



**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, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–17
Basic Financial Statements:	
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Net Position as of June 30, 2020 and 2019	18
Thomas Edison State University Foundation, Inc. Statements of Financial Position as of December 31, 2019 and 2018	19
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and 2019	20
Thomas Edison State University Foundation, Inc. Statements of Activities for the years ended December 31, 2019 and 2018	21–22
Thomas Edison State University and its Affiliate the New Jersey State Library Statements of Cash Flows for the years ended June 30, 2020 and 2019	23–24
Notes to Financial Statements	25–58
Required Supplementary Information (Unaudited):	
Schedule 1 – Schedules of Employer Contributions	59
Schedule 2 – Schedules of Proportionate Share of the Net Pension Liability	60
Schedule 3 – Schedule of Proportionate Share of the Total OPEB Liability	61
Supplementary Information:	
Schedule 4 – Schedule of Net Position as of June 30, 2020	62
Schedule 5 – Schedule of Net Position as of June 30, 2019	63
Schedule 6 – Schedule of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020	64
Schedule 7 – Schedule of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019	65



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Thomas Edison State University and its Affiliate the New Jersey State Library (the Organization), a component unit of the State of New Jersey, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Thomas Edison State University Foundation, Inc. as of and for years ended December 31, 2019 and 2018, the discretely presented component unit of the Organization. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Thomas Edison State University Foundation, Inc., are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Thomas Edison State University and its Affiliate the New Jersey State Library as of June 30, 2020 and 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 17 and the schedules of employer contributions and schedules of proportionate share of the net pension liability on pages 59 and 60, respectively, and the schedule of proportionate share of the total OPEB liability on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The supplementary information included in Schedules 4 through 7 on pages 62 through 65, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 4 through 7 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
February 2, 2021

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The Introduction

This section of Thomas Edison State University (formerly Thomas Edison State College) and its Affiliate the New Jersey State Library's (the Organization) financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal years that ended on June 30, 2020 and 2019, with comparison to 2018 amounts presented for comparative purposes. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the Organization's basic financial statements, which follow.

Organization

Thomas Edison State College was founded by the New Jersey Board of Higher Education in 1972 as an institution that provides flexible and accessible, high quality college opportunities primarily for adults. The College received University status during fiscal year 2016 and was renamed Thomas Edison State University (the University). The University is accredited by the Middle States Association of Colleges and Schools. The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State of New Jersey. The Library has existed as part of the State since 1796 and maintains approximately 2.1 million volumes of books and historical documents. Included in the Library is the Talking Book & Braille Center (formerly known as the Library for the Blind and Handicapped). Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the University. As a result, the financial reporting entity was formed known as the Organization under the control of the University's Board of Trustees.

Using this Annual Financial Report

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

Financial Highlights

The Organization's net position has increased to \$19,957,642 at June 30, 2020 from \$17,756,793 at June 30, 2019, and decreased from \$19,205,844 at June 30, 2018. In fiscal year 2020, the Organization's net position increased primarily because a \$4 million painting that was donated to the University which was partially offset by the recognition of pension expense in accordance with Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68) of \$1,640,618. In fiscal year 2019, the Organization's net position decreased primarily because of the recognition of pension expense in accordance with GASB 68 of \$2,654,898. The University does not budget for pension expense since the liability will be paid by the State of New Jersey. The full amount of the pension expense will decrease the net position on an annual basis.

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AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The Organization recorded on its financial statements the state paid revenue and expenses for other employment benefits for fiscal year 2020, 2019 and 2018. The State of New Jersey (the State) has communicated that the associated unfunded liability, deferred inflows of resources and deferred outflows of resources are the responsibility of the State and therefore, are not reported on the Organization's financial statements in accordance with GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The Organization recorded on its financial statements the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits. The State has communicated that the GASB 68 pension liability allocations do not impact state laws or past funding arrangements that have been established annually in the State budget. The State has historically made and has communicated it will continue to make direct payments on behalf of the Organization to the Public Employees Retirement System (PERS) plan.

Operating revenues for the year ended June 30, 2020 increased to \$61,837,136 from \$61,328,256 in 2019, which decreased from \$65,136,082 in 2018. The increase was primarily due to an increase of \$921,618 in Pell grants that was partially offset by decreases in library state grants in fiscal year 2020. The decrease was from decreases in student tuition and fee revenue and federal financial aid in fiscal year 2019.

Net nonoperating revenues for the year ended June 30, 2020 decreased to \$29,114,854 from \$30,794,793 in fiscal year 2020, primarily due to a reduction in State paid other post employment benefits and State paid fringe benefits due to a decrease in state paid positions from 323 to 228 that was partially offset by an increase in private gifts from a \$4 million donated painting. In addition, the University had federal grants of \$892,166 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The federal CARES Act funding was awarded due to the COVID-19 global pandemic. The funding was used to help offset costs related to the University shifting to a completely remote work environment, lost state funding and scholarships for students financially impacted by the pandemic. Net nonoperating revenues for the year ended June 30, 2019 decreased to \$30,794,793 from \$31,174,900 in fiscal year 2019, primarily due to a reduction in State paid other post employment benefits that was partially offset by an increase in State paid fringe benefits due to an increase in state paid positions from 228 to 323 at the University.

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.

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

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.

Condensed Statement of Net Position for the years ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 39,007,283	38,766,381	35,395,076
Capital assets, net	60,845,982	62,993,674	65,302,725
Other assets	<u>13,663,964</u>	<u>8,848,962</u>	<u>13,170,041</u>
Total assets	113,517,229	110,609,017	113,867,842
Deferred outflows of resources	<u>9,958,833</u>	<u>15,004,197</u>	<u>20,377,509</u>
Total assets and deferred outflows of resources	<u>123,476,062</u>	<u>125,613,214</u>	<u>134,245,351</u>
Current liabilities	13,527,714	13,018,773	15,997,519
Noncurrent liabilities	<u>73,907,716</u>	<u>78,175,999</u>	<u>87,160,413</u>
Total liabilities	87,435,430	91,194,772	103,157,932
Deferred inflows of resources	<u>16,082,990</u>	<u>16,661,649</u>	<u>11,881,575</u>
Total liabilities and deferred inflows of resources	<u>103,518,420</u>	<u>107,856,421</u>	<u>115,039,507</u>
Net position:			
Net investment in capital assets	58,480,785	55,399,476	56,363,511
Restricted	3,887,840	3,993,870	3,417,382
Unrestricted	<u>(42,410,983)</u>	<u>(41,636,553)</u>	<u>(40,575,049)</u>
Net position, end of year	<u>\$ 19,957,642</u>	<u>17,756,793</u>	<u>19,205,844</u>

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Net Position, End of Year

The Organization's net position at June 30, 2020 increased \$2,200,849 or 12% from fiscal year 2019 to \$19,957,642. The Organization's net position at June 30, 2019 decreased \$1,449,051 or 8% from fiscal year 2018. The increase in fiscal year 2020 was primarily due to approximately \$4 million of donated artwork that was partially offset by pension expense of \$1,640,618. The decrease in fiscal year 2019 was primarily due to pension expense of \$2,654,898. The University's and Library's fiscal year 2020 share of pension expense was \$1,758,593 and negative \$117,975, respectively.

The Organization's total assets increased to \$113,517,229 at June 30, 2020 from \$110,609,017 at June 30, 2019, which decreased from \$113,867,842 at June 30, 2018. The fiscal year 2020 increase of \$2,908,212 or 3% was primarily due to increased artwork of approximately \$4,000,000 and increased cash and investments of \$868,913, which was partially offset by depreciation of \$2,305,685. The fiscal year 2019 decrease of \$3,285,825 or 3% was primarily due to depreciation of \$2,377,117 and a decrease in student account receivables of \$839,588.

The Organization's total deferred outflows of resources decreased \$5,045,364 or 34% from fiscal year 2019 to \$9,958,833 (University share \$6,499,249 and Library share \$3,459,584). The Organization's total deferred inflows of resources decrease \$578,658 or 3% from fiscal year 2019 to \$16,082,990 (University share \$9,219,051 and Library share \$6,863,939). The deferred outflows and inflows of resources 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 2019 contributions subsequent to the measurement date made by the State of New Jersey to the pension plan on behalf of the Organization of \$2,726,590 (University share \$1,527,293 and Library share \$1,199,297).

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

The Organization's total liabilities decreased \$3,759,342 or 4% to \$87,435,430 in fiscal year 2020. The fiscal year 2020 decrease was primarily due to a \$3,031,623 decrease in the net pension liability (University share \$1,865,539 and Library share \$1,166,084), a \$845,426 decrease in unearned tuition and fees, a \$589,563 decrease in unearned grants and contracts and a \$1,229,001 decrease in debt which was partially offset by \$1,917,497 increase in accounts payable and accrued expenses. The Organization's total liabilities decreased \$11,963,160 or 12% to \$91,194,772 in fiscal year 2019. The fiscal year 2019 decrease was primarily due to a \$7,587,967 decrease in the net pension liability (University share \$4,344,039 and Library share \$3,243,928) and a \$422,948 decrease in unearned tuition and fees and a \$1,345,016 decrease in debt, and a \$1,942,000 decrease in accounts payable and accrued expenses.

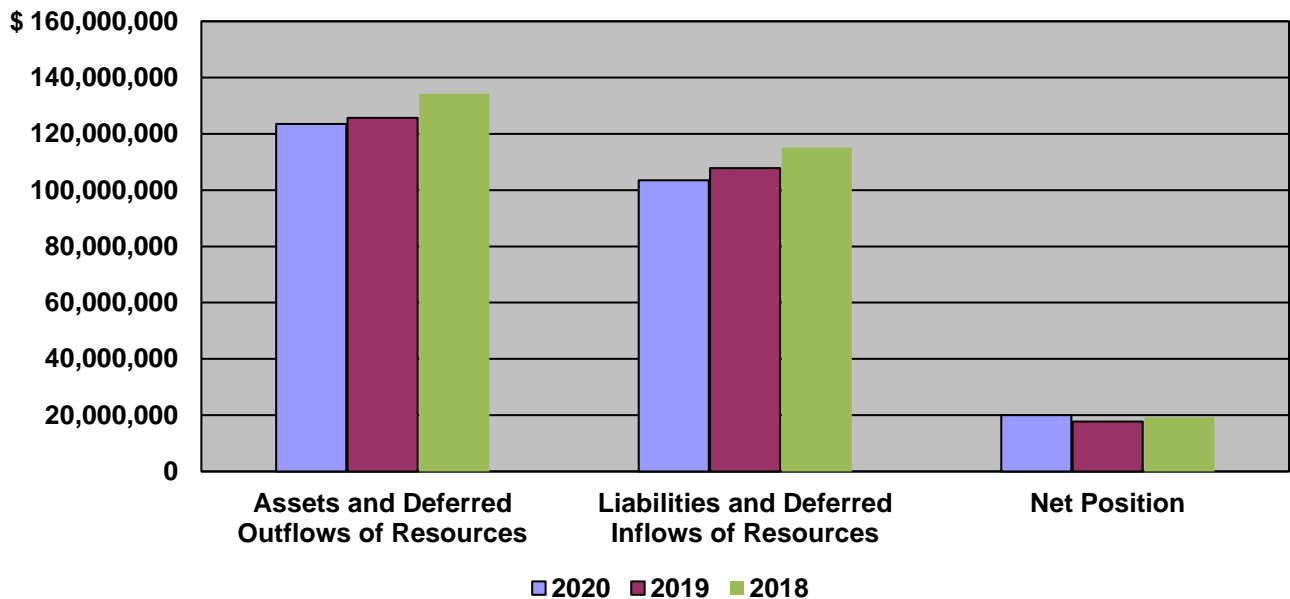
**THOMAS EDISON STATE UNIVERSITY AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Statements of Net Position



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 condensed summary of the Organization's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Student tuition and fees, net of scholarships	\$ 43,257,872	43,477,037	47,471,334
Federal grants and contracts	9,323,697	8,152,348	8,617,924
State of New Jersey grants and contracts	<u>8,402,211</u>	<u>8,981,038</u>	<u>8,668,666</u>
Subtotal grants	17,725,908	17,133,386	17,286,590

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AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Other	\$ 853,356	717,833	378,158
Total operating revenues	61,837,136	61,328,256	65,136,082
Operating expenses	88,751,141	93,572,100	101,050,579
Operating loss	<u>(26,914,005)</u>	<u>(32,243,844)</u>	<u>(35,914,497)</u>
Nonoperating revenues (expenses):			
Federal grants	892,166	—	—
State of New Jersey funding, including OPEB	22,922,044	28,582,693	29,348,406
Other nonoperating revenues, net	5,306,237	2,352,684	1,905,149
Loss on disposal of equipment	<u>(5,593)</u>	<u>(140,584)</u>	<u>(78,655)</u>
Net non-operating revenues	29,114,854	30,794,793	31,174,900
State of New Jersey capital grants	<u>—</u>	<u>—</u>	<u>234,097</u>
Increase (decrease) in net position	2,200,849	(1,449,051)	(4,505,500)
Net position beginning of year	<u>17,756,793</u>	<u>19,205,844</u>	<u>23,711,344</u>
Net position end of year	<u>\$ 19,957,642</u>	<u>17,756,793</u>	<u>19,205,844</u>

Operating Revenues

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

During the year ended June 30, 2020, the Organization generated \$61,837,136 in operating revenues. The sources of these revenues were: tuition and fees, net of scholarships of \$43,257,872; governmental grants and contracts of \$17,725,908; and other operating revenues of \$853,356. The University's share of operating revenues was \$49,429,056 and the Library's share of operating revenues was \$12,408,080.

- Student tuition and fees decreased \$219,165 or less than 1% in fiscal year 2020 due to an increase in scholarship allowances of \$321,000. Student tuition and fees decreased \$3,994,297 or 8% in fiscal year 2019 due to a 6% decrease in enrollments and change in student mix.
- The increase in Federal grants of \$1,171,349 or 14% in fiscal year 2020 was primarily due to an increase of \$921,618 in Pell grants. The decrease in Federal grants of \$465,576 or 5% in fiscal year 2019 was primarily due to the Federal Nuclear Regulatory Commission grant of \$172,146 in the prior year that ended and a decrease of \$208,379 in Pell grant revenue.

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

- The decrease in State of New Jersey grants and contracts of \$578,827 or 6% in fiscal year 2020 was primarily due to a decrease in Library state funding of \$573,241. The increase in State of New Jersey grants and contracts of \$312,372 or 4% in fiscal year 2019 was primarily due to an increase in Library state funding of \$319,707.

	2020		2019		2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating revenues:						
Student tuition and fees (net of scholarship allowances of approximately \$2,733,000, \$2,412,000 and \$2,552,000, respectively)	\$ 43,257,872	70 %	\$ 43,477,037	71 %	\$ 47,471,334	73 %
Federal grants and contracts	9,323,697	15	8,152,348	13	8,617,924	13
State of New Jersey grants and contracts	<u>8,402,211</u>	14	<u>8,981,038</u>	15	<u>8,668,666</u>	13
Subtotal grants	<u>17,725,908</u>		<u>17,133,386</u>		<u>17,286,590</u>	
Other sources:						
Federal indirect cost recovery	285,246	—	137,723	—	87,556	—
Noncollegiate sponsored programs	18,725	—	20,017	—	47,875	—
Other operating revenue	<u>549,385</u>	1	<u>560,093</u>	1	<u>242,727</u>	1
Subtotal other sources	<u>853,356</u>		<u>717,833</u>		<u>378,158</u>	
Total operating revenues	<u>\$ 61,837,136</u>	100 %	<u>\$ 61,328,256</u>	100 %	<u>\$ 65,136,082</u>	100 %

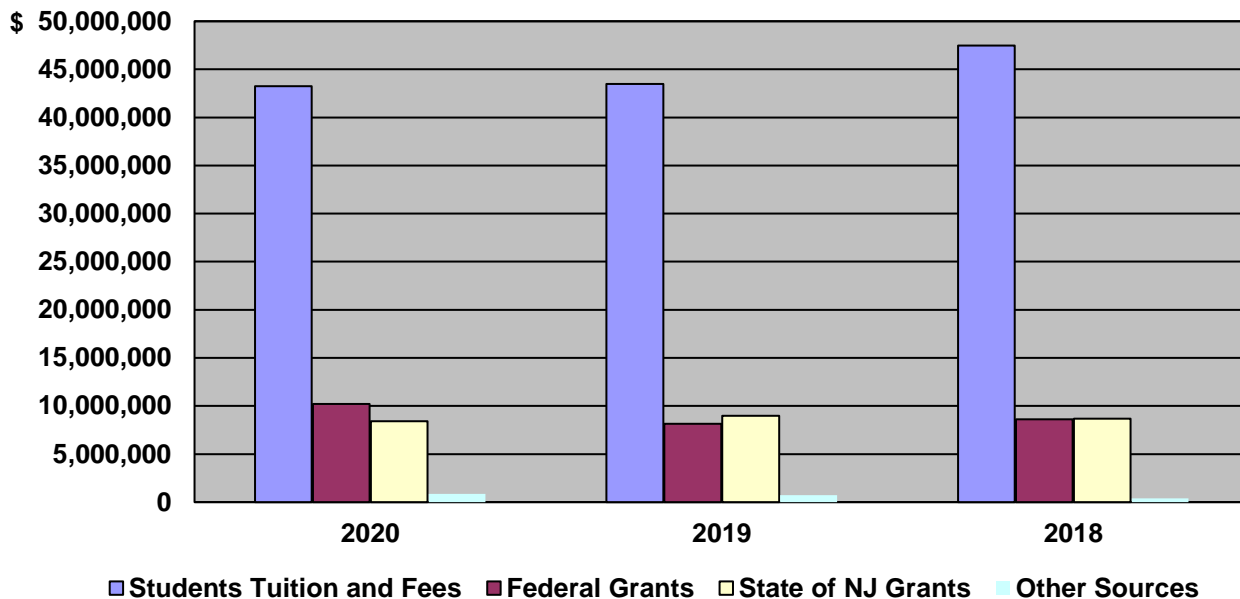
**THOMAS EDISON STATE UNIVERSITY AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

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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, 2020, the Organization incurred total operating expenses of \$88,751,141, which were \$26,914,005 more than the operating revenues of \$61,837,136. The University's operating expenses share was \$69,034,044 and the Library's operating expenses share was \$19,717,097. The University's net operating loss share was \$19,604,988 and the Library's net operating loss share was \$7,309,017. The Organization's operating expenses decreased \$4,820,959 or 5% from fiscal years 2019 to 2020. The decrease is primarily due to decreases in other post employment benefit (OPEB) expenses and pension expenses.

- The decrease in academic support expenses of \$587,352 or 2% in fiscal year 2020 is primarily due to a decrease in OPEB expenses of \$863,961, decrease in pension expense of \$470,617, which was partially offset by an increase in mentor expense of \$605,839. The increase in mentor expense is primarily due to higher course enrollments. The decrease in academic support expenses of \$2,279,565 or 8% in fiscal year 2019 is primarily due to a decrease in OPEB expenses of \$471,745, decrease in pension expense of \$395,062, and a decrease in mentor expense of \$1,315,471 from lower course enrollments.

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AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

- The decrease in student services expenses of \$380,033 or 6% in fiscal year 2020 is primarily due to a decrease of OPEB expenses of \$343,556. The decrease in student services expenses of \$1,160,989 or 15% in fiscal year 2019 is primarily due to a decrease of OPEB expenses of \$259,024, a decrease of \$218,538, a decrease in salary expense of \$313,902, a decrease in fringe benefit expense of \$326,740 that is attributed to lower salaries and a lower fringe benefit rate.
- Public services expenses decreased \$471,501 or 8% and increased \$589,444 or 10% in fiscal years 2020 and 2019, respectively. The increase in fiscal year 2020 was due a decrease of \$209,850 in OPEB expenses and \$91,464 in pension expenses. The increase in fiscal year 2019 was due to a full year of expenses for the Center for Leadership and Governance that was created during FY 2018 and Library grant spending due to timing.
- General institutional expenses increased \$28,406 or less than 1% and decreased \$537,040 or 4% over the previous year in fiscal years 2020 and 2019, respectively. The expense was comparable in fiscal year 2020. The decrease in expenses during fiscal year 2019 was due to not spending any carryforward funds during fiscal year 2019.
- General administration expenses decreased \$2,138,226 or 11% and \$2,213,586 or 10% in fiscal year 2020 and 2019, respectively. The decrease in fiscal year 2020 was primarily due to a decrease of OPEB expenses of \$990,995, a decrease of pension expenses of \$300,665, a decrease of University salary of \$196,598 and University fringe benefits of \$311,052. The decrease in salary and fringe benefits was associated with pandemic related salary costs being shifted to federal grants. The decrease in fiscal year 2019 was primarily due to a decrease of OPEB expenses of \$750,825 and a decrease of pension expenses of \$1,045,013.
- State of New Jersey Library expenses decreased \$1,122,427 or 20% and \$879,670 or 14% in fiscal year 2020 and 2019, respectively. The decrease in fiscal year 2020 was primarily due to a decrease of OPEB expenses of \$367,677, a decrease of pension expenses of \$187,945 and a decrease \$321,203 in fringe benefit expenses. The decrease in fiscal year 2019 was primarily due to a decrease of OPEB expenses of \$186,531, a decrease of pension expenses of \$91,360 and a decrease of fringe benefits of \$262,794 due to a lower fringe benefit rate.
- Talking Book & Braille Center decreased \$858,371 or 31% and 459,649 or 14% in fiscal year 2020 and 2019, respectively. The decrease in fiscal year 2020 was primarily due to a decrease of OPEB expenses of \$125,898, a decrease of pension expenses of \$68,262 and a decrease of \$724,905 in contributed U.S. Postal Service expense. The decrease in postage is due to improved technology that allows eight books to be stored on each cartridge. The decrease in fiscal year 2019 was primarily due to a decrease of OPEB expenses of \$99,872 and a decrease of pension expenses of \$180,328.

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AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

- Grants to libraries decreased \$439,588 or 8% and increased \$75,899 or 1% in fiscal year 2020 and 2019, respectively. The decrease in fiscal year 2020 was due to a \$306,667 reduction in a grant to Library Link New Jersey (LLNJ) in response to State of New Jersey Network Aid funding being de-obligated during the fiscal year. Grants to libraries was stable in fiscal year 2019 and 2018.

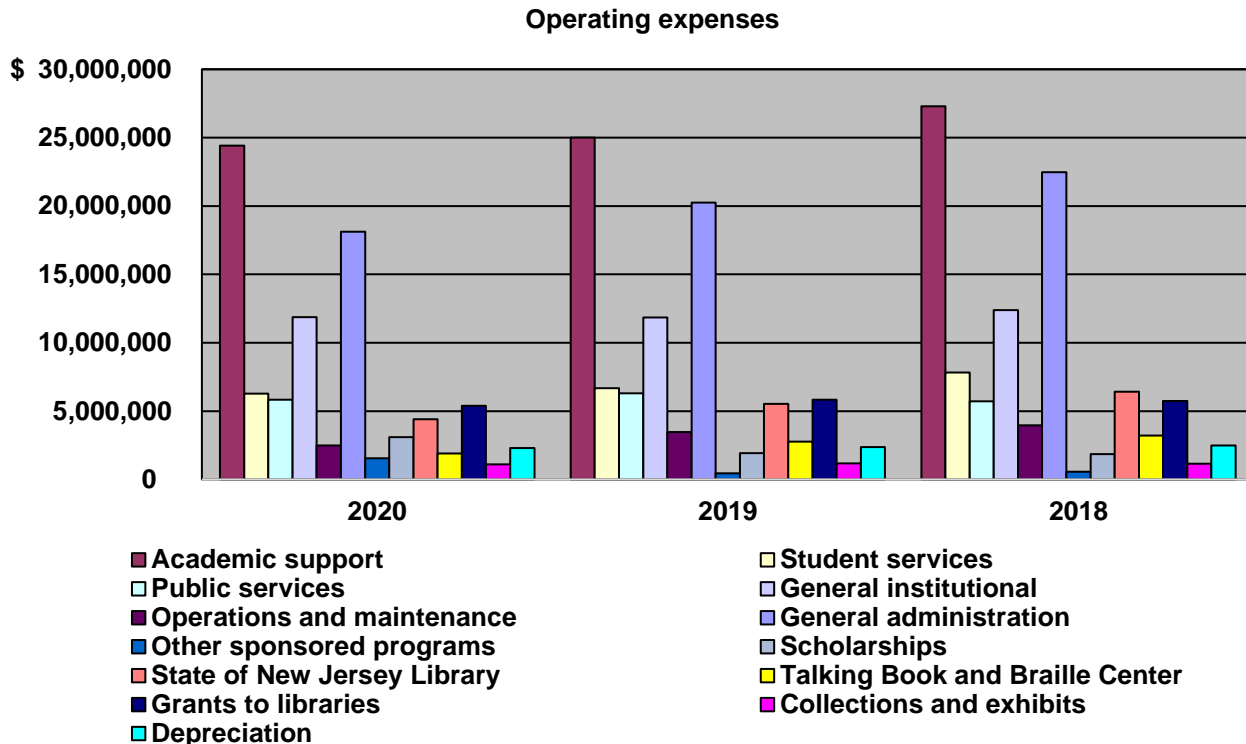
	2020		2019		2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Operating expenses:						
Academic support	\$ 24,423,210	28 %	\$ 25,010,562	27 %	\$ 27,290,127	27 %
Student services	6,284,896	7	6,664,929	7	7,825,918	8
Public services	5,831,228	7	6,302,729	7	5,713,285	6
General institutional	11,876,030	13	11,847,624	13	12,384,664	12
Operations and maintenance	2,483,618	3	3,475,314	4	3,953,165	4
General administration	18,116,560	20	20,254,786	22	22,468,372	22
Other sponsored programs	1,547,422	2	437,727	—	567,439	1
Scholarships	3,099,975	3	1,921,782	2	1,848,294	2
State of New Jersey Library	4,403,446	5	5,525,873	6	6,405,543	6
Talking Book & Braille Center	1,898,795	2	2,757,166	3	3,216,815	3
Grants to libraries	5,382,129	6	5,821,717	6	5,745,818	6
Collections and exhibits	1,098,147	1	1,174,774	1	1,138,934	1
Depreciation	2,305,685	3	2,377,117	2	2,492,205	2
Total operating expenses	\$ 88,751,141	100 %	\$ 93,572,100	100 %	\$ 101,050,579	100 %

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)



Nonoperating Revenues

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

During the fiscal year 2020, the Organization generated \$29,114,854 in net nonoperating revenues. The components of the nonoperating revenues were primarily federal grants of \$892,166, direct and indirect State of New Jersey appropriations of \$22,922,044, contributed U.S. Postal Service of \$163,598, private gifts of \$4,657,025, and investment income of \$781,146. The University's nonoperating revenue share was \$21,482,251 and the Library's nonoperating revenue share was \$7,632,603.

- Federal grants of \$892,166 in fiscal year 2020 was from CARES Act grants, which includes \$17,249 in the Education Stabilization Fund, \$456,140 in the Fund for the Improvement of Postsecondary Education (FIPSE), and \$418,777 in the Coronavirus Relief Fund (CRF).
- The increase in State of New Jersey appropriations of \$173,180 or 2% in fiscal year 2020 was due to an increase in outcomes based funding that was nearly completely offset by the third quarter de-obligation of the appropriation due to the impacts of the global pandemic. The decrease in State of New Jersey

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

appropriations of \$251,296 or 3% in fiscal year 2019 was due to a reduction in the appropriation of \$205,902 to fund National Guard tuition waivers and \$45,394 of decreased library support.

- The decrease in State of New Jersey paid fringe benefits of \$2,642,291 or 17% in fiscal year 2020 was primarily due to a decrease in the number of state paid fringe benefits at the University. The number of state paid positions decreased from 323 in fiscal year 2019 to 228 in fiscal year 2020. In addition, the negotiated fringe benefit rate was reduced from 49.05% in fiscal year 2019 to 46.15% for the year ended 2020. The increase in State of New Jersey paid fringe benefits of \$1,391,305 or 10% in fiscal year 2019 was primarily due to an increase in the number of state paid fringe benefits at the University. The number of state paid positions increased from 228 in fiscal year 2018 to 323 in fiscal year 2019. This increase was partially offset by a decrease in the fringe benefit rate. The negotiated fringe benefit rate decreased from 50.65% in fiscal year 2018 to 49.05% in fiscal year 2019.
- The State of New Jersey paid other post-employment benefits decreased by \$3,191,538 or 90% and \$1,905,722 in fiscal years 2020 and 2019, respectively. The amount to record is provided by the State of New Jersey and represents the organization's prorated share of the total expense.
- Private gifts increased by \$3,655,961 or 365% primarily due to the N.C. Wyeth painting which was valued at \$4 million and was donated to the University. Private gifts were comparable in fiscal year 2019 with a decrease of only \$10,949 or 1%.
- The decrease in contributed U.S. Postal Service of \$724,905 or 82% in fiscal year 2020 was due to using new technology that eliminated sending one audiobook cartridge per mailings. The new Gutenberg, just in time duplication system can fit up to eight books per cartridge. The increase of \$72,913 or 9% in fiscal year 2019 was due to increased usage.

	2020		2019		2018	
	Total	Percentage of total	Total	Percentage of total	Total	Percentage of total
Nonoperating revenues:						
Federal grants	892,166	3 %	—	—	—	—
State of New Jersey appropriations	9,407,585	32	\$ 9,234,405	30 %	\$ 9,485,701	30 %
State of New Jersey paid fringe benefits	13,166,202	45	15,808,493	51	14,417,188	46
State of New Jersey paid other post employment benefits	348,257	1	3,539,795	11	5,445,517	17
Subtotal State of New Jersey	22,922,044		28,582,693		29,348,406	
Contributed U.S. Postal Service	163,598	—	888,503	3	815,590	3
Private gifts – restricted	4,657,025	16	1,001,064	3	1,012,013	3
Investment income	781,146	3	797,731	2	450,389	1
Nonoperating revenues	<u>\$ 29,415,979</u>	<u>100 %</u>	<u>\$ 31,269,991</u>	<u>100 %</u>	<u>\$ 31,626,398</u>	<u>100 %</u>

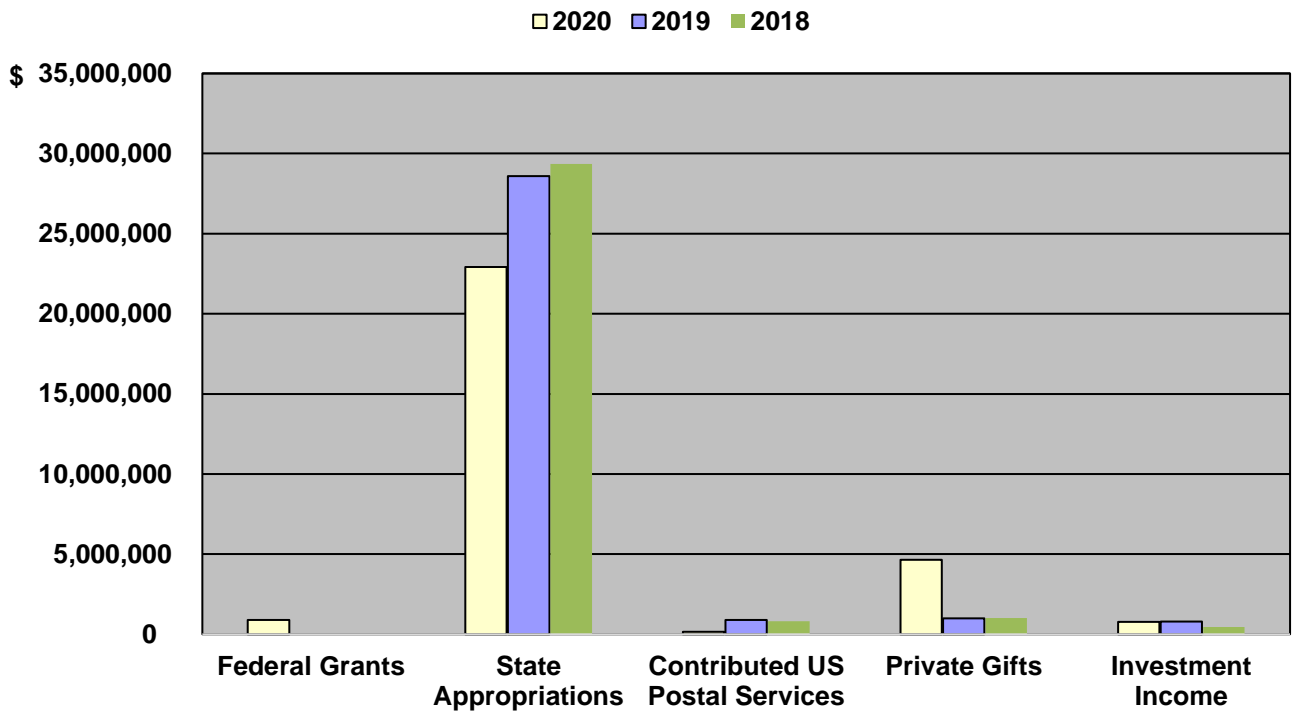
**THOMAS EDISON STATE UNIVERSITY AND ITS
AFFILIATE THE NEW JERSEY STATE LIBRARY**
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Nonoperating Revenues



Capital Assets and Debt Activities

At June 30, 2020, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$66,976,629, net of accumulated depreciation of \$36,797,598. The amount invested in capital assets, net of related debt of \$8,495,844, was \$58,480,785. Depreciation charges totaled \$2,305,685 for the current fiscal year. The \$3,081,309 increase of net investment in capital assets was due to capital additions of \$4,163,586, principal paid on outstanding debt of \$1,229,001, less depreciation of \$2,305,685 and net capital retirements of \$5,593. At June 30, 2019, the Organization's capital assets, including rare books, artwork, and historical documents, amounted to \$65,124,321, net of accumulated depreciation of \$34,616,355. The amount invested in capital assets, net of related debt of \$9,724,845, was \$55,399,476. Depreciation charges totaled \$2,377,117 for the current fiscal year. The \$964,035 decrease of net investment in capital assets was due to capital additions of \$208,650, principal paid on outstanding debt of \$1,345,016, less depreciation of \$2,377,117 and net capital retirements of \$140,584.

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

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Interest on indebtedness was \$295,532 in fiscal year 2020 as compared \$334,614 in fiscal year 2019, a decrease of \$39,082 or 12%. The decrease was due to the allocation of principal and interest per the amortization schedules. Interest on indebtedness was \$334,614 in fiscal year 2019 as compared \$372,843 in fiscal year 2018, a decrease of \$38,229 or 10%. The decrease was due to the allocation of principal and interest per the amortization schedules.

Tax-Exempt Lease Financing

There were no State issued bonds awarded to fund capital improvements at the Organization in fiscal years 2020 and 2019.

During fiscal year 2018, the State issued bonds to fund a New Jersey Capital Improvement Fund grant award made to the University. The University is responsible for one third of each debt service payment that will be reimbursed to the State. The payment schedule has a twenty-year term. The University was awarded \$170,000 for alterations and renovations to the entryway of the Kelsey/Townhouse Complex. The University share of the debt is \$55,399 with interest rates ranging from 3.000% to 2.486%. The project was completed during fiscal year 2018.

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

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

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

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

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%, respectively.

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

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The Organization's net investment in capital assets at June 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net investment in capital assets:			
Depreciable assets:			
Buildings and improvements	\$ 55,482,515	57,119,579	58,851,607
Equipment and vehicles	968,955	1,197,814	1,521,650
Furniture and fixtures	<u>1,941,832</u>	<u>2,223,601</u>	<u>2,476,788</u>
Subtotal	<u>58,393,302</u>	<u>60,540,994</u>	<u>62,850,045</u>
Nondepreciable assets:			
Land	2,452,680	2,452,680	2,452,680
Rare books, artwork, and historical documents	<u>6,130,647</u>	<u>2,130,647</u>	<u>2,130,647</u>
Subtotal	<u>8,583,327</u>	<u>4,583,327</u>	<u>4,583,327</u>
Total capital assets	66,976,629	65,124,321	67,433,372
Less related long-term debt, net of unspent proceeds	<u>(8,495,844)</u>	<u>(9,724,845)</u>	<u>(11,069,861)</u>
Net investment in capital assets	<u>\$ 58,480,785</u>	<u>55,399,476</u>	<u>56,363,511</u>

Economic Outlook

With net position of \$19,957,642, the Organization's financial position remains positive. A major challenge to the Organization has been growth of the University's enrollment. The University had 14,726 enrollments in fiscal year 2020. During fiscal year 2020, the University experienced an increase in student revenue, including scholarship allowances. This is the first increase in a student revenue since fiscal year 2014. Another challenge is maintaining state support.

The University was impacted by the COVID-19 global pandemic during fiscal year 2020 that has continued into fiscal year 2021. The University shifted to a completely remote work environment in March 2020. Nearly all employees remain remote during fiscal year 2021. Employees are not expected to end remote work until the end of fiscal year 2021. The State de-obligated funds during the fourth quarter of fiscal year 2020 however, State funding was restored in fiscal year 2021. The State budget is being supported through the issuance of general obligation bonds. The State's ability to support higher education in future years is unknown. The University has been able to utilize federal funds for costs associated with the pandemic.

**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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash (note 2)	\$ 12,747,993	9,683,159
Investments (notes 2 and 4)	17,064,761	20,075,684
Receivables:		
Students, less allowance for doubtful accounts of approximately \$1,984,000 in 2020 and \$2,652,000 in 2019	5,436,056	6,291,848
State of New Jersey	913,766	863,429
Federal	1,816,761	723,191
Corporate accounts, less allowance for doubtful accounts of approximately \$247,000 in 2020 and \$307,000 in 2019	339,035	298,677
Other receivables	148,881	326,412
Total receivables	<u>8,654,499</u>	<u>8,503,557</u>
Prepaid expenses and other assets	540,030	503,981
Total current assets	<u>39,007,283</u>	<u>38,766,381</u>
Noncurrent assets:		
Investments (notes 2 and 4)	3,665,459	2,724,445
Restricted investments (notes 2 and 4)	2,832,559	2,944,472
Trustee held investments – restricted (notes 3 and 4)	1,035,299	1,049,398
Rare books, artwork, and historical documents	6,130,647	2,130,647
Capital assets, net (note 5)	60,845,982	62,993,674
Total noncurrent assets	<u>74,509,946</u>	<u>71,842,636</u>
Total assets	<u>113,517,229</u>	<u>110,609,017</u>
Deferred outflows of resources:		
Pensions related (note 9)	9,958,833	15,004,197
Total assets and deferred outflows of resources	<u>123,476,062</u>	<u>125,613,214</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 6 and 7)	7,795,458	5,877,961
Unearned tuition and fees	4,171,161	5,016,587
Unearned grants and contracts	288,998	878,561
Deposits held in custody for others	15,164	16,663
Long-term debt – current portion (note 8)	1,256,933	1,229,001
Total current liabilities	<u>13,527,714</u>	<u>13,018,773</u>
Noncurrent liabilities:		
Compensated absences – noncurrent portion (note 7)	612,156	591,883
Long-term debt (note 8)	7,238,911	8,495,844
Net pension liability (notes 7 and 9)	66,056,649	69,088,272
Total noncurrent liabilities	<u>73,907,716</u>	<u>78,175,999</u>
Total liabilities	<u>87,435,430</u>	<u>91,194,772</u>
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pensions related (note 9)	16,082,990	16,661,649
Total liabilities and deferred inflows of resources	<u>103,518,420</u>	<u>107,856,421</u>
Net Position		
Net investment in capital assets	58,480,785	55,399,476
Restricted for:		
Nonexpendable:		
Aid to local libraries	416,073	416,073
Library for the Blind and Handicapped	333,642	333,642
Expendable:		
Aid to local libraries	361,531	313,928
Library for the Blind and Handicapped	1,271,237	1,245,681
Public policy	1,505,357	1,684,546
Unrestricted	(42,410,983)	(41,636,553)
Total net position	<u>\$ 19,957,642</u>	<u>17,756,793</u>

See accompanying notes to financial statements.

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

Statements of Financial Position

December 31, 2019 and 2018

Assets	2019	2018
Cash	\$ 46,855	361,800
Investments	11,205,529	9,424,006
Contributions and grants receivable	235,164	223,853
Other assets	<u>73,546</u>	<u>60,245</u>
Total assets	<u>\$ 11,561,094</u>	<u>10,069,904</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ —	4,502
Contributions and grants payable	54,788	54,659
Accrued liabilities	<u>484,681</u>	<u>583,774</u>
Total liabilities	<u>539,469</u>	<u>642,935</u>
Net assets:		
Without donor restrictions	5,035,905	4,239,254
With donor restrictions	<u>5,985,720</u>	<u>5,187,715</u>
Total net assets	<u>11,021,625</u>	<u>9,426,969</u>
Total liabilities and net assets	<u>\$ 11,561,094</u>	<u>10,069,904</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, 2020 and 2019

	2020	2019
Operating revenues:		
Student tuition and fees (net of scholarship allowances of approximately \$2,733,000 in 2020 and \$2,412,000 in 2019)	\$ 43,257,872	43,477,037
Federal grants and contracts	9,323,697	8,152,348
Federal indirect cost recovery	285,246	137,723
State of New Jersey grants and contracts	8,402,211	8,981,038
Noncollegiate sponsored programs	18,725	20,017
Other operating revenues	549,385	560,093
Total operating revenues	61,837,136	61,328,256
Operating expenses:		
Academic support	24,423,210	25,010,562
Student services	6,284,896	6,664,929
Public services	5,831,228	6,302,729
General institutional	11,876,030	11,847,624
Operations and maintenance	2,483,618	3,475,314
General administration	18,116,560	20,254,786
Other sponsored programs	1,547,422	437,727
Scholarships	3,099,975	1,921,782
State of New Jersey Library	4,403,446	5,525,873
Talking Book and Braille Center	1,898,795	2,757,166
Grants to libraries	5,382,129	5,821,717
Collections and exhibits	1,098,147	1,174,774
Depreciation	2,305,685	2,377,117
Total operating expenses	88,751,141	93,572,100
Operating loss	(26,914,005)	(32,243,844)
Nonoperating revenues (expenses):		
Federal grants	892,166	—
State of New Jersey appropriations	9,407,585	9,234,405
State of New Jersey paid fringe benefits	13,166,202	15,808,493
State of New Jersey paid other postemployment benefits (note 9)	348,257	3,539,795
Contributed U.S. Postal Service	163,598	888,503
Private gifts – restricted	4,657,025	1,001,064
Investment income	781,146	797,731
Interest on indebtedness	(295,532)	(334,614)
Loss on disposal of equipment	(5,593)	(140,584)
Net nonoperating revenues	29,114,854	30,794,793
Increase (decrease) before other revenues	2,200,849	(1,449,051)
Increase (decrease) in net position	2,200,849	(1,449,051)
Net position as of beginning of year	17,756,793	19,205,844
Net position as of end of year	\$ 19,957,642	17,756,793

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Contributions and grants	\$ 145,741	606,334	752,075
Special events	227,037	37,514	264,551
Donated services and auction materials	260,744	—	260,744
Donated securities	4,180	17,189	21,369
Investment return, net	676,384	986,798	1,663,182
Net assets released from restrictions	849,830	(849,830)	—
Total support and revenues	<u>2,163,916</u>	<u>798,005</u>	<u>2,961,921</u>
Expenses:			
Program expenses	1,245,866	—	1,245,866
Management and general	25,608	—	25,608
Fundraising	95,791	—	95,791
Total expenses	<u>1,367,265</u>	<u>—</u>	<u>1,367,265</u>
Change in net assets	796,651	798,005	1,594,656
Net assets, beginning of year	<u>4,239,254</u>	<u>5,187,715</u>	<u>9,426,969</u>
Net assets, end of year	<u>\$ 5,035,905</u>	<u>5,985,720</u>	<u>11,021,625</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Contributions and grants	\$ 153,416	341,942	495,358
Special events	190,304	43,164	233,468
Donated services and auction materials	263,112	—	263,112
Donated securities	7,004	53,147	60,151
Investment return, net	(275,732)	(390,561)	(666,293)
Net assets released from restrictions	688,039	(688,039)	—
Total support and revenues	1,026,143	(640,347)	385,796
Expenses:			
Grants	1,405,800	—	1,405,800
Management and general	23,549	—	23,549
Fundraising	111,434	—	111,434
Total expenses	1,540,783	—	1,540,783
Change in net assets	(514,640)	(640,347)	(1,154,987)
Net assets, beginning of year	4,753,894	5,828,062	10,581,956
Net assets, end of year	\$ 4,239,254	5,187,715	9,426,969

See accompanying notes to financial statements.

**THOMAS EDISON STATE UNIVERSITY 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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Student tuition and fees	\$ 46,011,216	45,663,120
Grants, contracts, and other revenues	14,106,113	14,103,720
Payments for salaries	(34,167,535)	(34,748,746)
Payments for fringe benefits	(2,107,601)	(1,997,933)
Payments for materials and supplies	(1,407,626)	(1,541,961)
Payments for services	(22,686,786)	(22,879,058)
Payments for maintenance	(2,175,509)	(2,637,261)
Payments to students	(3,955,766)	(1,754,143)
Payments for grants and contracts	(1,742,890)	(2,182,477)
Payments for noncapital improvements	(158,498)	(316,935)
Net cash used by operating activities	<u>(8,284,882)</u>	<u>(8,291,674)</u>
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	9,407,585	9,234,405
Private gifts – restricted	649,569	992,497
Agency receipts	180,169	174,917
Agency disbursements	(182,553)	(167,224)
Net cash provided by noncapital financing activities	<u>10,054,770</u>	<u>10,234,595</u>
Cash flows from capital financing activities:		
Purchases of capital assets	(206,901)	(173,011)
Net deposits with trustee	16,432	16,120
Principal paid on capital debt	(1,229,001)	(1,345,016)
Interest paid on capital debt	(300,272)	(340,519)
Net cash used by capital financing activities	<u>(1,719,742)</u>	<u>(1,842,426)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	11,752,042	26,721,276
Purchases of investments	(9,632,248)	(26,374,509)
Interest on investments	894,894	612,050
Net cash provided by investing activities	<u>3,014,688</u>	<u>958,817</u>
Net increase in cash	<u>3,064,834</u>	<u>1,059,312</u>
Cash as of beginning of the year	<u>9,683,159</u>	<u>8,623,847</u>
Cash as of end of the year	<u>\$ 12,747,993</u>	<u>9,683,159</u>

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

Statements of Cash Flows

Business-Type Activities – Organization Only

Years ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (26,914,005)	(32,243,844)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,305,685	2,377,117
Noncash transactions	13,685,328	20,245,286
Change in assets and liabilities:		
Receivables	741,224	1,870,004
Prepaid expenses and other assets	(36,049)	(59,262)
Accounts payable and accrued expenses	(938,635)	(2,125,663)
Deposits held in custody of others	1,499	(7,121)
Unearned tuition and fees	845,426	(422,948)
Unearned grants and contracts	589,563	(490,662)
Net pension liability and related deferred amounts	1,435,082	2,565,419
Net cash used by operating activities	\$ (8,284,882)	(8,291,674)
Noncash transactions:		
State of New Jersey paid fringe benefits	\$ 13,166,202	15,808,493
State of New Jersey paid other postemployment benefits	348,257	3,539,795
Contributed U.S. Postal Service	163,598	888,503
Contributed services	7,271	8,495
Contributed art work	4,000,000	—
Student waivers expense	(2,733,021)	(949,197)
Student tuition and fees	2,733,021	949,197
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
	\$ 17,685,328	20,245,286

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

Organization

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

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

The mission statement of Thomas Edison State University charges the University with providing distinctive undergraduate and graduate education for self-directed adults through flexible, high-quality collegiate learning and assessment opportunities. The University was founded for the purpose of providing diverse and alternative methods of achieving a collegiate education of the highest quality for mature adults.

The University is accredited by the Middle States Association of Colleges and Schools. Enrollment for 2020 was 14,726 students and 2019 was 15,275. Since the University was founded, 66,658 associate, baccalaureate, masters and doctoral degrees in eighteen degree programs have been awarded. The University's offices are located in Trenton, New Jersey.

(b) The New Jersey State Library

The New Jersey State Library (the Library) was established by the State of New Jersey (the State) to provide lifelong learning and educational services, through the use of a State library, to the citizens of the State. This is accomplished by enabling citizens of the State and other libraries within the State, to have access to a national network of publications as well as the collection of books and historical documents at the Library, including a priceless Jerseyana collection. The Library also ensures that affiliated libraries within the State are provided Federal and State funds needed to administer library operations and update collections of books and records. The Library has existed as part of the State since 1796 and maintains approximately 2.1 million volumes of books and historical documents.

(c) 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, Public Law 2001, Chapter 137 was signed into law effective July 2, 2001, making the Library an affiliate of the University. This statute makes permanent the conditions of Executive Order 002-1996 under which the University and the Library have been operating since July 1996. As a result, the financial reporting entity was formed known as Thomas Edison State University and its Affiliate the New Jersey State Library (the Organization) under control of the University's Board of Trustees.

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

Notes to Financial Statements

June 30, 2020 and 2019

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

Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

(b) Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The Organization reports as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and*

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

Notes to Financial Statements

June 30, 2020 and 2019

Analysis – for State and Local Governments. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(c) Investments

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

(d) Rare Books, Artwork, and Historical Documents

The Organization capitalizes rare books, artwork, collections and historical documents of \$5,000 or greater at fair value at the date of donation. These items are held for public exhibition, education, or research in furtherance of public service, rather than financial gain, protected, kept unencumbered, cared for, and preserved. They are considered inexhaustible and are not depreciated.

(e) Capital Assets

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

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

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 \$1,100,000 and \$1,175,000 in 2020 and 2019, respectively.

(f) Net Pension Liability and Related Pension Amounts

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position

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

Notes to Financial Statements

June 30, 2020 and 2019

have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the State of New Jersey, Division of Pensions and Benefits' CAFR, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. Additional information regarding pensions is discussed in note 9.

(g) Postemployment Benefits Other than Pensions

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

(h) Student Tuition and Fees

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

(i) State of New Jersey and Federal Grants and Contracts

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

(j) State of New Jersey Paid Fringe Benefits

The State of New Jersey pays for the fringe benefits for certain employees of the Organization. Fringe benefits paid by the State of \$13,166,202 and \$15,808,493 in 2020 and 2019, respectively, have been included in the accompanying financial statements as revenues and expenses.

(k) Contributed U.S. Postal Service

As a service to the blind citizens of the State, the U.S. Postal Service provides certain delivery services for the Talking Book and Braille Center at no cost to the Library. The estimated value of such services, based upon the amount of packages delivered, is approximately \$164,000 and \$889,000 for the years ended June 30, 2020 and 2019, respectively. Such contributed services have been included in the accompanying financial statements as revenues and expenses.

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

Notes to Financial Statements

June 30, 2020 and 2019

(l) Classification of Revenue

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

(m) Financial Dependency

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

(n) Income Taxes

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

(o) Use of Estimates

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

(2) Cash and Investments

(a) Cash

Cash consisted of the following demand deposits in a financial institution as of June 30, 2020 and 2019:

	Carrying amount	Bank balances
2020:		
University	\$ 7,128,799	7,936,874
Library	5,619,194	5,401,747
Total deposits	\$ 12,747,993	13,338,621

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

Notes to Financial Statements

June 30, 2020 and 2019

	Carrying amount	Bank balances
2019:		
University	\$ 4,081,012	5,842,630
Library	5,602,147	6,035,831
Total deposits	\$ 9,683,159	11,878,461

Bank balances in excess of FDIC insured amounts totaling \$12,738,501 in 2020 and \$11,274,109 in 2019 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

(b) Investments

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

Investments consist of the following as of June 30, 2020 and 2019:

	2020		
	University	Library	Total
State of New Jersey Cash Management Fund	\$ 9,259,783	438,463	9,698,246
Money market accounts	46,636	2,017,559	2,064,195
Equities and equity exchange traded funds (ETFs)	507,920	573,350	1,081,270
Fixed income ETFs	3,101,135	526,441	3,627,576
Certificates of deposit	7,091,492	—	7,091,492
Total	\$ 20,006,966	3,555,813	23,562,779

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

Notes to Financial Statements

June 30, 2020 and 2019

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

The bank balances of the certificate of deposits in excess of FDIC insured amounts totaling \$6,841,492 in 2020 and \$10,250,000 in 2019 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. Individual debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). The Organizations ETF mutual funds are comprised of many securities and therefore are not rated overall as a fund by the major rating agencies.

The following table summarizes the Organization's fixed income investments as of June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Rating</u>	<u>Fair value</u>	<u>Rating</u>	<u>Fair value</u>
University:				
Fixed income ETFs	Not Rated	\$ 3,101,135	Not Rated	\$ 1,982,424
Library:				
Fixed income ETFs	Not Rated	\$ 526,441	Not Rated	\$ 489,273

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

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

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

Notes to Financial Statements

June 30, 2020 and 2019

The following tables summarize the maturities of the Organization's fixed income investments as of June 30, 2020 and 2019:

		2020				
		Maturities in years				
Fair value		Less than 1	1-5	6-10	11-15	
University:						
State of New Jersey Cash Management Fund	\$ 9,259,783	9,259,783	—	—	—	
Money market accounts	46,636	46,636	—	—	—	
Fixed income ETFs	3,101,135	—	—	3,101,135	—	
Certificates of Deposit	7,091,492	4,000,000	3,091,492	—	—	
Library:						
State of New Jersey Cash Management Fund	438,463	438,463	—	—	—	
Money market accounts	2,017,559	2,017,559	—	—	—	
Fixed income ETFs	526,441	—	—	526,441	—	
	\$ 22,481,509	15,762,441	3,091,492	3,627,576	—	
		2019				
		Maturities in years				
Fair value		Less than 1	1-5	6-10	11-15	
University:						
State of New Jersey Cash Management Fund	\$ 8,366,337	8,366,337	—	—	—	
Money market accounts	60,769	60,769	—	—	—	
Fixed income ETFs	1,982,424	—	—	1,982,424	—	
Certificates of Deposit	10,500,000	7,500,000	3,000,000	—	—	
Library:						
State of New Jersey Cash Management Fund	431,854	431,854	—	—	—	
Money market accounts	2,017,900	2,017,900	—	—	—	
Fixed income ETFs	489,273	—	—	489,273	—	
	\$ 23,848,557	18,376,860	3,000,000	2,471,697	—	

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

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

Notes to Financial Statements

June 30, 2020 and 2019

(3) Trustee Held Investments – Restricted

Trustee held investments include restricted funds held for Library specific purposes by third party trustees. Trustee held investments consist of the following as of June 30, 2020 and 2019:

	2020	2019
State of New Jersey Cash Management Fund	\$ 647,057	637,480
Money market accounts	16,240	10,077
Alternative assets ETFs	91,324	99,384
Fixed income ETFs	62,350	76,121
Equity ETFs	218,328	226,336
Total	\$ 1,035,299	1,049,398

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

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

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

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

The following table summarizes the maturities of the Organization’s trustee held investments – restricted as of June 30, 2020 and 2019:

	2020		2019	
	Maturities in years		Maturities in years	
	Fair value	Less than 1	Fair value	Less than 1
Library:				
State of New Jersey Cash Management Fund	\$ 647,057	647,057	637,480	637,480
Money market accounts	16,240	16,240	10,077	10,077
Fixed income ETFs	62,350	62,350	76,121	76,121
	\$ 725,647	725,647	723,678	723,678

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

Notes to Financial Statements

June 30, 2020 and 2019

(4) Fair Value Measurement

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2020 and 2019

The Organization's investments as of June 30, 2020 are summarized in the following table by their fair value hierarchy:

	2020 Investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Equities and equity ETFs	\$ 1,081,270	1,081,270	—	—
Fixed income ETFs	3,627,576	3,627,576	—	—
Subtotal	<u>4,708,846</u>	<u>\$ 4,708,846</u>	<u>—</u>	<u>—</u>
Investments measured at amortized cost:				
Money market accounts	2,064,195			
Certificates of deposit	<u>7,091,492</u>			
Subtotal	<u>9,155,687</u>			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	<u>9,698,246</u>			
Total investments	<u>\$ 23,562,779</u>			

	2020 Trustee held investments			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Alternative asset ETFs	\$ 91,324	91,324	—	—
Fixed income ETFs	62,350	62,350	—	—
Equity ETFs	<u>218,328</u>	<u>218,328</u>	<u>—</u>	<u>—</u>
Subtotal	<u>372,002</u>	<u>\$ 372,002</u>	<u>—</u>	<u>—</u>
Investments measured at amortized cost:				
Money market accounts	<u>16,240</u>			
Subtotal	<u>16,240</u>			
Local Government Investment Pool:				
State of New Jersey Cash Management Fund	<u>647,057</u>			
Total investments	<u>\$ 1,035,299</u>			

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

Notes to Financial Statements

June 30, 2020 and 2019

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

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

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

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

Notes to Financial Statements

June 30, 2020 and 2019

(5) Capital Assets, Net

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, 2020 and 2019, capital assets and accumulated depreciation activity was as follows:

	2020			Ending balance
	Beginning balance	Additions	Retirements	
Depreciable assets:				
Buildings and improvements	\$ 64,663,026	54,904	—	64,717,930
Equipment and vehicles	3,503,099	33,955	105,000	3,432,054
Furniture and fixtures	4,064,217	—	—	4,064,217
University subtotal	<u>72,230,342</u>	<u>88,859</u>	<u>105,000</u>	<u>72,214,201</u>
Buildings and improvements	20,101,946	5,745	25,035	20,082,656
Equipment and vehicles	2,567,440	68,982	—	2,636,422
Furniture and fixtures	257,621	—	—	257,621
Library subtotal	<u>22,927,007</u>	<u>74,727</u>	<u>25,035</u>	<u>22,976,699</u>
Total depreciable assets	<u>95,157,349</u>	<u>163,586</u>	<u>130,035</u>	<u>95,190,900</u>
Less accumulated depreciation:				
Buildings and improvements	12,415,362	1,467,975	—	13,883,337
Equipment and vehicles	2,620,260	244,446	105,000	2,759,706
Furniture and fixtures	2,050,981	265,252	—	2,316,233
University subtotal	<u>17,086,603</u>	<u>1,977,673</u>	<u>105,000</u>	<u>18,959,276</u>
Buildings and improvements	15,230,031	224,145	19,442	15,434,734
Equipment and vehicles	2,252,465	87,350	—	2,339,815
Furniture and fixtures	47,256	16,517	—	63,773
Library subtotal	<u>17,529,752</u>	<u>328,012</u>	<u>19,442</u>	<u>17,838,322</u>
Total accumulated depreciation	<u>34,616,355</u>	<u>2,305,685</u>	<u>124,442</u>	<u>36,797,598</u>
Total depreciable assets, net	<u>60,540,994</u>	<u>(2,142,099)</u>	<u>5,593</u>	<u>58,393,302</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

		2020			
		Beginning balance	Additions	Retirements	Ending balance
Nondepreciable assets:					
University land	\$	1,363,088	—	—	1,363,088
Library land		1,089,592	—	—	1,089,592
Total nondepreciable assets		2,452,680	—	—	2,452,680
Total capital assets, net	\$	62,993,674	(2,142,099)	5,593	60,845,982
		2019			
		Beginning balance	Additions	Retirements	Ending balance
Depreciable assets:					
Buildings and improvements	\$	64,767,882	27,123	131,979	64,663,026
Equipment and vehicles		3,638,948	63,829	199,678	3,503,099
Furniture and fixtures		4,080,066	49,689	65,538	4,064,217
University subtotal		72,486,896	140,641	397,195	72,230,342
Buildings and improvements		20,101,946	—	—	20,101,946
Equipment and vehicles		2,642,813	68,009	143,381	2,567,441
Furniture and fixtures		257,621	—	—	257,621
Library subtotal		23,002,380	68,009	143,381	22,927,008
Total depreciable assets		95,489,276	208,650	540,576	95,157,350
Less accumulated depreciation:					
Buildings and improvements		11,013,185	1,467,890	65,713	12,415,362
Equipment and vehicles		2,456,846	309,205	145,791	2,620,260
Furniture and fixtures		1,830,819	265,269	45,107	2,050,981
University subtotal		15,300,850	2,042,364	256,611	17,086,603

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

Notes to Financial Statements

June 30, 2020 and 2019

	2019			
	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	\$ 15,005,036	224,995	—	15,230,031
Equipment and vehicles	2,303,265	92,581	143,381	2,252,465
Furniture and fixtures	30,080	17,177	—	47,257
Library subtotal	17,338,381	334,753	143,381	17,529,753
Total accumulated depreciation	32,639,231	2,377,117	399,992	34,616,356
Total depreciable assets, net	62,850,045	(2,168,467)	140,584	60,540,994
Nondepreciable assets:				
University construction in progress	—	—	—	—
University land	1,363,088	—	—	1,363,088
Library land	1,089,592	—	—	1,089,592
Total nondepreciable assets	2,452,680	—	—	2,452,680
Total capital assets, net	\$ 65,302,725	(2,168,467)	140,584	62,993,674

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2020 and 2019:

		2020			2019
		University	Library	Total	Total
Vendors	\$	4,025,905	128,550	4,154,455	3,014,445
Accrued salaries and benefits		833,281	161,328	994,609	803,997
Compensated absences		1,659,791	355,477	2,015,268	1,751,277
Other accrued expenses		473,270	157,856	631,126	308,242
Total	\$	6,992,247	803,211	7,795,458	5,877,961

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

Notes to Financial Statements

June 30, 2020 and 2019

(7) Noncurrent Liabilities

For the years ended June 30, 2020 and 2019, noncurrent liabilities activity was as follows:

	2020				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
University	\$ 1,886,645	227,287	22,474	2,091,458	1,659,790
Library	456,515	103,305	23,855	535,965	355,477
Total compensated absences	<u>2,343,160</u>	<u>330,592</u>	<u>46,329</u>	<u>2,627,423</u>	<u>2,015,267</u>
Net pension liability:					
University	39,906,414	3,285,886	5,151,425	38,040,875	—
Library	29,181,858	1,081,321	2,247,405	28,015,774	—
Total net pension liability	<u>69,088,272</u>	<u>4,367,207</u>	<u>7,398,830</u>	<u>66,056,649</u>	<u>—</u>
Total	<u>\$ 71,431,432</u>	<u>4,697,799</u>	<u>7,445,159</u>	<u>68,684,072</u>	<u>2,015,267</u>
	2019				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences:					
University	\$ 2,086,603	2,617,392	2,817,350	1,886,645	1,499,105
Library	641,202	607,055	791,742	456,515	252,172
Total compensated absences	<u>2,727,805</u>	<u>3,224,447</u>	<u>3,609,092</u>	<u>2,343,160</u>	<u>1,751,277</u>
Net pension liability:					
University	44,250,453	3,684,760	8,028,799	39,906,414	—
Library	32,425,786	1,319,332	4,563,260	29,181,858	—
Total net pension liability	<u>76,676,239</u>	<u>5,004,092</u>	<u>12,592,059</u>	<u>69,088,272</u>	<u>—</u>
Total	<u>\$ 79,404,044</u>	<u>8,228,539</u>	<u>16,201,151</u>	<u>71,431,432</u>	<u>1,751,277</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

	2019				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
PNC Bank:					
Nursing Center	\$ 4,705,000	—	670,000	4,035,000	680,000
Capital Improvement Fund:					
Kelsey Entryway	54,224	—	1,778	52,446	1,868
University subtotal	10,987,976	—	1,263,131	9,724,845	1,229,001
Library:					
TD Equipment Finance, Inc.: 2012 Tax Exempt Lease	81,885	—	81,885	—	—
Library subtotal	81,885	—	81,885	—	—
Total	\$ 11,069,861	—	1,345,016	9,724,845	1,229,001

In December 2016, the Organization received grant funding as part of the Higher Education Capital Improvement Fund Act in which BNY Mellon Bank is Custodian, the New Jersey Educational Facilities Authority is the grantor, and the Organization is the grantee. The grant funding of \$170,000 to the University was used for alterations and renovations to the entryway of the Kelsey/Townhouse Complex. The Organization's share of the bond debt service is \$55,399. As of June 30, 2020, the Organization has fully drawn down the funds. The bond debt service payment schedule has a twenty-year term. There are nineteen interest-only payments totaling \$15,786 and twenty principal plus interest payments totaling \$73,100 with interest rates ranging from 3.000% to 5.500%. As of June 30, 2020 and 2019, the Organization owes \$50,578 and \$52,446, respectively.

In October 2014, the Organization entered into a tax exempt lease financing arrangement in which PNC Bank is the lessor, the New Jersey Educational Facilities Authority is the lessee, and the Organization is the sublessee. The lease financing of \$7,000,000 was to assist the University in covering costs associated with the construction of the Nursing Education Center in Trenton, NJ. As of June 30, 2020, 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, 2020 and 2019, the Organization owes \$3,355,000 and \$4,035,000, 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, 2020, 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, 2020 and 2019, the Organization owes \$353,923 and \$371,163, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020, the Organization has fully drawn down the funds. The bond debt service payment schedule has a twenty-year term. There are twenty interest-only payments totaling \$161,772 and nineteen principal plus interest payments totaling \$593,360 with interest rates ranging from 3.500% to 5.00%. As of June 30, 2020 and 2019, the Organization owes \$484,671 and \$508,280, 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, 2020, the Organization has fully drawn down the funds. The bond debt service payment schedule has a nine-year term. There are nine interest-only payments totaling \$19,306 and nine principal plus interest payments totaling \$144,485 with an interest rate of 5.000%. As of June 30, 2020 and 2019, the Organization owes \$49,549 and \$64,523, 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, 2020 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, 2020 and 2019, the Organization owes \$4,026,479 and \$4,447,532, 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, 2020 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, 2020 and 2019, the Organization owes \$175,644 and \$245,901, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2020:

	Principal	Interest
Year ending June 30:		
2021	\$ 1,256,933	262,124
2022	1,300,039	223,051
2023	1,258,162	183,109
2024	1,233,247	145,674
2025–2029	2,817,123	362,993
2030–2034	617,957	53,583
2035–2039	12,383	949
Total	\$ 8,495,844	1,231,483

(9) Retirement Plans

The Organization participates in two major retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the Division), for its employees – Public Employees’ Retirement System (PERS) and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association (TIAA), Aetna Life Insurance, Lincoln Life Insurance, Metropolitan Life Insurance, Travelers Insurance, and VALIC. PERS is a cost sharing, multiple-employer defined benefit 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/annual-reports.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

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

Notes to Financial Statements

June 30, 2020 and 2019

Benefit Plan and supplemental to those under the Alternate Benefit Program and the Supplemental Alternate Benefit Plan for the Supplemental Retirement Plan.

(a) Defined Benefit Pension Plan

(i) Plan Description

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

PERS members were required to contribute 7.50% of their annual covered salary for the years ended June 30, 2020 and 2019. The State makes employer contributions on behalf of the Organization. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The State's contribution for the Organization was \$2,726,590 and \$2,349,194 for 2020 and 2019, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

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

The Organization's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for PERS are calculated by the Division. At June 30, 2020 and 2019, the Organization reported a liability of \$66,056,649 and \$69,088,272, respectively, for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability at June 30, 2020 was determined by an actuarial valuation as of July 1, 2018 and rolled forward to the measurement date of June 30, 2019. The total pension liability used to calculate the net pension liability at June 30, 2019 was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date of June 30, 2018. The June 30, 2019 and 2018 PERS net pension liability was recorded in the statement of net position as of June 30, 2020 and June 30, 2019, respectively. The Organization's proportionate share of the respective net pension liability for the fiscal year was based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for the respective fiscal years. Below is a summary of PERS information for June 30, 2019 and 2018:

	2019		
	University	Library	Total
Proportionate share of net pension liability	\$ 38,040,875	28,015,774	66,056,649
Allocation percentage – State Group	0.1653058421 %	0.1217419689 %	0.2870478110 %
Allocation percentage – Total Plan*	0.0924303665	0.0680717323	0.1605020988
Pension expense for the year ended	\$ 3,285,886	1,081,321	4,367,207

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

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

Notes to Financial Statements

June 30, 2020 and 2019

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

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

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

	2020		
	University	Library	Total
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 392,909	289,363	682,272
Changes of assumptions	2,112,173	1,555,541	3,667,714
Net differences between projected and actual investment earnings on pension plan investments	36,818	27,115	63,933
Changes in proportionate share	2,430,056	388,268	2,818,324
Contributions subsequent to the measurement date	1,527,293	1,199,297	2,726,590
	<u>\$ 6,499,249</u>	<u>3,459,584</u>	<u>9,958,833</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 272,379	200,598	472,977
Changes in assumptions	7,629,123	5,618,582	13,247,705
Changes in proportionate share	1,317,549	1,044,759	2,362,308
	<u>\$ 9,219,051</u>	<u>6,863,939</u>	<u>16,082,990</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

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

\$2,726,590 reported as deferred outflows of resources at June 30, 2020 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 will be recognized in pension expense as follows:

	<u>University</u>	<u>Library</u>	<u>Total</u>
Years ending:			
2021	\$ 373,238	(766,261)	(393,023)
2022	(1,426,087)	(1,468,969)	(2,895,056)
2023	(1,929,901)	(1,483,189)	(3,413,090)
2024	(1,143,055)	(805,053)	(1,948,108)
2025	<u>(121,290)</u>	<u>(80,180)</u>	<u>(201,470)</u>
	<u>\$ (4,247,095)</u>	<u>(4,603,652)</u>	<u>(8,850,747)</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(iii) *Actuarial Assumptions*

The total pension liability as of June 30, 2020 is measured as of June 30, 2019 (based on the July 1, 2018 actuarial valuation rolled forward to June 30, 2019) and the total pension liability as of June 30, 2019 is measured as of June 30, 2018 (based on the July 1, 2017 actuarial valuation rolled forward to June 30, 2018). The total pension liability as of June 30, 2020 and June 30, 2019 was determined using the following actuarial assumptions:

	2020	2019
Inflation rate		
Price	2.75 %	2.25 %
Wage	3.25 %	2.25 %
Salary increases:		
Through 2026	2.00–6.00% based on years service	1.65–4.15% based on age
Thereafter	3.00–7.00% based on years service	2.65–5.15% based on age
Investment rate of return	7.00 %	7.00 %
Discount rate	6.28	5.66

2019

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

2018

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

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

Notes to Financial Statements

June 30, 2020 and 2019

thereafter. Disability retirement rates used to value disabled retirees were based on the RP 2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

The long-term expected rate of return on pension plan investments 7.00% at June 30, 2019 and June 30, 2018, respectively, is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term rate of return was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PER's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

<u>Asset class</u>	<u>PERS 2019</u>		<u>PERS 2018</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>
Risk mitigation strategies	3.00 %	4.67 %	5.00 %	5.51 %
Cash equivalents	5.00	2.00	5.50	1.00
U.S. treasuries	5.00	2.68	3.00	1.87
Investment grade credit	10.00	4.25	10.00	3.78
High yield	2.00	5.37	2.50	6.82
Global diversified credit	—	—	5.00	7.10
Credit oriented hedge funds	—	—	1.00	6.60
Private credit/debt related private credit	6.00	7.92	2.00	10.63
Debt related real estate	—	—	1.00	6.61
Real assets/private real asset	2.50	9.31	2.50	11.83
Real estate/equity related real estate	7.50	8.33	6.25	9.23
U.S. equity	28.00	8.26	30.00	8.19
Non-US developed markets equity	12.50	9.00	11.50	9.00
Emerging markets equity	6.50	11.37	6.50	11.64
Private equity	12.00	10.85	—	—
Buyouts/venture capital	—	—	8.25	13.08

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

Notes to Financial Statements

June 30, 2020 and 2019

(v) *Discount Rate*

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2018, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position as of June 30, 2018 was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(vi) *Change in Assumption*

The discount rates used to measure the total pension liabilities was 6.28% for PERS, as of June 30, 2019 and 5.66% as of June 30, 2018. As of June 30, 2019, the single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50%, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As of June 30, 2018, the single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87%, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Notes to Financial Statements

June 30, 2020 and 2019

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

The following presents the Organization's proportionate share of the collective net pension liability for the PERS as of June 30, 2019 and 2018 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:

		2019		
		At 1% decrease (5.28%)	At current discount rate (6.28%)	At 1% increase (7.28%)
	University	\$ 43,765,911	38,040,875	33,230,057
	Library	32,232,062	28,015,774	24,472,774
	Total	\$ 75,997,973	66,056,649	57,702,831
		2018		
		At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
	University	\$ 46,150,124	39,906,414	34,675,791
	Library	33,747,616	29,181,858	25,356,926
	Total	\$ 79,897,740	69,088,272	60,032,717

(b) Defined Contribution Benefit Plans

(i) *Alternate Benefit Program*

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

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

Notes to Financial Statements

June 30, 2020 and 2019

on a pretax basis. Employer contributions are 8%. During the years ended June 30, 2020 and 2019, ABP received employer and employee contributions as follows:

	2020			2019
	University	Library	Total	Total
Employer contributions	\$ 1,638,229	44,267	1,682,496	1,694,695
Employee contributions	1,023,893	27,667	1,051,560	1,059,184
Basis for contributions:				
Participating employee salaries	20,477,860	553,340	21,031,200	21,183,680

Employer contributions to ABP are paid by the State and are reflected in the accompanying financial statements as State paid fringe benefits revenue and as expenses. The maximum compensation to be considered for employer retirement contributions is \$141,000 per New Jersey state law Chapter 31, P.L. 2010. This law was effective as of July 1, 2010. P.L. 2018, Chapter 14 increased the annual compensation limit to \$175,000 effective July 1, 2018. The Organization created the Supplemental Alternate Benefit Program to fund the 8% employer match above the compensation limit. These contributions are funded by the Organization.

(ii) Supplemental Alternate Benefit Program

The Plan is administered by the Organization. TIAA CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with Non State funds. The plan is intended to qualify as a governmental plan that is a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations Section 2510.3 2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The Organization will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during fiscal year 2020 was \$175,000. There were no employee contributions during fiscal year 2020 or 2019. The employer contributions made during fiscal year 2020 and 2019 were \$31,048 and \$30,253, respectively.

(iii) Supplemental Retirement Program

The Plan is administered by the Organization. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the Organization with Non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations Section 2510.3-2(f). The Organization may contribute to the plan, on behalf of participants who are employees of the employer during the plan year and are eligible to share in the employer contributions for such plan year, as determined by

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

Notes to Financial Statements

June 30, 2020 and 2019

the Compensation Committee and approved by the Board of Trustees. There were no employee contributions during fiscal year 2020 or 2019. The employer contributions made during fiscal year 2020 and 2019 were \$8,482 and \$13,460, respectively.

(c) Postemployment Benefits Other than Pensions

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

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

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

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

(i) Total OPEB Liability and OPEB Expense

As of June 30, 2020 and 2019, the State recorded a liability of \$58,339,465 and \$77,203,200 respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the Organization (the Organization's share). The Organization's share was based on the ratio of its members to the total members of the Plan. At June 30, 2020 and 2019, the Organization's share was 1.062179% and 1.080230%, and 0.320443% and 0.327113% of the special funding situation and of the Plan, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

For the years ended June 30, 2020 and 2019, the Organization recognized OPEB expense of \$348,257 and \$3,539,795 respectively. As the State is legally obligated for benefit payments on behalf of the Organization, the Organization recognized revenue equal to the support provided by the State.

Actuarial assumptions and other inputs – The State’s liability associated with the Organization at June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2019. The State’s liability associated with the Organization at June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date of June 30, 2018. These valuations used the following assumptions, applied to all periods in the measurement:

	2020	2019
Inflation	2.50 %	2.50 %
Discount rate	3.50	3.87
Salary increases:		
Through 2026	2.00–6.00%	1.55–8.98%
Thereafter	3.00–7.00	2.00–9.98

For the June 30, 2018 actuarial valuation, preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS/JRS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “Safety” (PFRS/SPRS), “Teachers” (TPAF/ABP), and “General” (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2014 through June 30, 2018), ABP (using the experience of the Teacher’s Pension and

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

Notes to Financial Statements

June 30, 2020 and 2019

Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

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

Health Care Trend Assumptions – For pre-Medicare medical benefits, the trend rate is initially is 5.7% and 5.8% for the June 30, 2018 and 2017 valuations, respectively, and decreases to a 4.5% and 5.0% long-term trend rate after eight years, respectively. For prescription drug benefits, the initial trend rate is 7.5% and 8.0% for the June 30, 2018 and 2017 valuations, respectively, decreasing to a 4.5% and 5.0% long-term trend rate after eight and seven years, respectively. For post-65 medical benefits, the actually fully-insured Medicare Advantage trend rate for fiscal year are reflected. The Medicare Advantage trend rate is 4.5% for the June 30, 2017 valuation and will continue in all future years. For the Medicare Part B reimbursement, the trend rate is 5.0% for the June 30, 2018 and 2017 valuations.

Discount Rate – The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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.

(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 \$101,320 and \$8,367, respectively, in 2020. In 2019, the University and Library paid \$75,168 and \$86,348 respectively. The University and Library have accrued amounts of \$431,668 and \$387,540 and \$180,488 and \$466,592, respectively, as of June 30, 2020 and 2019, 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 \$180,488 and \$204,343, respectively, has been recorded as of June 30, 2020 and 2019 in the accompanying statements of net position for Library sick accrual reimbursable from the State. At the current time, it is uncertain whether the policy followed by the State regarding unused sick time reimbursement during fiscal year 2020 will continue into fiscal year 2021 and beyond. If the State did not provide reimbursement to the University for these amounts in the future, the University would still be liable for the payments to these employees.

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

Notes to Financial Statements

June 30, 2020 and 2019

(11) Component Unit

Thomas Edison State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Organization with a fiscal year-end of December 31. As of January 11, 2017, the Foundation changed its name to the Thomas Edison State University Foundation. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the University and Library in support of its programs. The Board of Directors of the Foundation, which consists of at least five and no more than thirty persons, is self-perpetuating and consists of qualified persons elected by majority vote of the Board of Directors of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, the Foundation holds and invests are used exclusively for the benefit, support, and promotion of the University for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of the University and Library, the Foundation is considered a component unit of the Organization and is discretely presented in the Organization's financial statements.

During the years ended June 30, 2020 and 2019, the Foundation distributed \$738,268 and \$968,154, 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 Financial Accounting Standards Board (FASB) accounting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Organization's financial reporting entity for these differences. Risk Management

(12) Risk Management

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

Buildings, plant, equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence with a per occurrence limit of \$2,000,000,000. Money and securities coverage provides for the actual loss in excess of \$100,000 with a per loss limit of \$5,000,000. 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.

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

Notes to Financial Statements

June 30, 2020 and 2019

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

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

There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years. In fiscal year 2021, the communicable disease coverage limit has been reduced from \$1,000,000 to \$10,000, and cyber security coverage has been reduced from \$10,000,000 to \$1,000,000 aggregate limits for the nine participating state universities.

(13) COVID-19 Pandemic

The State of New Jersey de-obligated funds during the fourth quarter of fiscal year 2020. The University was able to use federal CARES Act funds to mitigate a portion of the loss of the fiscal year 2020 expected State funds. The University was also able to get reimbursed for its costs associated with the response to the pandemic with federal funds. There is a risk that the State of New Jersey could de-obligate funds in fiscal year 2021. It is unknown if the level of State funding will remain stable in future years. The State of New Jersey restored the University's appropriation level in fiscal year 2021. The State budget includes borrowing general obligation bonds to help offset the current year deficit due to lower revenue projections related to the COVID-19 global pandemic.

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

Required Supplementary Information (Unaudited)

Schedules of Employer Contributions

State of New Jersey Public Employees' Retirement System						
Thomas Edison State University						
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,527,293	1,322,073	1,078,012	807,305	527,950	328,993
Contributions in relation to the contractually required contribution	1,527,293	1,322,073	1,078,012	807,305	527,950	328,993
Contribution deficiency (excess)	\$ —	—	—	—	—	—
Organization employee covered—payroll	\$ 6,492,369	6,971,915	7,109,582	7,481,975	7,349,168	7,555,305
Contributions as a percentage of employee covered payroll	23.52 %	18.96 %	15.16 %	10.79 %	7.18 %	4.35 %
New Jersey State Library						
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,199,297	1,027,121	831,781	626,220	444,325	276,882
Contributions in relation to the contractually required contribution	1,199,297	1,027,121	831,781	626,220	444,325	276,882
Contribution deficiency (excess)	\$ —	—	—	—	—	—
Organization employee covered—payroll	\$ 5,290,815	5,403,489	5,229,833	5,454,972	5,313,407	5,592,606
Contributions as a percentage of employee covered payroll	22.67 %	19.01 %	15.90 %	11.48 %	8.36 %	4.95 %
Total						
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,726,590	2,349,194	1,909,793	1,433,525	972,275	605,875
Contributions in relation to the contractually required contribution	2,726,590	2,349,194	1,909,793	1,433,525	972,275	605,875
Contribution deficiency (excess)	\$ —	—	—	—	—	—
Organization employee covered—payroll	\$ 11,783,184	12,375,404	12,339,415	12,936,947	12,662,575	13,147,911
Contributions as a percentage of employee covered payroll	23.14 %	18.98 %	15.48 %	11.08 %	7.68 %	4.61 %

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

See accompanying independent auditors' report.

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

Required Supplementary Information (Unaudited)

Schedules of Proportionate Share of the Net Pension Liability

State of New Jersey Public Employees' Retirement System						
Thomas Edison State University						
	2020	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.165 %	0.168 %	0.173 %	0.162 %	0.146 %	0.136 %
Organization proportion of the net pension liability – Total Plan	0.092	0.092	0.090	0.081	0.075	0.071
Organization proportionate share of the net pension liability	\$ 38,040,875	39,906,414	44,250,453	47,406,184	34,608,556	27,459,799
Organization employee covered–payroll	6,971,915	7,109,582	7,481,975	7,349,168	7,555,305	6,978,413
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	545.63 %	561.30 %	591.43 %	634.94 %	458.07 %	393.50 %
Plan fiduciary net position as a percentage of the total pension liability	42.04	40.45	36.78	31.20	38.21	42.74
New Jersey State Library						
	2020	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.122 %	0.123 %	0.126 %	0.123 %	0.123 %	0.127 %
Organization proportion of the net pension liability – Total Plan	0.068	0.067	0.066	0.061	0.063	0.066
Organization proportionate share of the net pension liability	\$ 28,015,774	29,181,858	32,425,786	36,129,572	29,126,717	25,544,272
Organization employee covered–payroll	5,403,489	5,229,833	5,454,972	5,313,407	5,592,606	5,527,456
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	518.48 %	557.99 %	594.43 %	662.32 %	520.81 %	462.13 %
Plan fiduciary net position as a percentage of the total pension liability	42.04	40.45	36.78	31.20	38.21	42.74
Total						
	2020	2019	2018	2017	2016	2015
Organization proportion of the net pension liability – State Group	0.287 %	0.291 %	0.299 %	0.285 %	0.269 %	0.263 %
Organization proportion of the net pension liability – Total Plan	0.160	0.159	0.156	0.142	0.138	0.136
Organization proportionate share of the net pension liability	\$ 66,056,649	69,088,272	76,676,239	83,535,756	63,735,273	53,004,071
Organization employee covered–payroll	12,375,404	12,339,415	12,936,947	12,662,575	13,147,911	12,505,869
Organization proportionate share of the net pension liability as a percentage of the employee covered–payroll	533.77 %	559.90 %	592.70 %	646.49 %	484.76 %	423.83 %
Plan fiduciary net position as a percentage of the total pension liability	42.04	40.45	36.78	31.20	38.21	42.74

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

Notes to Required Supplementary Information

Changes in benefit terms – There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate of return as follows:

PERS

For 2019, the discount rate changed to 6.28% and the long-term rate of return remained at 7.00%. The mortality tables utilized changed from RP 2006 in 2018 to Pub-2010 in 2019.

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

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

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

See accompanying independent auditors' report.

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

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Total OPEB Liability

Total	2020	2019	2018
Organization proportion of the collective total OPEB liability	— %	— %	— %
Organization proportionate share of the collective total OPEB liability	— %	— %	— %
State's proportionate share of the total OPEB liability associated with the Organization	\$ 58,339,465	77,203,200	92,565,771
Total OPEB Liability	<u>\$ 58,339,465</u>	<u>77,203,200</u>	<u>92,565,771</u>
Organization employee covered—payroll	\$ 31,918,154	32,984,372	29,528,781
Organization proportionate share of the collective total OPEB liability as a percentage of the employee covered-payroll	— %	— %	— %

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

Notes to Required Supplementary Information

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

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate.

For 2019, the discount rate changed to 3.50% from 3.87%. The mortality tables utilized changed from RP 2006 in 2018 to Pub-2010 in 2019.

For 2018, the discount rate changed to 3.87% from 3.58%

See accompanying independent auditors' report.

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

Schedule of Net Position

June 30, 2020

Assets	University	Library	Total
Current assets:			
Cash	\$ 7,128,799	5,619,194	12,747,993
Investments	15,333,461	1,731,300	17,064,761
Receivables:			
Students, net	5,436,056	—	5,436,056
State of New Jersey	519,523	394,243	913,766
Federal	923,689	893,072	1,816,761
Corporate accounts, net	339,035	—	339,035
Other receivables	144,630	4,251	148,881
Total receivables	7,362,933	1,291,566	8,654,499
Prepaid expenses and other assets	258,530	281,500	540,030
Due to University from Library	259,089	(259,089)	—
Total current assets	30,342,812	8,664,471	39,007,283
Noncurrent assets:			
Investments	3,168,148	497,311	3,665,459
Restricted investments	1,505,357	1,327,202	2,832,559
Trustee held investments – restricted	—	1,035,299	1,035,299
Rare books, artwork, and historical documents	4,566,597	1,564,050	6,130,647
Capital assets	54,618,013	6,227,969	60,845,982
Total noncurrent assets	63,858,115	10,651,831	74,509,946
Total assets	94,200,927	19,316,302	113,517,229
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pensions related	6,499,249	3,459,584	9,958,833
Total assets and deferred outflows of resources	100,700,176	22,775,886	123,476,062
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	6,992,247	803,211	7,795,458
Unearned tuition and fees	4,171,161	—	4,171,161
Unearned grants and contracts	57,965	231,033	288,998
Deposits held in custody for others	15,164	—	15,164
Long-term debt – current portion	1,256,933	—	1,256,933
Total current liabilities	12,493,470	1,034,244	13,527,714
Noncurrent liabilities:			
Compensated absences – noncurrent portion	431,668	180,488	612,156
Long-term debt	7,238,911	—	7,238,911
Net pension liability	38,040,875	28,015,774	66,056,649
Total noncurrent liabilities	45,711,454	28,196,262	73,907,716
Total liabilities	58,204,924	29,230,506	87,435,430
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pensions related	9,219,051	6,863,939	16,082,990
Total liabilities and deferred inflows of resources	67,423,975	36,094,445	103,518,420
Net Position			
Net investment in capital assets	50,688,766	7,792,019	58,480,785
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	—	361,531	361,531
Library for the Blind and Handicapped	—	1,271,237	1,271,237
Public policy	1,505,357	—	1,505,357
Unrestricted	(18,917,922)	(23,493,061)	(42,410,983)
Total net position	\$ 33,276,201	(13,318,559)	19,957,642

See accompanying independent auditors' report.

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

Schedule of Net Position

June 30, 2019

Assets	University	Library	Total
Current assets:			
Cash	\$ 4,081,012	5,602,147	9,683,159
Investments	18,314,431	1,761,253	20,075,684
Receivables:			
Students, net	6,291,848	—	6,291,848
State of New Jersey	438,631	424,798	863,429
Federal	23,242	699,949	723,191
Corporate accounts, net	298,677	—	298,677
Other receivables	322,346	4,066	326,412
Total receivables	7,374,744	1,128,813	8,503,557
Prepaid expenses and other assets	237,580	266,401	503,981
Due to University from Library	(37,584)	37,584	—
Total current assets	29,970,183	8,796,198	38,766,381
Noncurrent assets:			
Investments	2,242,735	481,710	2,724,445
Restricted investments	1,684,546	1,259,926	2,944,472
Trustee held investments – restricted	—	1,049,398	1,049,398
Rare books, artwork, and historical documents	566,597	1,564,050	2,130,647
Capital assets	56,506,827	6,486,847	62,993,674
Total noncurrent assets	61,000,705	10,841,931	71,842,636
Total assets	90,970,888	19,638,129	110,609,017
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pensions related	9,988,272	5,015,925	15,004,197
Total assets and deferred outflows of resources	100,959,160	24,654,054	125,613,214
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	5,183,488	694,473	5,877,961
Unearned tuition and fees	5,016,587	—	5,016,587
Unearned grants and contracts	91,592	786,969	878,561
Deposits held in custody for others	16,663	—	16,663
Long-term debt – current portion	1,229,001	—	1,229,001
Total current liabilities	11,537,331	1,481,442	13,018,773
Noncurrent liabilities:			
Compensated absences – noncurrent portion	387,540	204,343	591,883
Long-term debt	8,495,844	—	8,495,844
Net pension liability	39,906,414	29,181,858	69,088,272
Total noncurrent liabilities	48,789,798	29,386,201	78,175,999
Total liabilities	60,327,129	30,867,643	91,194,772
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pensions related	9,233,093	7,428,556	16,661,649
Total liabilities and deferred inflows of resources	69,560,222	38,296,199	107,856,421
Net Position			
Net investment in capital assets	47,348,579	8,050,897	55,399,476
Restricted for:			
Nonexpendable:			
Aid to local libraries	—	416,073	416,073
Library for the Blind and Handicapped	—	333,642	333,642
Expendable:			
Aid to local libraries	—	313,928	313,928
Library for the Blind and Handicapped	—	1,245,681	1,245,681
Public policy	1,684,546	—	1,684,546
Unrestricted	(17,634,187)	(24,002,366)	(41,636,553)
Total net position	\$ 31,398,938	(13,642,145)	17,756,793

See accompanying independent auditors' report.

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

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

	<u>University</u>	<u>Library</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 43,257,872	—	43,257,872
Federal grants and contracts	5,213,194	4,110,503	9,323,697
Federal indirect cost recovery	285,246	—	285,246
State of New Jersey grants and contracts	107,911	8,294,300	8,402,211
Noncollegiate sponsored programs	18,725	—	18,725
Other operating revenues	546,108	3,277	549,385
Total operating revenues	<u>49,429,056</u>	<u>12,408,080</u>	<u>61,837,136</u>
Operating expenses:			
Academic support	24,423,210	—	24,423,210
Student services	6,284,896	—	6,284,896
Public services	1,716,259	4,114,969	5,831,228
General institutional	11,876,030	—	11,876,030
Operations and maintenance	2,443,584	40,034	2,483,618
General administration	15,664,995	2,451,565	18,116,560
Other sponsored programs	1,547,422	—	1,547,422
Scholarships	3,099,975	—	3,099,975
State of New Jersey Library	—	4,403,446	4,403,446
Talking Book and Braille Center	—	1,898,795	1,898,795
Grants to libraries	—	5,382,129	5,382,129
Collections and exhibits	—	1,098,147	1,098,147
Depreciation	1,977,673	328,012	2,305,685
Total operating expenses	<u>69,034,044</u>	<u>19,717,097</u>	<u>88,751,141</u>
Operating loss	<u>(19,604,988)</u>	<u>(7,309,017)</u>	<u>(26,914,005)</u>
Nonoperating revenues (expenses):			
Federal grants	892,166	—	892,166
State of New Jersey appropriations	4,277,132	5,130,453	9,407,585
State of New Jersey paid fringe benefits	11,051,388	2,114,814	13,166,202
State of New Jersey paid other post employment benefits	262,984	85,273	348,257
Contributed U.S. Postal Service	—	163,598	163,598
Private gifts – restricted	4,576,440	80,585	4,657,025
Investment income	717,673	63,473	781,146
Interest on indebtedness	(295,532)	—	(295,532)
Loss on disposal of equipment	—	(5,593)	(5,593)
Net nonoperating revenues	<u>21,482,251</u>	<u>7,632,603</u>	<u>29,114,854</u>
Increase in net position	1,877,263	323,586	2,200,849
Net position as of beginning of year	<u>31,398,938</u>	<u>(13,642,145)</u>	<u>17,756,793</u>
Net position as of end of year	<u>\$ 33,276,201</u>	<u>(13,318,559)</u>	<u>19,957,642</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, 2019

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

See accompanying independent auditors' report.