion  
and Analysis, Required Supplementary Information  
and Supplemental Schedules

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

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## **Independent Auditors' Report**

The Board of Trustees  
Thomas Edison State University 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 University and its Affiliate the New Jersey State Library (the Organization), a component unit of the State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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



## ***Opinions***

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Thomas Edison State University and its Affiliate the New Jersey State Library as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of Matter**

### *Adoption of New Accounting Pronouncements*

As discussed in note 1 to the basic financial statements, as of July 1, 2014, the Organization adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–17 and the schedules of employer contributions and schedules of proportionate share of the net pension liability as of June 30, 2016 on pages 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The supplementary information included in Schedules 3 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 3 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

Short Hills, New Jersey  
October 24, 2016

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2016 and 2015

## **The Introduction**

This section of Thomas Edison State University (formerly Thomas Edison State College) and its Affiliate the New Jersey State Library's (the Organization) financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal years that ended on June 30, 2016 and 2015 with comparisons to 2014. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the Organization's basic financial statements, which follow.

## **Organization**

Thomas Edison State College was founded by the New Jersey Board of Higher Education in 1972 as an institution that provides flexible and accessible, high quality college opportunities primarily for adults. The College received University status during fiscal year 2016 and was renamed Thomas Edison State University. The University 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 2,047,000 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 252,000 books, audiotapes and other nonprint items. Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the University. As a result, the financial reporting entity was formed known as the Organization under the control of the University's Board of Trustees.

## **Using this Annual Financial Report**

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

## **Financial Highlights**

At June 30, 2016, the Organization's net position has decreased to \$32,471,541 from \$34,234,149 and decreased to \$34,234,149 from \$79,335,692 (prior to restatement) at June 30, 2015 and 2014, respectively. In fiscal year 2016, the Organization's net position decreased primarily because of an increase in pension expense of \$1,497,204. In fiscal year 2015, the Organization implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which required the Organization to report a net pension liability for its participation in the State of New Jersey's Public Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit plan. The Organization was also required to restate the beginning unrestricted net position by \$51,351,580

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in fiscal year 2015 to reflect the cumulative effect of implementation from prior years. The restated net position as of July 1, 2014 was \$27,984,112.

Current year operating revenues for the year ended June 30, 2016 decreased to \$68,021,886 from \$69,940,319. Operating revenues for the year ended June 30, 2015 decreased to \$69,940,319 from 70,436,977 for the year ended June 30, 2014. The decrease in fiscal year 2016 was from decreases in student tuition and fee revenue and federal financial aid. The decrease in fiscal year 2015 was primarily from decreases in student tuition and fees revenue.

Net nonoperating revenues for the year ended June 30, 2016 increased to \$22,656,858 from \$20,278,419 in fiscal year 2015, primarily due to an increase in State of New Jersey paid fringe benefits and private gifts. Net nonoperating revenues for the year ended June 30, 2015 decreased to \$20,278,419 from \$22,871,580 in fiscal year 2014, primarily due to a decrease in State of New Jersey paid fringe benefits.

**Statement of Net Position**

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

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

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

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

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

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.

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**Net Position, End of Year**

The Organization's net position decreased \$1,762,608 or 5% from fiscal year 2015 to \$32,471,541 and its net position decreased \$45,101,543 or 57% from fiscal year 2014 (prior to restatement for GASB 68) to \$34,234,149. The decrease in fiscal year 2016 was primarily due to an increase in pension expense of \$1,497,204. The University's and Library's share of the increase in pension expense was \$1,122,600 and \$374,604, respectively.

Under GASB 68, the Organization was required to reduce its beginning of the year net position as of July 1, 2014 by \$51,351,580 to reflect the cumulative effect of the net pension liability through June 30, 2014. Total net position was therefore restated to \$27,984,112. As a result the net position, as restated increased \$6,250,037 or 22% during fiscal year 2015 from fiscal year 2014 to \$34,234,149.

The University's share of the beginning of the year net position restatement as of July 1, 2014 was \$25,420,443. Total University net position was therefore restated to \$36,966,132. As a result, the University's net position, as restated increased \$7,800,536 or 21% during fiscal year 2015. The fiscal year 2015 increase was primarily a result of increase of \$6,140,510 or 229% in State of New Jersey capital grants. The increase in State of New Jersey capital grants was partially offset by a 13% decrease in the University's total enrollment in fiscal year 2015. The decrease in fiscal year 2015 was primarily due to changes in student counting methodology, which caused decreases in both the traditional students and contract populations.

The Library's share of the beginning of the year net position restatement as of July 1, 2014 was \$25,931,137. Total Library net position was therefore restated to a net position (deficit) of (\$8,982,020). As a result the Library's net position (deficit), as restated decreased \$1,550,449 or 17% during fiscal year 2015. The fiscal year 2015 decrease was primarily due to recording the pension expense as result of adopting GASB 68 and 71.

The Organization's total assets decreased \$1,014,801 or 1% from fiscal year 2015 to \$123,976,172 and increased \$15,098,395 or 14% from fiscal year 2014 to \$124,990,973. The fiscal year 2016 decrease was primarily related to reserves (carryforward) spending on one time initiatives including program development and costs associated with University status achieved during fiscal year 2016. The fiscal year 2015 increase was primarily related to the University's increase in capital assets, net of \$14,268,417 as a result of the construction of Glen Cairn Hall.

The Organization's total deferred outflows increased \$6,595,630 or 303% from fiscal year 2015 to \$8,771,017 (University share \$5,699,295 and Library share \$3,071,722). The Organization's total deferred inflows decreased \$859,244 or 29% from fiscal year 2015 to \$2,148,349 (University share \$170,854 and Library share \$1,977,495). The deferred outflows and inflows are related to pensions which include changes in assumptions, changes in proportion, net differences between projected and actual investment earnings on pension plan assets and fiscal year 2016 contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$972,275 (University share \$527,950 and Library share \$444,325).

As a result of the adoption of GASB 68 and 71 during fiscal year 2015, the Organization recorded deferred outflows of resources of \$2,175,387 (University share \$1,401,781 and Library share \$773,606) and deferred inflows of resources of \$3,007,593 (University share \$883,406 and Library share \$2,174,187) related to pensions which include changes in assumptions, changes in proportion, net differences between projected and actual investment

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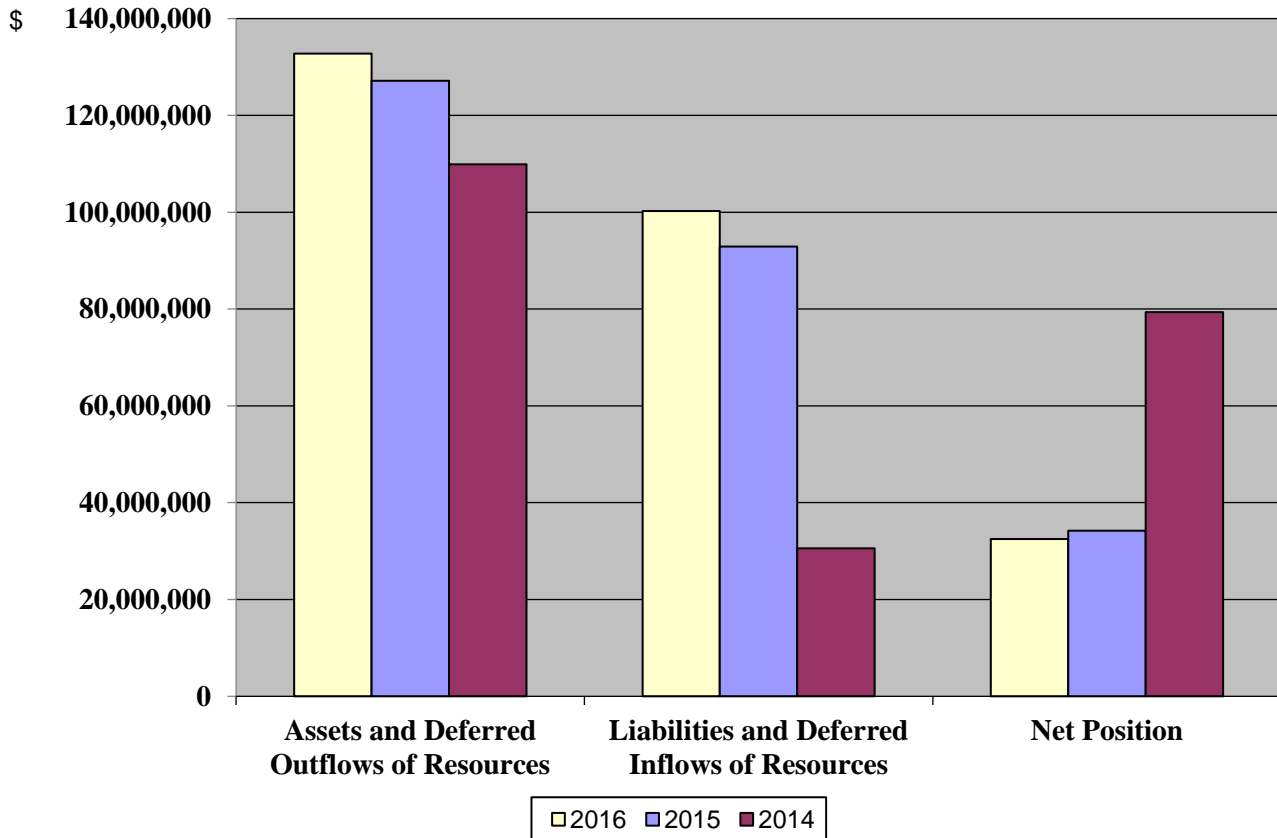
(Unaudited)

June 30, 2016 and 2015

earnings on pension plan assets and contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$436,289 (University share \$226,028 and Library share \$210,261).

The Organization's total liabilities increased \$8,202,681 or 9% to \$98,127,299 and increased \$59,367,732 or 194% from fiscal year 2014 to \$89,924,618 (prior to restatement for GASB 68). The fiscal year 2016 increase was primarily due to a \$10,731,202 (University share \$7,148,757 and Library share \$3,582,445) increase in the net pension liability. The fiscal year 2015 increase was primarily a result of the adoption of GASB 68 whereby the Organization recorded \$53,004,071 in net pension liabilities at June 30, 2015. The University's share was \$27,459,799 and the Library's share was \$25,544,272.

**Statement of Net Position**





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	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Current assets	\$ 47,295,855	53,887,803	55,139,932
Capital assets, net	68,725,080	53,966,630	40,503,901
Other assets	<u>7,955,237</u>	<u>17,136,540</u>	<u>14,248,745</u>
Total assets	123,976,172	124,990,973	109,892,578
Deferred outflows of resources	<u>8,771,017</u>	<u>2,175,387</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 132,747,189</u>	<u>127,166,360</u>	<u>109,892,578</u>
Current liabilities	\$ 21,138,180	22,131,128	20,110,985
Noncurrent liabilities	<u>76,989,119</u>	<u>67,793,490</u>	<u>10,445,901</u>
Total liabilities	98,127,299	89,924,618	30,556,886
Deferred inflows of resources	<u>2,148,349</u>	<u>3,007,593</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>\$ 100,275,648</u>	<u>92,932,211</u>	<u>30,556,886</u>
Net position:			
Net investment in capital assets	\$ 57,230,271	47,878,499	34,143,449
Restricted	2,713,149	2,415,608	2,450,962
Unrestricted	<u>(27,471,879)</u>	<u>(16,059,958)</u>	<u>42,741,281</u>
Net position, end of year	<u>\$ 32,471,541</u>	<u>34,234,149</u>	<u>79,335,692</u>

\* 2014 amounts are not restated to reflect the implementation of GASB 68 in 2015.

**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, 2016, 2015, and 2014 follows:

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**Changes in Net Position for the Years ended June 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Operating revenues:			
Student tuition and fees, net of scholarships	\$ 49,456,447	50,620,422	51,211,343
Federal grants and contracts	8,866,686	9,691,265	9,789,909
State of New Jersey grants and contracts	9,031,817	8,886,064	9,034,725
Subtotal grants	17,898,503	18,577,329	18,824,634
Other	666,936	742,568	401,000
Total operating revenues	68,021,886	69,940,319	70,436,977
Operating expenses	96,267,638	92,796,202	90,191,013
Operating loss	(28,245,752)	(22,855,883)	(19,754,036)
Nonoperating revenues (expenses):			
State of New Jersey funding	20,890,103	19,462,396	21,865,477
Other nonoperating revenues, net	1,809,021	1,304,688	2,452,132
Loss on disposal of equipment	(42,266)	(488,665)	(1,446,029)
Net nonoperating revenues	22,656,858	20,278,419	22,871,580
State of New Jersey capital grants	3,826,286	8,827,501	2,686,991
(Decrease) increase in net position	(1,762,608)	6,250,037	5,804,535
Net position beginning of year	34,234,149	79,335,692	73,531,157
Cumulative effect of change in accounting principle	—	(51,351,580)	—
Net position as of beginning of year, as restated	34,234,149	27,984,112	73,531,157
Net position end of year	\$ 32,471,541	34,234,149	79,335,692

\* 2014 amounts are not restated to reflect the implementation of GASB 68 in 2015.

**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 \$68,021,886 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of \$49,456,447; governmental grants and contracts of \$17,898,503; and other operating revenues of \$666,936. The University's share of operating revenues was \$55,116,626 and the Library's operating revenues share was \$12,905,260.

- Student tuition and fees decreased \$1,163,975 or 2% in fiscal year 2016 due to a 6% decrease in enrollments being offset by a 3.2% fee increase. Student tuition and fees decreased \$590,921 or 1% in fiscal year 2015 due to the decrease in enrollments being offset by a 3.0% fee increase.
- The decrease in Federal grants of \$824,579 or 9% in fiscal year 2016 was due to decreased Pell revenue of \$649,926 or 12%. The decrease in Federal grants of \$98,644 or 1% in fiscal year 2015 was primarily due to a decrease of funding from the Nuclear Regulatory Commission.
- State of New Jersey grants and contracts increased \$145,753 or 2% in fiscal year 2016. The increase was primarily due to an increase of \$212,257 and \$70,209 in Network Aid and Commission for the Blind and Visually Impaired (CBVI) revenue, respectively, that was partially offset by a decrease in TAG grants of \$106,851. The decrease in State grants of \$148,661 or 2% in fiscal year 2015 was primarily due to a decrease in Network Aid grant revenue of \$267,663 that was partially offset by increased CBVI grant revenue of \$59,709.

	2016		2015		2014	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating revenues:						
Student tuition and fees (net of scholarship allowances of \$2,779,000, \$3,157,000, and \$3,170,000 respectively)	\$ 49,456,447	73%	\$ 50,620,422	73%	\$ 51,211,343	73%
Federal grants and contracts	8,866,686	13	9,691,265	14	9,789,909	14
State of New Jersey grants and contracts	<u>9,031,817</u>	13	<u>8,886,064</u>	13	<u>9,034,725</u>	13
Subtotal grants	<u>17,898,503</u>		<u>18,577,329</u>		<u>18,824,634</u>	
Other sources:						
Federal indirect cost recovery	204,081	—	301,952	—	172,109	—
Noncollegiate sponsored programs	102,635	—	38,265	—	8,310	—
Other operating revenue	<u>360,220</u>	1	<u>402,351</u>	—	<u>220,581</u>	—
Subtotal other sources	<u>666,936</u>		<u>742,568</u>		<u>401,000</u>	
Total operating revenues	<u>\$ 68,021,886</u>	<u>100%</u>	<u>\$ 69,940,319</u>	<u>100%</u>	<u>\$ 70,436,977</u>	<u>100%</u>

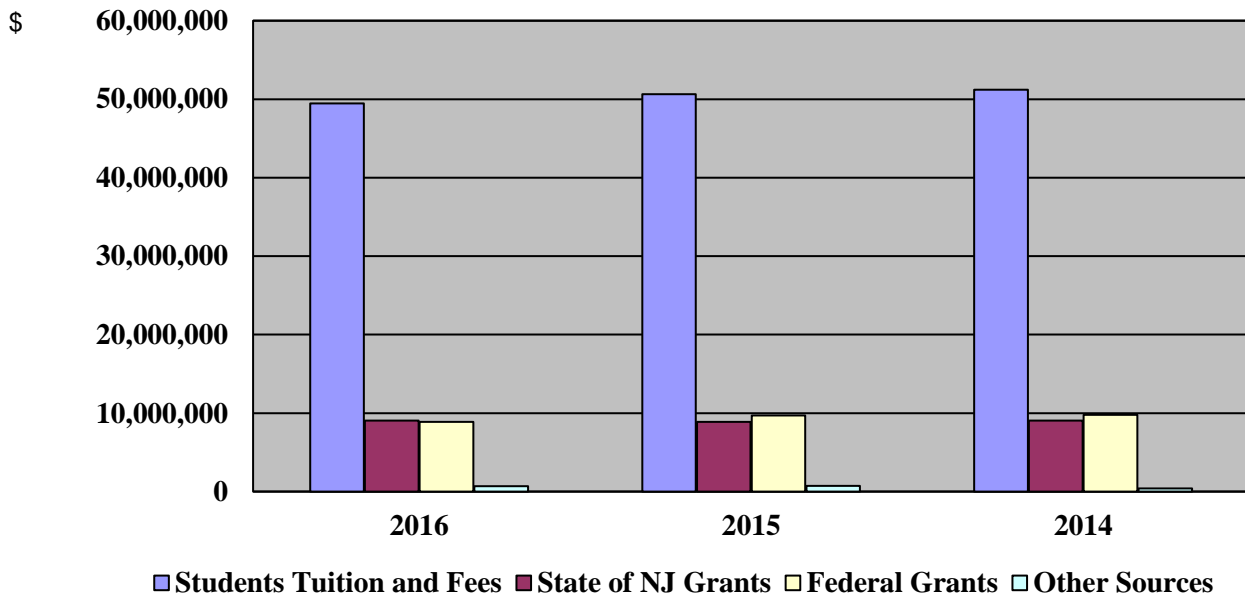
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**Operating Revenues**



**Operating Expenses**

Operating expenses are defined as those expenses paid by an institution to acquire or produce goods and services in return for the operating revenues, and to carry out the mission of the institution. For the year ended June 30, 2016, the Organization incurred total operating expenses of \$96,267,638, which were \$28,245,752 less than the operating revenues of \$68,021,886. The University's operating expenses share was \$73,832,100 and the Library's operating expenses share was \$22,435,538. The University's net operating loss share was \$18,715,474 and the Library's net operating loss share was \$9,530,278. The Organization's operating expenses increased \$3,471,436 or 4% from fiscal years 2015 to 2016. The increase is primarily due to increased salary and pension expenses as well as an increase in the State of New Jersey fringe benefit rate.

- The increase in academic support expenses of \$693,615 or 3% in fiscal year 2016 is primarily due to an increase in salary expenses and the increase in the fringe benefit rate that was partially offset by a decrease in mentor expense from lower course enrollments. The increase in academic support expenses of \$772,924 or 3% in fiscal year 2015 is primarily due to the impact of GASB 68 and 71 and an increase in salary expenses being offset by a decrease in the fringe benefit rate.
- The increase in student services expenses of \$263,718 or 4% in fiscal year 2016 is primarily due to the increase in the fringe benefits rate. The decrease of \$77,810 or less than 1% in fiscal year 2015 is primarily due to the decrease in fringe benefit cost and student enrollment being offset by the impact of GASB 68 and 71 and an increase in salary expenses.

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- Public services expenses decreased \$7,712 or less than 1% and decreased \$273,492 or 7% in fiscal years 2016 and 2015, respectively. The decrease in fiscal year 2016 was due to Library State grant spending due to timing that was partially offset by increased salary and the fringe benefit rate at the University. The decrease in fiscal year 2015 was due to a decrease in database spending funded from the Tischler Fund being offset by the impact of GASB 68 and 71.
- General institutional increased \$1,037,291 or 8% and increased \$156,554 or 1% over the previous year in fiscal years 2016 and 2015, respectively. The change in expenses during fiscal year 2016 was primarily due to increases in salary, the fringe benefit rate, and one-time program development costs paid with the prior year surplus. The increase in fiscal year 2015 was due to the impact of GASB 68 and 71 and salary increases being offset by decreases in fringe benefit costs.
- General administration expenses increased \$1,456,659 or 8% and \$1,022,721 or 6% in fiscal year 2016 and 2015, respectively. The increase in fiscal year 2016 was primarily due to increased salary, the fringe benefit rate, maintenance on software packages and other services. The increase in fiscal year 2015 was primarily due to the impact of GASB 68 and 71 and salary increases being offset by decreases in fringe benefit costs.

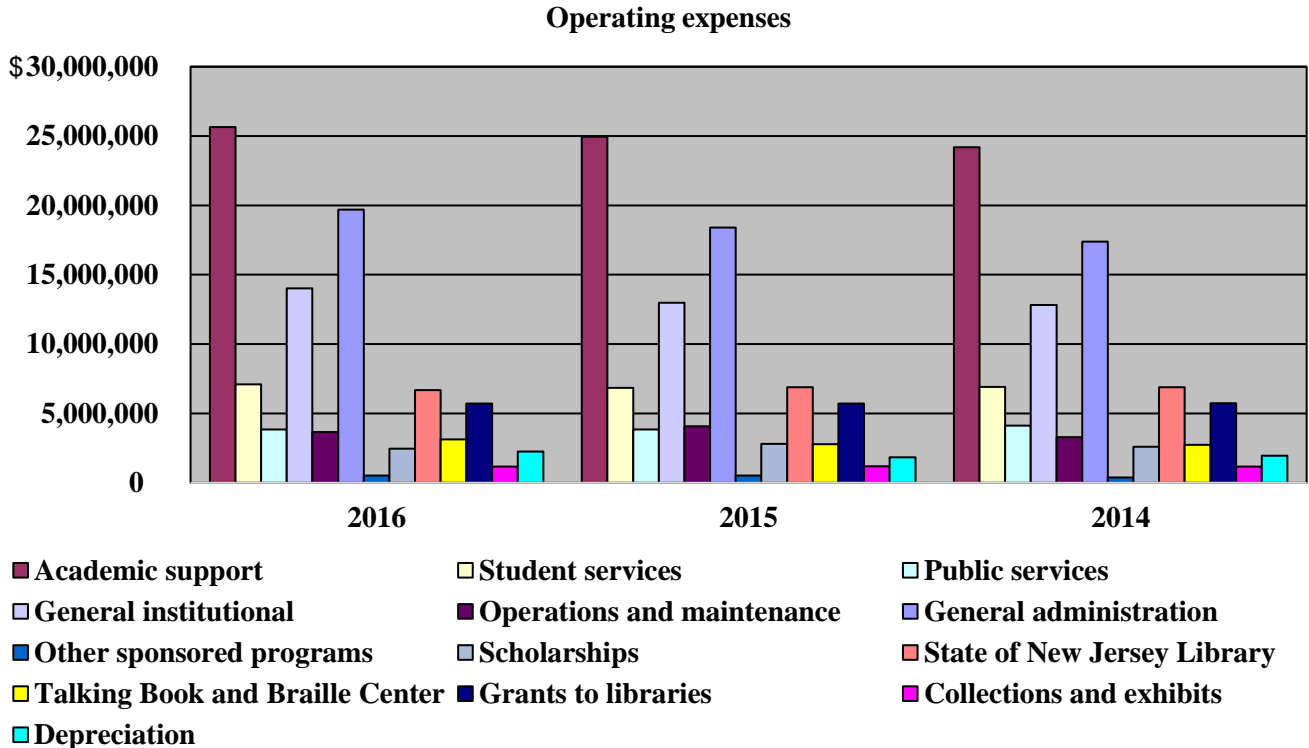
	2016		2015		2014	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating expenses:						
Academic support	\$ 25,654,486	27%	\$ 24,960,871	27%	\$ 24,187,947	27%
Student services	7,095,756	7	6,832,038	7	6,909,848	8
Public services	3,837,865	4	3,845,577	4	4,119,069	5
General institutional	14,013,548	15	12,976,257	14	12,819,703	14
Operations and maintenance	3,648,233	4	4,071,264	5	3,287,153	4
General administration	19,861,338	20	18,404,679	20	17,381,958	19
Other sponsored programs	527,147	1	523,127	1	389,059	—
Scholarships	2,467,236	3	2,797,481	3	2,604,478	3
State of New Jersey Library Talking Book & Braille Center	6,924,315	7	6,897,547	7	6,888,036	8
	3,125,438	3	2,778,688	3	2,741,513	3
Grants to libraries	5,711,575	6	5,701,190	6	5,746,103	6
Collections and exhibits	1,159,683	1	1,181,106	1	1,163,373	1
Depreciation	2,241,018	2	1,826,377	2	1,952,773	2
Total operating expenses	\$ 96,267,638	100%	\$ 92,796,202	100%	\$ 90,191,013	100%

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2016 and 2015



**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 2016, the Organization generated \$23,006,488 in nonoperating revenues. The components of the nonoperating revenues were primarily direct and indirect State of New Jersey appropriations of \$20,890,103, contributed U.S. Postal Service of \$841,050, private gifts of \$988,996, and investment income of \$286,339. The University's nonoperating revenue share was \$14,723,062 and the Library's nonoperating revenue share was \$8,283,426.

- The decrease in State of New Jersey appropriations of \$329,220 or 4% in fiscal year 2016 was due to a \$259,000 reduction at the University and a \$70,220 at the Library. The increase in State of New Jersey appropriations of \$28,162 or less than 1% in fiscal year 2015 was comparable to the previous year.
- The increase in State of New Jersey paid fringe benefits of \$1,756,927 or 16% in fiscal year 2016 was due to a 16% increase in the fringe benefit rate. The decrease in State of New Jersey paid fringe benefits of \$2,431,243 or 19% in fiscal year 2015 was due to a 25% decrease in the fringe benefit rate partially offset

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by increased salary. The negotiated fringe benefit rate was 37.6%, 32.5%, and 43.1% for the years ended 2016, 2015, and 2014, respectively.

- The increase in private gifts in fiscal year 2016 of \$653,838 or 195% was due to several academic grants received of \$605,405 for the nursing simulation lab and course development. The decrease of \$597,252 or 64% in fiscal year 2015 was largely due to a \$274,490 Thomas A. Edison memorabilia gift received by the University in fiscal year 2014.
- The decrease in investment income of \$59,495 and \$539,907 in fiscal year 2016 and fiscal year 2015, respectively, was due to the performance of the fixed income and equity portion of the portfolios.

	2016		2015		2014	
	Total	Percentage of total	Total	Percentage of total	Total	Percentage of total
Nonoperating revenues:						
State of New Jersey appropriations	\$ 8,422,861	37%	\$ 8,752,081	42%	\$ 8,723,919	35%
State of New Jersey paid fringe benefits	12,467,242	54	10,710,315	50	13,141,558	53
Subtotal State of New Jersey	20,890,103		19,462,396		21,865,477	
Contributed U.S. Postal Service	841,050	4	889,105	4	955,726	4
Private gifts	988,996	4	335,158	2	932,410	4
Investment income	286,339	1	345,834	2	885,741	4
Nonoperating revenues	\$ 23,006,488	100%	\$ 21,032,493	100%	\$ 24,639,354	100%

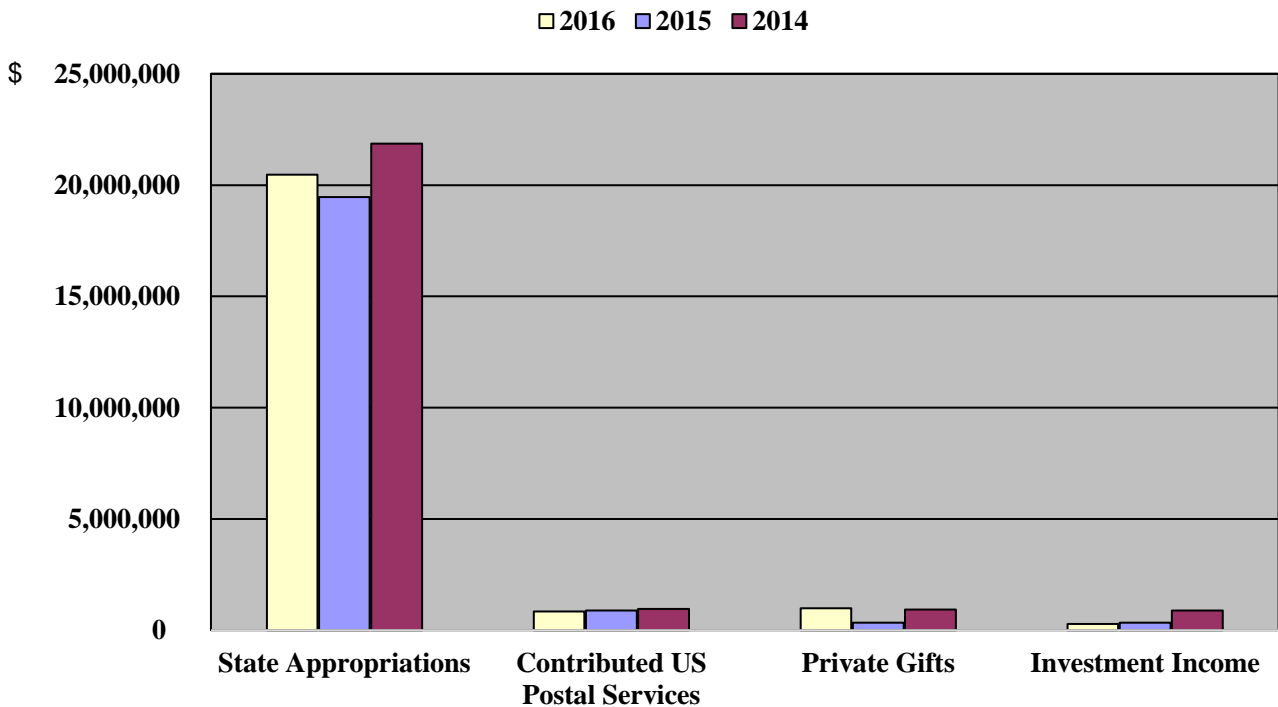
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**Nonoperating revenues**



**Capital Assets and Debt Activities**

The Organization received \$3,826,286 in State of New Jersey capital grants in fiscal year 2016. The capital grants included \$277,529 which represents the amount reimbursed for the New Jersey Equipment Leasing Fund (ELF) and \$3,494,757 which represents the amount reimbursed on the General Obligation Building our Future Bond Fund. In addition, the State of New Jersey paid for capital improvements of \$54,000 on the Kelsey building. The University portion of the CIF and New Jersey Equipment Leasing Fund (ELF) debt are recorded in long-term debt.

At June 30, 2016, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$70,855,727, net of accumulated depreciation of \$29,076,747. The amount invested in capital assets, net of related debt of \$13,625,456, was \$57,230,271. Depreciation charges totaled \$2,241,018 for the current fiscal year. The \$9,351,772 increase of net investment in capital assets was due to capital additions of \$17,041,736, principal paid on outstanding debt of \$1,314,884, less debt proceeds spent in the current year of \$6,721,562, depreciation of \$2,241,018 and net capital retirements of \$42,268.

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



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Interest on indebtedness was \$307,364 in fiscal year 2016 as compared to \$265,409 in fiscal year 2015, a increase of \$41,955, or 16%. The increase was primarily due to the capitalized interest expense related to the \$7 million debt for Glen Cairn Hall, which was placed into service during fiscal year 2016. Interest on indebtedness was \$265,409 in fiscal year 2015 as compared to \$321,745 in fiscal year 2014, a decrease of \$56,336, or 18%.

**Tax-Exempt Lease Financing**

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

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

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

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

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

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

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June 30, 2016 and 2015

In September 2007, the Organization entered in a tax-exempt lease financing arrangement in which Banc of America Leasing and Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing was for \$2,700,000 used for building improvements, security, equipment, and data processing upgrades. The lease agreement calls for three separate payment schedules to be paid over five, seven, and fifteen-years with interest rates of 4.100%, 4.380% and 4.570%.

The Organization's net investment in capital assets at June 30, 2016, 2015, and 2014 were:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment in capital assets:			
Depreciable assets:			
Buildings and improvements	\$ 61,658,648	33,775,825	28,912,274
Equipment and vehicles	1,974,908	2,229,577	2,609,050
Furniture and fixtures	2,638,844	2,046,979	1,951,692
Subtotal	<u>66,272,400</u>	<u>38,052,381</u>	<u>33,473,016</u>
Nondepreciable assets:			
Land	2,452,680	2,286,825	2,286,825
Construction in progress	—	13,627,424	4,744,060
Rare books, artwork, and historical documents	2,130,647	2,130,647	2,104,867
Subtotal	<u>4,583,327</u>	<u>18,044,896</u>	<u>9,135,752</u>
Total capital assets	70,855,727	56,097,277	42,608,768
Less related long-term debt, net of unspent proceeds	<u>(13,625,456)</u>	<u>(8,218,778)</u>	<u>(8,465,319)</u>
Net investment in capital assets	<u>\$ 57,230,271</u>	<u>47,878,499</u>	<u>34,143,449</u>

**Conclusion and Economic Outlook**

With net position of \$32,471,541, the Organization's financial position remains positive. A major challenge to the Organization is maintenance and growth of the University's enrollment. The University had 17,511 enrollments in fiscal year 2016. During fiscal year 2016, the University experienced a 2% decrease in student revenue, which was impacted by a 6% decline in enrollments being offset by an average price increase of 3.2%.

The University has significantly expanded its physical campus over the last five years. The 34,702 square foot Glen Cairn Hall has been completed and put into service during fiscal year 2016. The University has completed its long-range facility plan.

**THOMAS EDISON STATE UNIVERSITY AND ITS  
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(Unaudited)

June 30, 2016 and 2015

The University continued to invest significant reserves to support new products, programs, and increased enrollment to minimize student tuition increases. The University simplified its pricing structure during the fourth quarter of fiscal year 2016. No additional price increases are being made during fiscal year 2017.

The University recorded on its financial statements the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits during fiscal year 2016 and 2015. The State has communicated that the GASB 68 pension liability "allocations do not impact state laws or past funding arrangements that have been established annually in the State budget". The State has historically made and has communicated it will continue to make direct payments on behalf of the Organization to the PERS plan.

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

Statements of Net Position

Business-Type Activities – Organization Only

June 30, 2016 and 2015

	<b>Assets</b>	<u>2016</u>	<u>2015</u>
Current assets:			
Cash (note 2)		\$ 12,545,548	11,816,787
Investments (notes 2 and 4)		25,536,380	30,800,792
Receivables:			
Students, less allowance for doubtful accounts of \$3,039,000 in 2016 and \$2,526,000 in 2015		6,426,048	5,906,169
State of New Jersey		666,955	3,716,570
Federal		880,877	618,321
Corporate accounts, less allowance for doubtful accounts of \$359,000 in 2016 and \$456,000 in 2015		693,769	563,745
Other receivables		143,174	158,984
Total receivables		<u>8,810,823</u>	<u>10,963,789</u>
Prepaid expenses and other assets		403,104	306,435
Total current assets		<u>47,295,855</u>	<u>53,887,803</u>
Noncurrent assets:			
Investments (notes 2 and 4)		2,621,039	5,025,445
Restricted investments (notes 2 and 4)		1,717,087	1,402,094
Trustee held investments – restricted (notes 3 and 4)		1,486,464	8,578,354
Rare books, artwork, and historical documents		2,130,647	2,130,647
Capital assets, net (note 5)		68,725,080	53,966,630
Total noncurrent assets		<u>76,680,317</u>	<u>71,103,170</u>
Total assets		<u>123,976,172</u>	<u>124,990,973</u>
	<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources:			
Pensions related (note 9)		8,771,017	2,175,387
Total deferred outflows of resources		<u>132,747,189</u>	<u>127,166,360</u>
	<b>Liabilities</b>		
Current liabilities:			
Accounts payable and accrued expenses (notes 6 and 7)		9,987,385	10,446,124
Unearned tuition and fees		8,101,079	8,394,078
Unearned grants and contracts		1,639,262	1,947,545
Deposits held in custody for others		112,612	28,493
Long-term debt – current portion (note 8)		1,297,842	1,314,888
Total current liabilities		<u>21,138,180</u>	<u>22,131,128</u>
Noncurrent liabilities:			
Compensated absences – noncurrent portion (note 7)		705,008	665,214
Unearned grants and contracts		180,153	457,682
Long-term debt (note 8)		12,368,685	13,666,523
Net pension liability (note 9)		63,735,273	53,004,071
Total noncurrent liabilities		<u>76,989,119</u>	<u>67,793,490</u>
Total liabilities		<u>98,127,299</u>	<u>89,924,618</u>
	<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources:			
Pensions related (note 9)		2,148,349	3,007,593
Total deferred inflows of resources		<u>100,275,648</u>	<u>92,932,211</u>
	<b>Net Position</b>		
Net investment in capital assets		57,230,271	47,878,499
Restricted for:			
Nonexpendable:			
Aid to local libraries		416,073	416,073
Library for the Blind and Handicapped		333,642	333,642
Expendable:			
Aid to local libraries		298,123	273,127
Library for the Blind and Handicapped		1,024,072	1,032,307
Public policy		641,239	360,459
Unrestricted		(27,471,879)	(16,059,958)
Total net position		<u>\$ 32,471,541</u>	<u>34,234,149</u>

See accompanying notes to financial statements.

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

Statements of Financial Position

December 31, 2015 and 2014

	<b>Assets</b>	<b>2015</b>	<b>2014</b>
Cash	\$	124,861	146,387
Investments		8,731,549	8,565,122
Contributions and grants receivable		560,912	979,903
Other assets		69,556	72,637
Total assets	\$	<u>9,486,878</u>	<u>9,764,049</u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable	\$	5,489	2,923
Contributions and grants payable		48,775	1,210,774
Accrued liabilities		793,087	42,287
Total liabilities		<u>847,351</u>	<u>1,255,984</u>
Net assets:			
Unrestricted		3,731,584	3,477,220
Temporarily restricted		1,197,976	1,378,994
Permanently restricted		3,709,967	3,651,851
Total net assets		<u>8,639,527</u>	<u>8,508,065</u>
Total liabilities and net assets	\$	<u>9,486,878</u>	<u>9,764,049</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – Organization Only

Years ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$2,779,000 in 2016 and \$3,157,000 in 2015)	\$ 49,456,447	50,620,422
Federal grants and contracts	8,866,686	9,691,265
Federal indirect cost recovery	204,081	301,952
State of New Jersey grants and contracts	9,031,817	8,886,064
Noncollegiate sponsored programs	102,635	38,265
Other operating revenues	360,220	402,351
Total operating revenues	68,021,886	69,940,319
Operating expenses:		
Academic support	25,654,486	24,960,871
Student services	7,095,756	6,832,038
Public services	3,837,865	3,845,577
General institutional	14,013,548	12,976,257
Operations and maintenance	3,648,233	4,071,264
General administration	19,861,338	18,404,679
Other sponsored programs	527,147	523,127
Scholarships	2,467,236	2,797,481
State of New Jersey Library	6,924,315	6,897,547
Talking Book and Braille Center	3,125,438	2,778,688
Grants to libraries	5,711,575	5,701,190
Collections and exhibits	1,159,683	1,181,106
Depreciation	2,241,018	1,826,377
Total operating expenses	96,267,638	92,796,202
Operating loss	(28,245,752)	(22,855,883)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	8,422,861	8,752,081
State of New Jersey paid fringe benefits	12,467,242	10,710,315
Contributed U.S. Postal Service	841,050	889,105
Private gifts – restricted	988,996	335,158
Investment income	286,339	345,834
Interest on indebtedness	(307,364)	(265,409)
Loss on disposal of equipment	(42,266)	(488,665)
Net nonoperating revenues	22,656,858	20,278,419
Decrease before other revenues	(5,588,894)	(2,577,464)
State of New Jersey capital grants	3,826,286	8,827,501
(Decrease) increase in net position	(1,762,608)	6,250,037
Net position as of beginning of year	34,234,149	27,984,112
Net position as of end of year	\$ 32,471,541	34,234,149

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, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Contributions and grants	\$ 193,017	363,462	30,201	586,680
Special events	172,002	—	27,915	199,917
Donated services and auction materials	266,611	—	—	266,611
Donated securities	12,901	—	—	12,901
Net assets released from restrictions	614,096	(614,096)	—	—
Total support and revenues	<u>1,258,627</u>	<u>(250,634)</u>	<u>58,116</u>	<u>1,066,109</u>
Expenses:				
Grants	442,098	—	—	442,098
Scholarships	96,234	—	—	96,234
Promotional	15,579	—	—	15,579
Special events	94,637	—	—	94,637
Donated services and auction materials	266,611	—	—	266,611
Management and general	106,382	—	—	106,382
Fundraising	21,356	—	—	21,356
Total expenses	<u>1,042,897</u>	<u>—</u>	<u>—</u>	<u>1,042,897</u>
Change in net assets before investment return	215,730	(250,634)	58,116	23,212
Net investment return	38,634	69,616	—	108,250
Change in net assets	254,364	(181,018)	58,116	131,462
Net assets, beginning of year	3,477,220	1,378,994	3,651,851	8,508,065
Net assets, end of year	<u>\$ 3,731,584</u>	<u>1,197,976</u>	<u>3,709,967</u>	<u>8,639,527</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2014

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

See accompanying notes to financial statements.



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

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Student tuition and fees	\$ 50,319,558	51,541,323
Grants, contracts, and other revenues	14,546,763	15,858,150
Payments for salaries	(34,388,394)	(33,520,592)
Payments for fringe benefits	(3,265,378)	(2,590,659)
Payments for materials and supplies	(1,768,911)	(1,714,356)
Payments for services	(27,802,308)	(28,742,812)
Payments for maintenance	(3,029,566)	(3,139,400)
Payments to students	(2,363,385)	(3,156,798)
Payments for grants and contracts	(2,072,335)	(2,061,950)
Payments for noncapital improvements	(602,910)	(490,519)
	<b>(10,426,866)</b>	<b>(8,017,613)</b>
Net cash used by operating activities		
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	8,422,861	8,819,472
Private gifts – restricted	951,023	313,946
Agency receipts	142,872	136,363
Agency disbursements	(144,182)	(139,663)
	<b>9,372,574</b>	<b>9,130,118</b>
Net cash provided by noncapital financing activities		
Cash flows from capital financing activities:		
Proceeds from issuance of capital debt	—	7,000,000
State of New Jersey capital grants	6,201,087	5,132,181
Purchases of capital assets	(17,560,011)	(14,703,893)
Net deposits with trustee	7,074,438	(3,986,278)
Principal paid on capital debt	(1,314,884)	(1,134,013)
Interest paid on capital debt	(307,413)	(261,255)
	<b>(5,906,783)</b>	<b>(7,953,258)</b>
Net cash used by capital financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	47,790,896	24,261,683
Purchases of investments	(40,505,961)	(21,372,314)
Interest on investments	404,901	470,446
	<b>7,689,836</b>	<b>3,359,815</b>
Net cash provided by investing activities		
Net increase (decrease) in cash	<b>728,761</b>	<b>(3,480,938)</b>
Cash as of beginning of the year	<b>11,816,787</b>	<b>15,297,725</b>
Cash as of end of the year	<b>\$ 12,545,548</b>	<b>11,816,787</b>

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

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (28,245,752)	(22,855,883)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,241,018	1,826,377
Noncash transactions	13,336,399	11,622,991
Change in assets and liabilities:		
Receivables	(519,639)	(1,609,790)
Prepaid expenses and other assets	(96,669)	(15,669)
Accounts payable and accrued expenses	99,383	382,686
Deposits held in custody of others	83,348	—
Unearned tuition and fees	(292,999)	(164,923)
Unearned grants and contracts	(308,283)	311,901
Net pension liability and related deferred amounts	3,276,328	2,484,697
Net cash used by operating activities	\$ (10,426,866)	(8,017,613)
Noncash transactions:		
State of New Jersey paid fringe benefits	\$ 12,467,242	10,710,315
Contributed U.S. Postal Service	841,050	889,105
Contributed services	28,107	23,571
Student waivers expense	(685,447)	(700,158)
Student tuition and fees	685,447	700,158
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
	\$ 13,336,399	11,622,991

See accompanying notes to financial statements.

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**(1) Organization and Summary of Significant Accounting Policies**

**Organization**

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

Thomas Edison State College was founded by the New Jersey Board of Higher Education in 1972 as an undergraduate institution which provides flexible and accessible, high-quality college opportunities primarily for adults. In December 2015, the New Jersey Secretary of Education granted university status to the College and the College's Board of Trustees approved a resolution authorizing the institution to change its name to Thomas Edison State University (the University). The University was developed within two guiding assumptions: (1) many adults acquire college-level knowledge through work, leisure, and formal and informal training activities and (2) college credit should be awarded for the demonstration of college-level knowledge, regardless of the source of that knowledge.

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

The University is accredited by the Middle States Association of Colleges and Schools. Enrollment for 2016 was 17,511 students. Since the University was founded 56,466 associate, baccalaureate, and master's degrees in fourteen degree programs have been awarded. The University'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 2,047,000 volumes of books and historical documents.

*The Organization*

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

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

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

**Summary of Significant Accounting Policies**

***Basis of Presentation***

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

GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories.

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

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

***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

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

***Investments***

Investments in State of New Jersey cash management funds, money markets and certificates of deposit are measured at amortized cost. All other investments are reflected at fair value. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

***Rare Books, Artwork, and Historical Documents***

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

***Capital Assets***

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

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

The Organization does not capitalize the existing collections of the Library, including books and microfiche, except for rare books, artwork, and historical documents, as they have a short estimated useful life. Included in the accompanying financial statements as an expense are accessions of approximately \$1,160,000 and \$1,181,000 in 2016 and 2015, respectively.

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

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

***Student Tuition and Fees***

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

***State of New Jersey and Federal Grants and Contracts***

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

***State of New Jersey Paid Fringe Benefits***

The State of New Jersey pays for the fringe benefits for certain employees of the Organization. Fringe benefits paid by the State of \$12,467,242 and \$10,710,315 in 2016 and 2015, respectively, have been included in the accompanying financial statements as revenues and expenses.

***Contributed U.S. Postal Service***

As a service to the blind citizens of the State of New Jersey, the U.S. Postal Service provides certain delivery services for the Talking Book & Braille Center at no cost to the Library. The estimated value of such services, based upon the amount of packages delivered, is approximately \$841,000 and \$889,000 for the years ended June 30, 2016 and 2015, respectively. Such contributed services have been included in the accompanying financial statements as revenues and expenses.

***Classification of Revenue***

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

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characteristics of nonexchange transactions, such as operating appropriations from the State, contributed U.S. Postal Service, private gifts, and investment income.

***Financial Dependency***

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

***Income Taxes***

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

***Use of Estimates***

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

***New Accounting Standards Adopted***

In fiscal year 2016, the Organization adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. It provides additional fair value application guidance and requires enhanced disclosures about fair value measurements. The impact on the financial statements is disclosures only. See note 2 for the disclosures.

Further, the Organization adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). The statement addresses accounting and financial reporting for certain external investment pools and pool participants and establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The State of New Jersey Cash Management Fund did not meet the criteria and measures investments at fair value. Therefore, as of June 30, 2016 and 2015, the Organization measured its investments in the pool at fair value, as provided in paragraph 11 of GASB Statement No. 31. See note 2 for further information.

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

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

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will be effective for periods beginning after June 15, 2017. The Organization is evaluating the impact of this new statement.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). The statement amends the blending requirement for financial statement presentation of component units of all state and local governments. An additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. GASB 80 will be effective for periods beginning after June 15, 2016. The Organization is evaluating the impact of this new statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). The statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognizes assets, liabilities, and deferred inflows of resources at the inception of the agreement. Further, it requires that a government recognizes assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. It also requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 will be effective for periods beginning after December 15, 2016. The Organization is evaluating the impact of this new statement.

**(2) Cash and Investments**

***Cash***

Cash consisted of the following demand deposits in a financial institution as of June 30, 2016 and 2015:

	<b>Carrying amount</b>	<b>Bank balances</b>
2016:		
University	\$ 7,503,283	14,940,053
Library	5,042,265	4,843,620
Total deposits	\$ 12,545,548	19,783,673
2015:		
University	\$ 7,297,355	7,984,184
Library	4,519,432	4,549,477
Total deposits	\$ 11,816,787	12,533,661

Bank balances in excess of FDIC insured amounts totaling \$19,170,713 in 2016 and \$11,921,000 in 2015 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

***Investments***

The Organization has an investment policy which establishes guidelines for permissible investments. The policy's investment philosophy for the Organization is based on a disciplined, consistent and diversified approach. The Organization may be invested in instruments such as, but not limited to, obligations of the



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United States government; certificates of deposit; domestic investment grade commercial paper; money market funds; domestic fixed income investments; and equities.

Investments consist of the following as of June 30, 2016 and 2015:

	<b>2016</b>		
	<u>University</u>	<u>Library</u>	<u>Total</u>
State of New Jersey Cash			
Management Fund	\$ 324,000	414,571	738,571
Money market	11,404,758	2,016,083	13,420,841
U.S. government bonds and notes	3,943,247	—	3,943,247
Equities and equity exchanged traded funds (ETFs)	1,549,832	438,421	1,988,253
Fixed income ETFs	2,198,963	422,076	2,621,039
Certificates of deposit	7,162,555	—	7,162,555
Total	<u>\$ 26,583,355</u>	<u>3,291,151</u>	<u>29,874,506</u>
	<b>2015</b>		
	<u>University</u>	<u>Library</u>	<u>Total</u>
State of New Jersey Cash			
Management Fund	\$ 323,214	413,563	736,777
Money market	15,744,032	2,015,665	17,759,697
U.S. government bonds and notes	4,832,338	—	4,832,338
Equities and ETFs	2,492,959	321,573	2,814,532
Fixed income ETFs	—	344,229	344,229
Alternative assets ETFs	—	187,515	187,515
Corporate bonds	368,706	—	368,706
Certificates of deposit	10,184,537	—	10,184,537
Total	<u>\$ 33,945,786</u>	<u>3,282,545</u>	<u>37,228,331</u>

The bank balances of the certificate of deposits in excess of FDIC insured amounts totaling \$6,912,555 in 2016 and \$9,934,537 in 2015 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). The Organization's investment policy requires that the overall

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average quality rating of the portfolio's domestic fixed income holdings will be at least "A" for Operating Funds and "BBB" for Quasi-Endowment Funds, as rated by the Standard and Poor's or Moody's rating agency.

The following table summarizes the agency ratings (Moody's) of the Organization's fixed income investments as of June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Rating</u>	<u>Fair value</u>	<u>Rating</u>	<u>Fair value</u>
University:				
U.S. government bonds and notes	AAA	\$ 3,943,247	AAA	\$ 4,832,338
Fixed income ETFs	BBB	2,198,963	N/A	—
Corporate bonds	AA to BAA	—	AA to BAA	368,706
		<u>\$ 6,142,210</u>		<u>\$ 5,201,044</u>
Library:				
Fixed income ETFs	BBB	<u>\$ 422,076</u>	BBB	<u>\$ 344,229</u>

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

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The following table summarizes the maturities of the Organization's fixed income investments as of June 30, 2016 and 2015:

		<b>2016</b>				
		<b>Maturities in years</b>				
		<b>Fair value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>
University:						
State of New Jersey Cash Management Fund	\$	324,000	324,000	—	—	—
Money market		11,404,758	11,404,758	—	—	—
U.S. government bonds and notes		3,943,247	3,943,247	—	—	—
Fixed income ETFs		2,198,963	—	—	2,198,963	—
Library:						
State of New Jersey Cash Management Fund		414,571	414,571	—	—	—
Money market		2,016,083	2,016,083	—	—	—
Fixed income ETFs		422,076	—	—	422,076	—
	\$	<u>20,723,698</u>	<u>18,102,659</u>	<u>—</u>	<u>2,621,039</u>	<u>—</u>
		<b>2015</b>				
		<b>Maturities in years</b>				
		<b>Fair value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>
University:						
State of New Jersey Cash Management Fund	\$	323,214	323,214	—	—	—
Money market		15,744,032	15,744,032	—	—	—
U.S. government bonds and notes		4,832,338	502,520	3,813,148	516,670	—
Corporate bonds		368,706	17,308	119,464	231,934	—
Library:						
State of New Jersey Cash Management Fund		413,563	413,563	—	—	—
Money market		2,015,665	2,015,665	—	—	—
Fixed income ETFs		344,229	—	—	344,229	—
	\$	<u>24,041,747</u>	<u>19,016,302</u>	<u>3,932,612</u>	<u>1,092,833</u>	<u>—</u>

Fixed income ETFs are included in the above tables using their average weighted maturity.

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**(3) Trustee Held Investments – Restricted**

Trustee held investments include restricted funds held for specific purposes by third party trustees. Trustee held investments consist of the following as of June 30, 2016 and 2015:

	<b>2016</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
State of New Jersey Cash Management Fund	\$ —	611,036	611,036
Money market	490,402	10,791	501,193
Alternative assets ETFs	—	95,368	95,368
Fixed income ETFs	—	67,476	67,476
Equity ETFs	—	211,391	211,391
Total	<u>\$ 490,402</u>	<u>996,062</u>	<u>1,486,464</u>
	<b>2015</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
State of New Jersey Cash Management Fund	\$ —	609,166	609,166
Money market	7,564,840	16,390	7,581,230
Alternative assets ETFs	—	95,480	95,480
Fixed income ETFs	—	68,783	68,783
Equity ETFs	—	223,695	223,695
Total	<u>\$ 7,564,840</u>	<u>1,013,514</u>	<u>8,578,354</u>

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

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

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

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The following table summarizes the maturities of the Organization's trustee held investments – restricted as of June 30, 2016 and 2015:

	<b>2016</b>		<b>2015</b>	
	<b>Maturities in years</b>		<b>Maturities in years</b>	
	<b>Fair value</b>	<b>Less than 1</b>	<b>Fair value</b>	<b>Less than 1</b>
University:				
Money market	\$ 490,402	490,402	7,564,840	7,564,840
Library:				
State of New Jersey Cash Management Fund	611,036	611,036	609,166	609,166
Money market	10,791	10,791	16,390	16,390
Fixed income ETFs	67,476	67,476	68,783	68,783
	<u>\$ 1,179,705</u>	<u>1,179,705</u>	<u>8,259,179</u>	<u>8,259,179</u>

**(4) Fair Value Measurement**

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

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

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

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

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

U.S. government bonds and notes and corporate bonds – The fair value of government bonds and notes and corporate bonds are based on unadjusted quoted prices for identical assets or liabilities in inactive markets.

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Equity securities – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Exchange traded funds – The fair value of ETFs are based on the quoted market price on an active market as of the measurement date.

State of New Jersey Cash Management Fund – The fair value of the State of New Jersey cash management fund is based on the published market price on an inactive market as of the measurement date.

Money market and certificates of deposit – These investments are measured at amortized cost and have been excluded from fair value leveling.

The Organization’s investments as of June 30, 2016 are summarized in the following table by their fair value hierarchy:

	<b>Investments</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured at fair value:				
U.S. government bonds and notes	\$ 3,943,247	—	3,943,247	—
Equity and equity ETFs	1,988,253	1,988,253	—	—
Fixed income ETFs	2,621,039	2,621,039	—	—
State of New Jersey Cash Management Fund	738,571	—	738,571	—
Subtotal	<u>9,291,110</u>	<u>\$ 4,609,292</u>	<u>4,681,818</u>	<u>—</u>
Investments measured at amortized cost:				
Money market	13,420,841			
Certificates of deposit	7,162,555			
Subtotal	<u>20,583,396</u>			
Total investments	<u>\$ 29,874,506</u>			

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<b>Trustee Held Investments</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments measured at fair value:				
Alternative asset ETFs	\$ 95,368	95,368	—	—
Fixed income ETFs	67,476	67,476	—	—
Equity ETFs	211,391	211,391	—	—
State of New Jersey Cash Management Fund	611,036	—	611,036	—
Subtotal	985,271	\$ 374,235	611,036	—
Investments measured at amortized cost:				
Money market	501,193			
Subtotal	501,193			
Total investments	\$ 1,486,464			

The Organization's investments at June 30, 2015 are summarized in the following table by their fair value hierarchy:

<b>Investments</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments measured at fair value:				
U.S. government bonds and notes	\$ 4,832,338	—	4,832,338	—
Equity and equity ETFs	2,814,532	2,814,532	—	—
Fixed income ETFs	344,229	344,229	—	—
Alternative assets ETFs	187,515	187,515	—	—
Corporate bonds	368,706	—	368,706	—
State of New Jersey Cash Management Fund	736,777	—	736,777	—
Subtotal	9,284,097	\$ 3,346,276	5,937,821	—
Investments measured at amortized cost:				
Money market	17,759,697			
Certificates of deposit	10,184,537			
Subtotal	27,944,234			
Total investments	\$ 37,228,331			

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<b>Trustee Held Investments</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments measured at fair value:				
Alternative asset ETFs	\$ 95,480	95,480	—	—
Fixed income ETFs	68,783	68,783	—	—
Equity ETFs	223,695	223,695	—	—
State of New Jersey Cash Management Fund	609,166	—	609,166	—
Subtotal	997,124	\$ 387,958	609,166	—
Investments measured at amortized cost:				
Money market	7,581,230			
Subtotal	7,581,230			
Total investments	\$ 8,578,354			

**(5) Capital Assets**

The Organization's principal locations are in buildings, some of which are owned by the State and are dedicated for use by the Organization. Although legal title for buildings owned by the State rests with the State, the Organization has been given, through legislation, exclusive use of the buildings and has included the cost of capital assets in the accompanying statements of net position. For the years ended June 30, 2016 and 2015, capital assets and accumulated depreciation activity was as follows:

	<b>2016</b>			
	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending balance</b>
Depreciable assets:				
Buildings and improvements	\$ 35,149,223	29,040,518	—	64,189,741
Equipment and vehicles	4,576,019	531,873	1,220,837	3,887,055
Furniture and fixtures	3,148,803	806,091	30,198	3,924,696
University subtotal	42,874,045	30,378,482	1,251,035	72,001,492
Buildings and improvements	20,093,944	—	—	20,093,944
Equipment and vehicles	3,089,191	124,823	—	3,214,014
Furniture and fixtures	39,697	—	—	39,697
Library subtotal	23,222,832	124,823	—	23,347,655
Total depreciable assets	66,096,877	30,503,305	1,251,035	95,349,147



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	<b>2016</b>			<b>Ending balance</b>
	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	
Less accumulated depreciation:				
Buildings and improvements	\$ 7,157,950	920,162	—	8,078,112
Equipment and vehicles	3,125,173	375,531	1,178,569	2,322,135
Furniture and fixtures	1,119,379	211,580	30,198	1,300,761
University subtotal	<u>11,402,502</u>	<u>1,507,273</u>	<u>1,208,767</u>	<u>11,701,008</u>
Buildings and improvements	14,309,392	237,533	—	14,546,925
Equipment and vehicles	2,310,460	493,566	—	2,804,026
Furniture and fixtures	22,142	2,646	—	24,788
Library subtotal	<u>16,641,994</u>	<u>733,745</u>	<u>—</u>	<u>17,375,739</u>
Total accumulated depreciation	<u>28,044,496</u>	<u>2,241,018</u>	<u>1,208,767</u>	<u>29,076,747</u>
Total depreciable assets, net	<u>38,052,381</u>	<u>28,262,287</u>	<u>42,268</u>	<u>66,272,400</u>
Nondepreciable assets:				
University construction in progress	13,627,424	14,834,766	28,462,190	—
University land	1,197,233	165,855	—	1,363,088
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	<u>15,914,249</u>	<u>15,000,621</u>	<u>28,462,190</u>	<u>2,452,680</u>
Total capital assets, net	<u>\$ 53,966,630</u>	<u>43,262,908</u>	<u>28,504,458</u>	<u>68,725,080</u>

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

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During 2016 and 2015, the Organization has capitalized interest expense, net of related interest income of \$155,702 and \$119,068, respectively, in the accompanying statements of net position.

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

Accounts payable and accrued expenses consist of the following as of June 30, 2016 and 2015:

	<b>2016</b>			<b>2015</b>
	<b>University</b>	<b>Library</b>	<b>Total</b>	<b>Total</b>
Vendors	\$ 5,335,016	249,094	5,584,110	6,137,081
Accrued salaries and benefits	1,856,690	362,463	2,219,153	1,924,293
Compensated absences	1,620,252	316,547	1,936,799	1,849,412
Other accrued expenses	245,147	2,176	247,323	535,338
Total	<u>\$ 9,057,105</u>	<u>930,280</u>	<u>9,987,385</u>	<u>10,446,124</u>

**(7) Noncurrent Liabilities**

For the years ended June 30, 2016 and 2015, noncurrent liabilities activity was as follows:

	<b>2016</b>				
	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Compensated absences:					
University	\$ 1,953,779	2,631,908	2,489,986	2,095,701	1,620,252
Library	560,847	632,445	647,186	546,106	316,547
Total compensated absences	2,514,626	3,264,353	3,137,172	2,641,807	1,936,799
Net pension liability:					
University	27,459,799	7,477,753	328,996	34,608,556	—
Library	25,544,272	3,859,327	276,882	29,126,717	—
Total net pension liability	53,004,071	11,337,080	605,878	63,735,273	—
Unearned grants and contracts:					
University	863,283	533,135	928,502	467,916	287,763
Library	1,541,944	4,668,228	4,858,673	1,351,499	1,351,499
Total unearned grants and contracts	2,405,227	5,201,363	5,787,175	1,819,415	1,639,262
Total	<u>\$ 57,923,924</u>	<u>19,802,796</u>	<u>9,530,225</u>	<u>68,196,495</u>	<u>3,576,061</u>

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

**(8) Long-Term Debt**

For the years ended June 30, 2016 and 2015, long-term debt activity was as follows:

	2016				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Long-term debt:					
University:					
Banc of America Leasing & Capital, LLC:					
2007 Tax Exempt Lease	\$ 526,930	—	70,257	456,673	70,257
2010 Tax Exempt Lease	37,003	—	37,003	—	—
TD Bank Finance, Inc.:					
2012 Tax Exempt Lease	6,131,742	—	421,053	5,710,689	421,053



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	2015				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Library:					
TD Equipment Finance, Inc.:					
2012 Tax Exempt Lease	\$ 390,267	—	74,331	315,936	76,109
Library subtotal	390,267	—	74,331	315,936	76,109
Total	\$ 9,115,424	7,000,000	1,134,013	14,981,411	1,314,888

In October 2014, the Organization entered into a tax-exempt lease financing arrangement in which PNC Bank is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$7,000,000 was to assist the University in covering costs associated with the construction of the Nursing Education Center in Trenton, NJ. As of June 30, 2016, the Organization has fully drawn down the funds. The bond debt service payment schedule has a ten-year term. There are 121 loan payments of principal plus interest at 2.486%. As of June 30, 2016 and 2015, the Organization owes \$6,025,000 and \$6,645,000, respectively.

In March 2014, the Organization received grant funding as part of the Higher Education Capital Improvement Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the grantor, and the Organization is the grantee. The grant funding of \$1,397,000 to the University was used for the renovations to 102 – 104 West State Street to house its new Center for Learning Technology. The Organization's share of the bond debt service is \$662,932. As of June 30, 2016, the Organization has fully drawn down the funds. The bond debt service payment schedule has a twenty-year term. There are twenty interest-only payments totaling \$118,131 and nineteen principal plus interest payments totaling \$544,801 with interest rates ranging from 3.500% to 5.000%. As of June 30, 2016 and 2015, the Organization owes \$418,717 and \$433,333, respectively.

In March 2014, the Organization received grant funding as part of the Higher Education Capital Improvement Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the grantor, and the Organization is the grantee. The grant funding of \$1,913,000 to the University was used for capital improvements and renovations to the Kelsey/Townhouse Complex. The Organization's share of the bond debt service is \$907,836. As of June 30, 2016, the Organization has fully drawn down the funds. The bond debt service payment schedule has a twenty-year term. There are twenty interest-only payments totaling \$161,772 and nineteen principal plus interest payments totaling \$746,064 with interest rates ranging from 3.500% to 5.000%. As of June 30, 2016 and 2015, the Organization owes \$573,401 and \$593,417, respectively.

In January 2014, the Organization received leasing funds as part of the Higher Education Equipment Leasing Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the lessor, and the Organization is the lessee. The lease agreement funding of \$585,000 to the University is being used for computing and instructional equipment for the School of Nursing. The Organization's share of the bond debt service is \$163,791. As of June 30, 2016, the Organization has drawn down \$97,132. The bond

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debt service payment schedule has a nine-year term. There are nine interest-only payments totaling \$19,306 and nine principal plus interest payments totaling \$144,485 with an interest rate of 5.000%. As of June 30, 2016 and 2015, the Organization owes \$105,311 and \$117,633, respectively.

In October 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Bank Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$8,000,000 by the University was used for renovations to the historic Kuser Mansion in Trenton. As of June 30, 2016, the Organization has fully drawn down the funds. The lease rental payment schedule has a twenty-year term. There are four interest-only payments totaling \$265,222, followed by 76 lease payments of \$105,263 plus interest at 3.500% that started quarterly on March 31, 2013. As of June 30, 2014, the Organization made a one-time pay-down in the amount of \$815,626 from the bond proceeds that remained unspent at the end of construction. Upon notice to the Organization, TD Bank Finance, Inc. has the option to declare the entire outstanding principal and outstanding interest, due and payable in full on the ten year anniversary date. As of June 30, 2016 and 2015, the Organization owes \$5,710,689 and \$6,131,742, respectively.

In July 2011, the Organization entered into a tax-exempt lease financing arrangement in which TD Equipment Finance, Inc. is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$948,000 by the University was used for data processing equipment in the Kuser facility and for moveable shelving replacement at the Library. As of June 30, 2016, 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, which includes interest at 2.427% that are scheduled every quarter. As of June 30, 2016 and 2015, the Organization owes \$376,736 and \$496,353, 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 sublessee. The lease financing of \$700,000 by the University was used for data processing equipment and for work station replacement at the Academic Center. As of June 30, 2016, 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, which includes interest at 2.370% that are scheduled every month. As of June 30, 2016 and 2015, the Organization owes \$0 and \$37,003, respectively.

In September 2007, the Organization entered into a tax-exempt lease financing arrangement in which Banc of America Leasing & Capital, LLC is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$2,700,000 by the University was used for renovations to the Kelsey building and security, equipment and data processing upgrades. As of June 30, 2016, 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, 2016 and 2015, the Organization owes \$456,673 and \$526,930, respectively.

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The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2016:

	<b>Principal</b>	<b>Interest</b>
Year ending June 30:		
2017	\$ 1,297,842	414,418
2018	1,352,957	375,169
2019	1,343,242	335,513
2020	1,227,137	295,180
2021	1,254,971	257,744
2022–2026	5,144,693	734,502
2027–2031	1,814,824	186,622
2032–2034	230,861	17,495
Total	\$ 13,666,527	2,616,643

**(9) Retirement Plans**

The Organization participates in two major retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the Division), for its employees – Public Employees’ Retirement System (PERS) and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance, Lincoln Life Insurance, Metropolitan Life Insurance, Travelers Insurance, and VALIC. PERS is a cost sharing, multiple-employer defined benefit pension plan. The ABP alternatives are defined contribution plans that are administered by a separate Board of Trustees. The Organization is charged pension costs through a fringe benefit charge assessed by the State, which is included within the state paid fringe benefits in the accompanying financial statements.

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

Effective July 1, 2010, the Organization established two supplemental retirement plans – Supplemental Alternate Benefit Plan and Supplemental Retirement Plan for the benefit of its eligible employees. 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.



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

***Plan description***

PERS was established under the provisions of N.J.S.A. 43:15A to provide retirement, death and disability benefits, including post-retirement health care, to substantially all full-time employees of the State or public agency provided the employee is not a member of another state-administered retirement system.

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

The following represents the membership tiers for PERS:

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

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

PERS members were required to contribute 7.06% and 6.92% of their annual covered salary for the years ended June 30, 2016 and 2015, respectively. The State makes employer contributions on behalf of the Organization. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The State's contribution for the Organization was \$972,275 and \$436,289 for 2016 and 2015, respectively.

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

The Organization's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for PERS are calculated by the Division. At June 30, 2016 and 2015, the Organization reported a liability of \$63,735,273 and \$53,004,071, respectively, for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability at June 30, 2016 was determined by an actuarial valuation as of July 1, 2014 and rolled forward to the measurement date of June 30, 2015. The June 30, 2015 PERS net pension liability was recorded in the statement of net position as of June 30, 2016. The total pension liability used to calculate the net pension liability at June 30, 2015 was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date of June 30, 2014. The June 30, 2014 PERS net pension liability was recorded in the statement of net position as of June 30, 2015. The Organization's proportionate share of the respective net pension liability for the fiscal year was based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for the respective fiscal years. Below is a summary of PERS information for June 30, 2015 and 2014:

	<b>2015</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
Proportionate share of net pension liability	\$ 34,608,556	29,126,717	63,735,273
Allocation percentage – State Group	0.1458914015%	0.1227828623%	0.2686742638%
Allocation percentage – Total Plan*	0.0749587553	0.0630856269	0.1380443822
Pension expense for the year ended	\$ 2,819,609	1,598,581	4,418,190
	<b>2014</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
Proportionate share of net pension liability	\$ 27,459,799	25,544,272	53,004,071
Allocation percentage – State Group	0.1364319411%	0.1269147891%	0.2633467302%
Allocation percentage – Total Plan*	0.0706818863	0.0657512944	0.1364331807
Pension expense for the year ended	\$ 1,697,009	1,223,977	2,920,986

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

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

	<b>2016</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
Deferred outflows of resources:			
Differences between actual and expected	\$ 483,717	407,098	890,815
Changes of assumptions	2,638,175	2,220,299	4,858,474
Changes in proportionate share	2,049,453	—	2,049,453
Contributions subsequent to the measurement date	527,950	444,325	972,275
	<u>\$ 5,699,295</u>	<u>3,071,722</u>	<u>8,771,017</u>
Deferred inflows of resources:			
Changes in proportionate share	\$ —	1,833,703	1,833,703
Net differences between projected and actual investment earnings on pension plan investments	170,854	143,792	314,646
	<u>\$ 170,854</u>	<u>1,977,495</u>	<u>2,148,349</u>
	<b>2015</b>		
	<b>University</b>	<b>Library</b>	<b>Total</b>
Deferred outflows of resources:			
Changes of assumptions	\$ 605,588	563,345	1,168,933
Changes in proportionate share	570,165	—	570,165
Contributions subsequent to the measurement date	226,028	210,261	436,289
	<u>\$ 1,401,781</u>	<u>773,606</u>	<u>2,175,387</u>
Deferred inflows of resources:			
Changes in proportionate share	\$ —	1,398,918	1,398,918
Net differences between projected and actual investment earnings on pension plan investments	833,406	775,269	1,608,675
	<u>\$ 833,406</u>	<u>2,174,187</u>	<u>3,007,593</u>

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\$972,275 reported as deferred outflows of resources related to pensions resulting from contributions made on behalf of the Organization by the State subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>University</b>	<b>Library</b>	<b>Total</b>
Years ending:			
2017	\$ 1,010,490	72,583	1,083,073
2018	1,010,490	72,583	1,083,073
2019	1,010,490	72,583	1,083,073
2020	1,233,287	260,090	1,493,377
2021	735,734	172,063	907,797
	\$ 5,000,491	649,902	5,650,393

***Actuarial Assumptions***

The total pension liability measured as of June 30, 2015 (based on the July 1, 2014 actuarial valuation) and June 30, 2014 (based on the July 1, 2013 actuarial valuation) were determined using the following actuarial assumptions:

Inflation rate	3.04% (2015); 3.01% (2014)
Salary increases:	
Through 2021	2.15–4.40% based on age
Thereafter	3.15–5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 and July 1, 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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

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

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expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. treasuries	1.75	1.64	—	—
Core bonds	—	—	1.00	2.49
Investment grade credit	10.00	1.79	—	—
Intermediate-term bonds	—	—	11.20	2.26
Mortgages	2.10	1.62	2.50	2.17
High yield bonds	2.00	4.03	5.50	4.82
Inflation-indexed bonds	1.50	3.25	2.50	3.51
Broad US equities	27.25	8.52	25.90	8.22
Developed foreign equities	12.00	6.88	12.70	8.12
Emerging market equities	6.40	10.00	6.50	9.91
Private equity	9.25	12.41	8.25	13.02
Hedge funds/absolute return	12.00	4.72	12.25	4.92
Real estate (property)	2.00	6.83	3.20	5.80
Commodities	1.00	5.32	2.50	5.35
Global debt excluding U.S.	3.50	(0.40)	—	—
Real estate investment trusts	4.25	5.12	—	—

***Discount Rate***

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position as of June 30, 2015 was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Organization's proportionate share of the collective net pension liability for the PERS as of June 30, 2015 and June 30, 2014 calculated using the discount rate as disclosed above for each plan as well as what the Organization's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

		<b>2015</b>		
		<b>At 1% decrease (3.90%)</b>	<b>At current discount rate (4.90%)</b>	<b>At 1% increase (5.90%)</b>
University		\$ 41,753,702	34,608,556	28,628,060
Library		35,140,104	29,126,717	24,093,505
	Total	<u>\$ 76,893,806</u>	<u>63,735,273</u>	<u>52,721,565</u>
		<b>2014</b>		
		<b>At 1% decrease (4.39%)</b>	<b>At current discount (5.39%)</b>	<b>At 1% increase (6.39%)</b>
University		\$ 32,433,216	27,459,799	23,288,824
Library		30,170,756	25,544,272	21,664,254
	Total	<u>\$ 62,603,972</u>	<u>53,004,071</u>	<u>44,953,078</u>

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

***Alternate Benefit Program***

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

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contributions are 8%. During the years ended June 30, 2016 and 2015, ABP received employer and employee contributions as follows:

	<b>2016</b>			<b>2015</b>
	<b>University</b>	<b>Library</b>	<b>Total</b>	<b>Total</b>
Employer contributions	\$ 1,611,374	59,019	1,670,393	1,564,526
Employee contributions	1,007,109	36,887	1,043,996	977,829
Basis for contributions:				
Participating employee salaries	20,142,180	737,740	20,879,920	19,556,580

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 2016 or 2015. The employer contributions made during fiscal year 2016 and 2015 were \$68,587 and \$49,408, respectively.

***Supplemental Retirement Program***

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations Section 2510.3-2(f). The Organization may contribute to the plan, on behalf of participants who are employees of the employer during the plan year and are eligible to share in the employer contributions for such plan year, as determined by the Compensation Committee and approved by the Board of Trustees. There were no employee contributions during fiscal year 2016 or

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2015. The employer contributions made during fiscal year 2016 and 2015 were \$12,954 and \$11,637, respectively.

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

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the Organization's retired employees. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credit after June 30, 1997 may share in the cost of health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not available to the Organization and no expenses or liabilities for benefits are reflected in the Organization's financial statements.

**(10) Commitments**

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Since Federal and State funds comprise approximately 99% of the total revenues of the Library, and through developing a memorandum of understanding between the University and the State with respect to the Library, accrued sick time will be funded by the State for Library employees.

The University and Library paid \$73,725 and \$45,392, respectively, in 2016 and \$28,995 and \$0, respectively, in 2015. The University and Library have accrued amounts of \$475,449 and \$229,559, respectively, as of June 30, 2016, and \$427,516 and \$237,698, respectively, as of June 30, 2015, 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 \$229,559 and \$237,698 has been recorded as of June 30, 2016 and 2015, 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 2016 will continue into fiscal year 2016 and beyond. If the State did not provide reimbursement to the University for these amounts in the future, the University would still be liable for the payments to these employees.

**(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. As of January 11, 2016, the Foundation changed its name to the Thomas Edison State University Foundation. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income



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taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the University and Library in support of its programs. The Board of Directors of the Foundation, which consists of at least five and no more than thirty persons, is self-perpetuating and consists of qualified persons elected by majority vote of the Board of Directors of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, the Foundation holds and invests are used exclusively for the benefit, support, and promotion of the University for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of the University and Library, the Foundation is considered a component unit of the Organization and is discretely presented in the Organization's financial statements.

During the year ended June 30, 2016 and 2015, the Foundation distributed \$1,029,773 and \$736,327, respectively, to the University for restricted purposes. Complete financial statements for the Foundation can be obtained from the Controller's Office at 101 West State Street, Trenton, NJ 08608.

The Foundation is a private not-for-profit organization that reports under FASB 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 \$1,500,000,000. Money and securities coverage provides for the actual loss in excess of \$75,000 with a per loss limit of \$5,000,000.

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

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

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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.

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Required Supplementary Information (Unaudited)

Schedules of Employer Contributions

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 527,950	328,993	234,068
Contributions in relation to the contractually required contribution	527,950	328,993	234,068
Contribution deficiency (excess)	\$ —	—	—
Organization employee covered—payroll	\$ 7,349,168	7,555,305	6,978,413
Contributions as a percentage of employee covered payroll	7.18%	4.35%	3.35%

**New Jersey State Library**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 444,325	276,882	217,740
Contributions in relation to the contractually required contribution	444,325	276,882	217,740
Contribution deficiency (excess)	\$ —	—	—
Organization employee covered—payroll	\$ 5,313,407	5,592,606	5,527,456
Contributions as a percentage of employee covered payroll	8.36%	4.95%	3.94%

**Total**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 972,275	605,875	451,808
Contributions in relation to the contractually required contribution	972,275	605,875	451,808
Contribution deficiency (excess)	\$ —	—	—
Organization employee covered—payroll	\$ 12,662,575	13,147,911	13,147,911
Contributions as a percentage of employee covered payroll	7.68%	4.61%	3.61%

See accompanying independent auditors' report.

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Required Supplementary Information (Unaudited)

Schedules of Proportionate Share of the Net Pension Liability

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Organization proportion of the net pension liability – State Group	0.1458914015%	0.1364319411%	0.1329344107%
Organization proportion of the net pension liability – Total Plan	0.0749587553	0.0706818863	0.0667901681
Organization proportionate share of the net pension liability	\$ 34,608,556	27,459,799	25,624,511
Organization employee covered–payroll	7,555,305	6,978,413	6,346,226
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	458.07%	393.50%	404.25%
Plan fiduciary net position as a percentage of the total pension liability	38.21	42.74	40.71

**New Jersey State Library**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Organization proportion of the net pension liability – State Group	0.1227828623%	0.1269147891%	0.1354960771%
Organization proportion of the net pension liability – Total Plan	0.0630856269	0.0657512944	0.0680772239
Organization proportionate share of the net pension liability	\$ 29,126,717	25,544,272	26,148,877
Organization employee covered–payroll	5,592,606	5,527,456	5,640,824
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	520.81%	462.13%	463.56%
Plan fiduciary net position as a percentage of the total pension liability	38.21	42.74	40.71

**Total**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Organization proportion of the net pension liability – State Group	0.2686742638%	0.2633467302%	0.2684304878%
Organization proportion of the net pension liability – Total Plan	0.1380443822	0.1364331807	0.1348673920
Organization proportionate share of the net pension liability	\$ 63,735,273	53,004,071	51,803,388
Organization employee covered–payroll	13,147,911	12,505,869	11,987,050
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	484.76%	423.83%	432.16%
Plan fiduciary net position as a percentage of the total pension liability	38.21	42.74	40.71

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## Schedule of Net Position

June 30, 2016

<b>Assets</b>	<b>University</b>	<b>Library</b>	<b>Total</b>
Current assets:			
Cash	\$ 7,503,283	5,042,265	12,545,548
Investments	23,743,153	1,793,227	25,536,380
Receivables:			
Students, net	6,426,048	—	6,426,048
State of New Jersey	256,253	410,702	666,955
Federal	308,800	572,077	880,877
Corporate accounts, net	693,769	—	693,769
Other receivables	129,728	13,446	143,174
Total receivables	7,814,598	996,225	8,810,823
Prepaid expenses and other assets	243,869	159,235	403,104
Due to University from Library	113,232	(113,232)	—
Total current assets	39,418,135	7,877,720	47,295,855
Noncurrent assets:			
Investments	2,198,963	422,076	2,621,039
Restricted investments	641,239	1,075,848	1,717,087
Trustee held investments – restricted	490,402	996,062	1,486,464
Rare books, artwork, and historical documents	566,597	1,564,050	2,130,647
Capital assets	61,663,573	7,061,507	68,725,080
Total noncurrent assets	65,560,774	11,119,543	76,680,317
Total assets	104,978,909	18,997,263	123,976,172
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources:			
Pensions related	5,699,295	3,071,722	8,771,017
Total deferred outflows of resources	110,678,204	22,068,985	132,747,189
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	9,057,105	930,280	9,987,385
Unearned tuition and fees	8,101,079	—	8,101,079
Unearned grants and contracts	287,763	1,351,499	1,639,262
Deposits held in custody for others	112,612	—	112,612
Long-term debt – current portion	1,219,868	77,974	1,297,842
Total current liabilities	18,778,427	2,359,753	21,138,180
Noncurrent liabilities:			
Compensated absences – noncurrent portion	475,449	229,559	705,008
Unearned grants and contracts	180,153	—	180,153
Long-term debt	12,206,874	161,811	12,368,685
Net pension liability	34,608,556	29,126,717	63,735,273
Total noncurrent liabilities	47,471,032	29,518,087	76,989,119
Total liabilities	66,249,459	31,877,840	98,127,299
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources:			
Pensions related	170,854	1,977,495	2,148,349
Total deferred inflows of resources	66,420,313	33,855,335	100,275,648
<b>Net Position</b>			
Net investment in capital assets	48,844,499	8,385,772	57,230,271
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	—	298,123	298,123
Library for the Blind and Handicapped	—	1,024,072	1,024,072
Public policy	641,239	—	641,239
Unrestricted	(5,227,847)	(22,244,032)	(27,471,879)
Total net position	\$ 44,257,891	(11,786,350)	32,471,541

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## Schedule of Net Position

June 30, 2015

<b>Assets</b>	<b>University</b>	<b>Library</b>	<b>Total</b>
Current assets:			
Cash	\$ 7,297,355	4,519,432	11,816,787
Investments	28,904,111	1,896,681	30,800,792
Receivables:			
Students, net	5,906,169	—	5,906,169
State of New Jersey	2,913,328	803,242	3,716,570
Federal	214,171	404,150	618,321
Corporate accounts, net	563,745	—	563,745
Other receivables	155,364	3,620	158,984
Total receivables	9,752,777	1,211,012	10,963,789
Prepaid expenses and other assets	168,803	137,632	306,435
Due to University from Library	125,311	(125,311)	—
Total current assets	46,248,357	7,639,446	53,887,803
Noncurrent assets:			
Investments	4,681,216	344,229	5,025,445
Restricted investments	360,459	1,041,635	1,402,094
Trustee held investments – restricted	7,564,840	1,013,514	8,578,354
Rare books, artwork, and historical documents	566,597	1,564,050	2,130,647
Capital assets	46,296,200	7,670,430	53,966,630
Total noncurrent assets	59,469,312	11,633,858	71,103,170
Total assets	105,717,669	19,273,304	124,990,973
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources:			
Pensions related	1,401,781	773,606	2,175,387
Total deferred outflows of resources	107,119,450	20,046,910	127,166,360
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	9,680,732	765,392	10,446,124
Unearned tuition and fees	8,394,078	—	8,394,078
Unearned grants and contracts	405,601	1,541,944	1,947,545
Deposits held in custody for others	28,493	—	28,493
Long-term debt – current portion	1,238,779	76,109	1,314,888
Total current liabilities	19,747,683	2,383,445	22,131,128
Noncurrent liabilities:			
Compensated absences – noncurrent portion	427,516	237,698	665,214
Unearned grants and contracts	457,682	—	457,682
Long-term debt	13,426,696	239,827	13,666,523
Net pension liability	27,459,799	25,544,272	53,004,071
Total noncurrent liabilities	41,771,693	26,021,797	67,793,490
Total liabilities	61,519,376	28,405,242	89,924,618
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources:			
Pensions related	833,406	2,174,187	3,007,593
Total deferred inflows of resources	62,352,782	30,579,429	92,932,211
<b>Net Position</b>			
Net investment in capital assets	38,959,955	8,918,544	47,878,499
Restricted for:			
Nonexpendable:			
Aid to local libraries	—	416,073	416,073
Library for the Blind and Handicapped	—	333,642	333,642
Expendable:			
Aid to local libraries	—	273,127	273,127
Library for the Blind and Handicapped	—	1,032,307	1,032,307
Public policy	360,459	—	360,459
Unrestricted	5,446,254	(21,506,212)	(16,059,958)
Total net position	\$ 44,766,668	(10,532,519)	34,234,149

See accompanying independent auditors' report.

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

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

	<u>University</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 49,456,447	—	49,456,447
Federal grants and contracts	4,996,298	3,870,388	8,866,686
Federal indirect cost recovery	68,781	135,300	204,081
State of New Jersey grants and contracts	145,614	8,886,203	9,031,817
Noncollegiate sponsored programs	102,635	—	102,635
Other operating revenues	346,851	13,369	360,220
Total operating revenues	<u>55,116,626</u>	<u>12,905,260</u>	<u>68,021,886</u>
Operating expenses:			
Academic support	25,654,486	—	25,654,486
Student services	7,095,756	—	7,095,756
Public services	1,503,350	2,334,515	3,837,865
General institutional	14,013,548	—	14,013,548
Operations and maintenance	3,597,878	50,355	3,648,233
General administration	17,465,426	2,395,912	19,861,338
Other sponsored programs	527,147	—	527,147
Scholarships	2,467,236	—	2,467,236
State of New Jersey Library	—	6,924,315	6,924,315
Talking Book and Braille Center	—	3,125,438	3,125,438
Grants to libraries	—	5,711,575	5,711,575
Collections and exhibits	—	1,159,683	1,159,683
Depreciation	1,507,273	733,745	2,241,018
Total operating expenses	<u>73,832,100</u>	<u>22,435,538</u>	<u>96,267,638</u>
Operating loss	<u>(18,715,474)</u>	<u>(9,530,278)</u>	<u>(28,245,752)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	3,292,000	5,130,861	8,422,861
State of New Jersey paid fringe benefits	10,323,219	2,144,023	12,467,242
Contributed U.S. Postal Service	—	841,050	841,050
Private gifts – restricted	829,361	159,635	988,996
Investment income	278,482	7,857	286,339
Interest on indebtedness	(300,385)	(6,979)	(307,364)
Loss on disposal of equipment	(42,266)	—	(42,266)
Net nonoperating revenues	<u>14,380,411</u>	<u>8,276,447</u>	<u>22,656,858</u>
Decrease before other revenues	(4,335,063)	(1,253,831)	(5,588,894)
State of New Jersey capital grants	3,826,286	—	3,826,286
Decrease in net position	(508,777)	(1,253,831)	(1,762,608)
Net position as of beginning of year	44,766,668	(10,532,519)	34,234,149
Net position as of end of year	<u>\$ 44,257,891</u>	<u>(11,786,350)</u>	<u>32,471,541</u>

See accompanying independent auditors' report.

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

Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2015

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

See accompanying independent auditors' report.