KPMG

# NEW JERSEY CITY UNIVERSITY

(A Component Unit of the State of New Jersey)

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

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**NEW JERSEY CITY UNIVERSITY**

(A Component Unit of the State of New Jersey)

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KPMG LLP
New Jersey Headquarters
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# Independent Auditors' Report

The Board of Trustees
New Jersey City University:

*Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University'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 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, 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 the University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

*Other Matters*

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 and the schedules of employer contributions, schedules of proportionate share of the net pension liability, and schedule of proportionate share of the total OPEB liability on pages 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

January 28, 2020

### Introduction

The following management's discussion and analysis (MD&A) provides an analytical overview of the financial position of New Jersey City University (the University or NJCU), a component unit of the State of New Jersey (the State), as of June 30, 2019 and 2018 and its results of operations for the fiscal years then ended, with fiscal year 2017 data presented for comparative purposes. Management has prepared this MD&A and the financial statements and related notes to the financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

### University Overview

Since its opening in 1929, the University has been evolving as a place of higher education in the context of a dynamic, ethnically diverse urban environment. The mission of the University is ''to provide a diverse population with an excellent university education.'' Its vision is to become a nationally recognized leader in urban education. The University, as an urban institution, is committed to the improvement of the educational, intellectual, cultural, socio-economic, and physical environment of the surrounding urban region. Although the University's mission remains the same, its physical presence has changed dramatically. The size of the campus has expanded significantly; the number of buildings and facilities have increased from one structure to 23. The academic focus has expanded from normal school training to 47 undergraduate degree programs, 27 master's and post-master's level programs, and 3 doctoral programs offered in three colleges and the School of Business. Degree and certificate programs include those in Business (MBA, BS/MS Bridge Program in Accounting and Finance, Business Analytics and Data Science, Financial Technology), the Arts (MFA in Media Production), National Security Studies, Geoscience, Education, Nursing (accelerated second baccalaureate in nursing), and Women and Gender Studies. The University has over 40 partnerships with colleges and universities in 17 countries and has partnered with four international institutions to develop four joint-degree programs. Coincident with building up its academic departments, the University has expanded its faculty, emphasized accreditation for its programs and created partnerships with local high schools.

Since 1929, the student body has grown and diversified from 330 New Jersey residents to over 6,100 undergraduate and 1,800 graduate students from across New Jersey, the United States, and countries around the world. The student body reflects the social and cultural diversity of the New Jersey/New York metropolitan area. Consistent with national demographics, women represent 59% of the undergraduate student body. The University has also set up program initiatives to maintain the affordability of its tuition in comparison with other universities within the State and across the nation. Ongoing efforts towards enhancing student support programs and offerings have been geared towards providing students with financial aid and scholarship awards for eligible students, strengthened internship opportunities and partnerships as well as expanded study abroad and career placement programs. The University's tuition ranks among the best values in the New Jersey state university system. The University has also instituted *NJCU Debt-Free Promise Program*, which aims to make a college education more accessible and affordable for New Jersey residents who are admitted to the University from high school, attend full time, and are from families with household incomes of $60,000 or less. For the fiscal years ended June 30, 2019 and 2018, the University granted approximately $550,000 and $500,000, respectively, to students who qualified for this program.



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New Jersey City University Foundation (the Foundation) was established as a nonprofit corporation to provide an independent instrument to raise and control funds from donors other than the State, with its primary purpose to support the mission of the University. The Foundation qualifies under Section 501(c) (3) of the Internal Revenue Code and is exempt from both federal and State taxes. Because the Foundation's resources have historically been used only for the benefit of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

## Financial Statements

The University's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with GASB principles.

GASB Statement No. 35 (GASB 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 requiring that financial statements be presented with the focus placed on the University as a whole. GASB Statement No. 61, *The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14* and No. 34, establishes criteria for assessing whether certain organizations should be reported as a component unit of the financial reporting entity and has resulted in the inclusion of the Foundation's consolidated financial statements in the University's financial statements. The Foundation's financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) principles, rather than GASB.

The University follows GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This guidance establishes standards for the measurement, recognition and reporting of the OPEB plans. 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 by GASB 75. The State has recorded the University's proportion of the OPEB liability on its respective financial statements. The University has recognized OPEB expense and an off-setting State appropriation of approximately $8.8 million and $13.3 million in 2019 and 2018, respectively, in accordance with GASB 75.

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, which requires the total pension liability and pension expense of a defined benefit pension plan to be recorded on the financial statements of state and local governmental employers. Historically, the State provided the contributions to the plan while seeking reimbursement from the University for the University's non-State-authorized positions. The University recorded the fringe benefit revenue (100% of the State-authorized positions) and expense (100% of State-authorized positions plus non-State-authorized positions reimbursed to the State) in its financial statements.


(Continued)

With respect to the Teachers' Pension and Annuity Fund (TPAF), the State determined TPAF met the ''special funding situation'' included in GASB 68 and the State recorded the University's proportion of the net pension liability on its respective financial statements. With respect to the Public Employees' Retirement System (PERS), the State treats the University as a separate employer. Thus, for financial reporting purposes, the University records on its financial statements its proportion of the net pension liability and related deferred inflows and deferred outflows of resources and pension expense as determined by the State. However, the State has communicated to the Colleges 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 funds the contributions to the plans directly and the University records revenues related to that contribution through the annual fringe benefit appropriation.

### Statements of Net Position

The Statement of Net Position presents the University's financial position at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair value. Capital assets are carried at cost and are depreciated over their respective useful lives. Assets are classified as current and noncurrent. Current assets generally are those assets considered to be convertible to cash within one year. The University's current assets consist primarily of cash, short-term investments, including the State of New Jersey Cash Management Fund, restricted deposits held with bond trustees, and student, grants, and other receivables. The University's noncurrent assets consist primarily of capital assets, the noncurrent portion of restricted deposits held with bond trustees and student loans. Net position is one indicator of the financial condition of the University, while the change in net position during the year is a measure of whether the overall condition has improved or worsened during the year.

Deferred outflows of resources are a consumption of net position by the University that is applicable to a future reporting period. The University's deferred outflows of resources consist of bond deferred refunding amounts and changes in proportion of the allocated pension liability and differences in actuarial amounts used to calculate the pension liability.

Liabilities are also classified as current and noncurrent. Current liabilities are those liabilities due and anticipated to be paid within the upcoming fiscal year. The University's current liabilities consist primarily of accounts payable, accrued benefits and the current portion of long-term debt, while noncurrent liabilities consist primarily of the noncurrent portion of long-term debt and the pension liability.

Deferred inflows of resources are an acquisition of net position by the University that is applicable to a future reporting period. The University's deferred inflows of resources are composed of changes in proportion of the allocated pension liability and differences in actuarial amounts used to calculate the pension liability.

Net position is the residual interest in the University's assets after the liabilities are deducted. Net position is classified into three categories: net investment in capital assets, restricted expendable and unrestricted. Net investment in capital assets reflects the University's equity in capital assets. Restricted expendable net position includes funds for debt service and government loans that are subject to externally imposed restrictions governing their use. Unrestricted net position is available to the University for general purposes and operational needs.

A condensed summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2019, 2018 and 2017 follows:

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| Assets: | | | | |
| Cash and investments | $ | 13.8 | 22.0 | 33.9 |
| Receivables | | 16.0 | 18.5 | 24.6 |
| Restricted deposits and student loans | | 14.0 | 22.0 | 27.9 |
| Capital assets, net | | 246.3 | 247.5 | 239.0 |
| Total assets | | 290.1 | 310.0 | 325.4 |
| Deferred outflows of resources: | | | | |
| Deferred amounts from pensions | | 23.1 | 30.8 | 35.3 |
| Deferred amounts from debt refunding | | 6.0 | 6.3 | 6.7 |
| Total deferred outflows | | 29.1 | 37.1 | 42.0 |
| Liabilities: | | | | |
| Current liabilities | | 26.8 | 26.7 | 32.7 |
| Long-term debt, net | | 158.9 | 166.4 | 173.7 |
| Net pension liability | | 138.4 | 150.8 | 169.3 |
| Other noncurrent liabilities | | 13.0 | 13.1 | 9.1 |
| Total liabilities | | 337.1 | 357.0 | 384.8 |
| Deferred inflows of resources | | 30.0 | 21.5 | 0.3 |
| Net position: | | | | |
| Net investment in capital assets | | 89.4 | 86.1 | 74.0 |
| Restricted expendable | | 5.2 | 5.2 | 5.1 |
| Unrestricted | | (142.5) | (122.6) | (96.8) |
| Total net position | $ | (47.9) | (31.3) | (17.7) |



(Continued)

The University's net position has been significantly impacted by the accounting and reporting of pensions under GASB 68. The unrestricted net position excluding amounts related to accounting for pensions in accordance with GASB 68 is relevant and is displayed because the University participates in the State's plans and does not have any influence over the plans.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| Unrestricted net position, excluding GASB 68 | $ | 2.7 | 18.9 | 37.5 |

**Statements of Net Position – Financial Highlights**

As of June 30, 2019, the University's total assets decreased by $19.9 million to $290.1 million from $310.0 million as of June 30, 2018. This decrease is primarily attributable to an $8.2 million decrease in cash and investments primarily due to timing of salary payments and payments to suppliers, a decrease of $8.0 million in restricted deposits due to the drawdown of funds and a $2.5 million decrease in receivables.

As of June 30, 2018, the University's total assets decreased by $15.4 million to $310.0 million from $325.4 million as of June 30, 2017. This decrease is primarily attributable to an $11.9 million decrease in cash and investments primarily due to debt payments and payments to suppliers, a decrease of $8.9 million in grants receivables due to the Science Building extension grant in prior year and a decrease of $5.9 million in restricted deposits due to the drawdown of funds. These decreases were partially offset by an $8.5 million increase in net capital assets related to improvements to the Science Building, the renovation of the nursing facilities and improvements to other campus buildings and an increase in other receivables of $2.8 million.

The University follows GASB 68, which requires the University to record its proportionate share of the net pension liability and pension expense as determined by the State for the Public Employees' Retirement System (PERS) defined benefit plan. The changes in net pension liability adjusted for deferred outflows and inflows of resources result in pension expense. Prior to 2015, the University only recognized pension expense for PERS up to the amount contributed to the plan by the State as indicated within the fringe benefit rate provided by the State. Historically, the State has directly covered pension contributions on behalf of the University, and there are no plans to change that process.

With respect to TPAF, the State determined that TPAF met the 'special funding situation' included in GASB 68, and the State has recorded the University's proportionate share of the net pension liability and pension expense on its financial statements.

The University's deferred outflows of resources from pensions decreased by $7.7 million as of June 30, 2019 and $4.5 million as of June 30, 2018. The University's deferred inflows of resources from pensions increased by $8.5 million as of June 30, 2019 and $21.2 million as of June 30, 2018. These changes were primarily due to changes in GASB 68-related pension assumptions.

As of June 30, 2019, the University's total liabilities decreased by $19.9 million to $337.1 million from $357.0 million as of June 30, 2018. This decrease is primarily attributable to a reduction of $12.4 million related to the updated GASB 68 valuation of the net pension liability allocated to the University as a participant in the PERS and a decrease of $7.5 million in long-term debt as a result of scheduled debt service.

Total liabilities decreased by $27.8 million as of June 30, 2018, primarily due to an $18.5 million decrease in the GASB 68 valuation of the net pension liability allocated to the University as a participant in the PERS and a decrease of $7.3 million in long-term debt as a result of debt service payments.

The impact of GASB 68 on the University's financial statements has been a reduction to its unrestricted net position of $145.3 million, $141.5 million and $134.3 million as of June 30, 2019, 2018 and 2017, respectively.

### Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. The Statement of Revenues, Expenses, and Changes in Net Position is categorized into three sections: operating revenues, operating expenses, and net nonoperating revenues (expenses). The net difference between operating and nonoperating revenues and expenses and other changes in net position results in an increase or decrease in the University's net position. The change in net position indicates whether the overall financial condition of the University has improved or declined during the year.

Generally, operating revenues are earned in exchange for providing goods or services. Operating revenues of the University consist of net tuition and fees revenue, as well as Federal, State and local grant revenues. Operating expenses are primarily incurred to carry out the University's mission, goals and objectives, and costs related to the operation and maintenance of its facilities and auxiliary services. State appropriations and investment income are classified as nonoperating revenues. Nonoperating expenses consist of interest expense and gifts to the Foundation.

The following is a condensed summary of the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019, 2018 and 2017.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| Operating revenues: | | | | |
| Student revenues, net | $ | 57.1 | 58.6 | 62.7 |
| Grants and contracts | | 40.7 | 40.5 | 37.5 |
| Other | | 3.6 | 2.8 | 2.5 |
| Total operating revenues | | 101.4 | 101.9 | 102.7 |
| Operating expenses | | 170.8 | 175.5 | 161.8 |
| Operating loss | | (69.4) | (73.6) | (59.1) |
| Nonoperating revenues (expenses): | | | | |
| State appropriations | | 24.2 | 24.2 | 24.2 |
| State paid fringe benefits | | 23.6 | 24.1 | 24.2 |
| State paid OPEB benefits | | 8.8 | 13.3 | — |
| Investment income | | 0.4 | 0.3 | 0.4 |
| Interest expense | | (6.4) | (6.1) | (6.4) |
| Other nonoperating (expenses) income, net | | (1.0) | 0.2 | (0.2) |
| Net nonoperating revenues | | 49.6 | 56.0 | 42.2 |
| Capital grants | | 3.2 | 4.0 | 19.5 |
| (Decrease) increase in net position | | (16.6) | (13.6) | 2.6 |
| Net position as of beginning of year | | (31.3) | (17.7) | (20.3) |
| Net position as of end of year | $ | (47.9) | (31.3) | (17.7) |

The University's net position has been significantly impacted by the accounting and reporting of pensions under GASB 68. The change in net position excluding amounts related to accounting for pensions in accordance with GASB 68 is relevant and is displayed because the University participates in the State's plans and does not have any influence over the plans.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| Change in net position, excluding GASB 68 | $ | (12.8) | (6.4) | 14.4 |



(Continued)

**Financial Highlights – Revenues**

The University derives its revenue from a variety of sources. Net student revenues, State appropriations and grants and contracts are the primary sources of funding for the University's academic programs. Student revenues totaled $57.1 million, $58.6 million and $62.7 million for the years ended June 30, 2019, 2018 and 2017, respectively. Tuition rates were increased by 2.50%, 2.90%, and 2.25% for the years ended June 30, 2019, 2018 and 2017, respectively, while enrollment declined slightly in each year due to softness in undergraduate enrollment and lower than expected transfer matriculation. The $1.5 million decrease in net student revenues in 2019 was primarily due to lower enrollment and a $0.7 million increase in financial aid awards, primarily Federal Pell (Pell) and New Jersey Tuition Aid (TAG) Grants which increased by $0.6 million in 2019.

Net student revenues decreased by $4.1 million in 2018, primarily due to an increase of $4.7 million in financial aid awards, which included a $2.8 million increase in Pell and TAG grants.

Grants and contracts revenues increased by $0.2 million and $3.0 million in 2019 and 2018, respectively, primarily due to the Pell and TAG grants increases described above.

Capital grants totaled $3.2 million in 2019 and were related to the Nursing Education Center project which is expected to be completed in 2020. Capital grants totaled $4.0 million and $19.5 million in 2018 and 2017, respectively, and were primarily related to the Science Building renovation project which was completed in 2019.

State appropriations have remained flat for the last three years and are projected to increase by $2.5 million in 2020.

**Financial Highlights – Expenses**

The following is a condensed summary of operating expenses for the years ended June 30, 2019, 2018 and 2017.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| Salaries | $ | 90.2 | 89.6 | 86.2 |
| State paid fringe benefits | | 23.7 | 24.4 | 23.0 |
| Pension expense | | 4.2 | 7.9 | 12.7 |
| State paid OPEB benefits | | 8.8 | 13.3 | — |
| Total salaries and benefits | | 126.9 | 135.2 | 121.9 |
| Professional services | | 4.5 | 3.4 | 2.9 |
| Student aid and bad debts | | 4.2 | 3.8 | 3.7 |
| Utilities and maintenance | | 5.0 | 5.0 | 5.1 |
| Real estate related | | 3.7 | 2.7 | 4.0 |
| Other supplies and services | | 16.2 | 15.8 | 14.6 |
| Depreciation | | 10.3 | 9.6 | 9.6 |
| Total operating expenses | $ | 170.8 | 175.5 | 161.8 |

Total expenses, excluding pension and OPEB expenses, increased by $3.5 million in 2019 and $5.2 million in 2018, respectively.

Salaries increased slightly in 2019 and 2018 due to salary increases, partially offset by a decrease in the number of employees, while the $3.4 million increase in 2018 included the impact of several union contract retroactive settlements by the State.

State paid fringe benefits reflect the overall fringe benefit rates negotiated by the State, which have decreased by approximately 3% in 2019 and 2018, respectively.

The increase in professional services costs in 2019 is attributable to marketing efforts to attract students and monitor their academic progress.

Real estate related expenses pertain to the Harborside lease and University Place activities. The increase in 2019 is due to payments of the annual increments in the contractual obligations of the Harborside lease for the School of Business. The decrease in 2018 was due to an adjustment to the Harborside lease.

Depreciation increased in 2019 primarily as a result of the capitalization of the new Science building.

### Capital Projects

A key component of the University's Transforming Lives – Strategic Plan 2013 – 2019 (the Plan) is to enhance the environment for teaching, learning, living and working by creating a state-of-the-art academic campus. This Plan guides the University's strategic allocation of existing resources to academic and residential buildings, infrastructure improvements and technological endeavors. Initiatives undertaken are geared towards enhancing student experience, enriching the surrounding neighborhood and addressing the State's workforce and economic development goals and priorities.

In fiscal years 2019 and 2018, the University incurred construction expenditures totaling $9.7 million and $18.2 million, respectively, reflecting the University's continued commitment to enhancing the main campus as well as developing the West Campus property. Fiscal year 2020 construction expenditures are expected to total $7.0 million.

As of June 30, 2019, significant projects under construction or in the design stage include:

- Transformation and expansion of the Nursing facilities into a Nursing Education Center which began in 2018 and is expected to be completed in 2020 at a cost of $5.2 million, to be funded by revenue bonds, one third of which the University is responsible for; and
- The West Campus infrastructure and roadway project which improves the connection of the main campus to the West Campus and is expected to be completed at a cost of $16 million as part of the University Place development. The University has received $7.7 million from the City of Jersey City (City) as unearned capital reimbursement pursuant to an Infrastructure Agreement with the City. The project is expected to be completed by 2021 with additional funding from the City of $8.3 million.

The renovation of the Science Building project was completed in 2019 at a cost of $42 million, of which $32 million was funded by a State capital grant and $10 million by bond proceeds. This project represented $10.8 million of the 2019 construction expenditures.

Moody's Investors Service has assigned a debt rating of Baa1 to the University's revenue bonds. Bonds that are rated Baa1 are judged to be medium grade obligations and are subject to moderate credit risk and as such may possess certain speculative characteristics. Fitch Ratings Services has assigned a debt rating of BBB to the revenue bonds.

### Economic Outlook

The University remains very dependent on the State for operating and fringe benefit support, as State appropriations, excluding amounts related to State paid OPEB expenses, represented 32% of revenues in 2019. The operating level of State support is expected to increase by $2.5 million in 2020. The impact on the University's financial results from absorbing pension costs from the State as well as salary increases has been challenging, along with declining enrollment. In addition, the State's high debt load and unfunded liabilities related to the public pension system may limit the State's budgetary flexibility in the future.


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With a price sensitive student base, the University has limited its annual tuition increase to 2.6% over the last three years and has seen a slight decline in enrollment each year.

In light of these financial challenges, the University has initiated several strategies to improve student enrollment and retention by investing additional resources in advancement and marketing activities to increase and diversify fundraising and other sources of revenue and further engage the business community in University partnerships and programs.

A key strategy of the University is to create a more inviting, student friendly campus as part of its urban mission, as evidenced by the recent renovation and expansion of its Science building and the redesign of its nursing facilities. In addition, the University and the Foundation, in conjunction with the City through public private partnerships, is developing University Place (UP), a master mixed-use redevelopment plan that is designed to transform its 22 acre west campus into a university urban village. UP already includes a student residence hall and several apartment buildings, with plans for a performing arts center, restaurants and parking.

Another strategy involves the expansion of the University's satellite campus and academic programs as the cornerstone educational partner in the redevelopment of the Fort Monmouth property in Monmouth County by offering degree-completion programs and building on existing partnerships with area community colleges, including Brookdale Community College.

The University will continue to monitor and evaluate institutional operations to identify and implement efficiencies as part of a more rigid budget and planning process. The University also plans to refinance approximately $60 million of revenue bonds in 2020.

The financial report is designed to provide the University's students, staff and creditors with an overview of its finances and to demonstrate the University's accountability for the resources at its disposal.

Additional information regarding State budget issues and the State's financial condition may be found on the State's Treasury department website.

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)

Statements of Net Position

Business-Type Activities – University Only

June 30, 2019 and 2018

(In thousands)

| **Assets** | | **2019** | **2018** |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 9,772 | 5,624 |
| Investments | | 4,060 | 16,340 |
| Receivables: | | | |
| Students, net of allowance of $6,584 and $5,609 in 2019 and 2018, respectively | | 3,031 | 3,600 |
| Grants | | 950 | 978 |
| State of New Jersey | | 1,438 | 4,170 |
| Due from New Jersey City University Foundation and affiliate | | 7,418 | 5,302 |
| Other | | 3,125 | 4,448 |
| Total receivables | | 15,962 | 18,498 |
| Restricted deposits held with bond trustees | | 9,341 | 10,809 |
| Total current assets | | 39,135 | 51,271 |
| Noncurrent assets: | | | |
| Restricted deposits held with bond trustees | | 4,200 | 10,635 |
| Student loans, net of allowance of $866 and $918 in 2019 and 2018, respectively | | 455 | 603 |
| Capital assets, net of accumulated depreciation of $146,206 and $136,815 in 2019 and 2018, respectively | | 246,344 | 247,483 |
| Total noncurrent assets | | 250,999 | 258,721 |
| Total assets | | 290,134 | 309,992 |
| **Deferred Outflows of Resources** | | | |
| Deferred amounts from pensions | | 23,137 | 30,836 |
| Deferred amounts from debt refunding | | 5,956 | 6,339 |
| Total deferred outflows of resources | | 29,093 | 37,175 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses: | | | |
| Vendor | | 6,691 | 6,508 |
| Payroll | | 2,052 | 2,239 |
| Compensated absences, current portion | | 4,529 | 4,439 |
| Accrued interest | | 3,161 | 3,265 |
| Total accounts payable and accrued expenses | | 16,433 | 16,451 |
| Unearned student tuition and fees | | 2,711 | 2,447 |
| Long -term debt, current portion | | 7,684 | 7,782 |
| Total current liabilities | | 26,828 | 26,680 |
| Noncurrent liabilities: | | | |
| Unearned capital reimbursement | | 7,725 | 4,040 |
| Other noncurrent liabilities | | 4,527 | 5,167 |
| Unearned grant revenue | | 748 | 3,873 |
| Long term debt, noncurrent portion, net | | 158,924 | 166,418 |
| Net pension liability | | 138,407 | 150,813 |
| Total noncurrent liabilities | | 310,331 | 330,311 |
| Total liabilities | | 337,159 | 356,991 |
| **Deferred Inflows of Resources** | | | |
| Deferred amounts from pensions | | 29,989 | 21,543 |
| **Net Position** | | | |
| Net investment in capital assets | | 89,446 | 86,110 |
| Restricted expendable: | | | |
| Debt service principal | | 4,900 | 4,900 |
| Perkins loans | | 283 | 255 |
| Unrestricted | | (142,550) | (122,631) |
| Total net position | $ | (47,921) | (31,366) |

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – University Only

Years ended June 30, 2019 and 2018

(In thousands)

| | 2019 | 2018 |
|---|---|---|
| Operating revenues: | | |
| Student revenues: | | |
| Tuition and fees | $ 96,128 | 96,821 |
| Auxiliary enterprises | 3,856 | 3,939 |
| Less scholarship allowances | (42,910) | (42,188) |
| Total student revenues, net | 57,074 | 58,572 |
| Federal grants | 22,866 | 22,310 |
| State grants | 17,719 | 18,149 |
| Private and other grants | 170 | 73 |
| Other operating revenues | 3,586 | 2,826 |
| Total operating revenues | 101,415 | 101,930 |
| Operating expenses: | | |
| Instruction | 64,977 | 67,757 |
| Research and programs | 18 | 16 |
| Academic support | 12,804 | 13,007 |
| Student services | 22,609 | 20,755 |
| Institutional support | 24,193 | 24,614 |
| Operation and maintenance of plant | 17,216 | 18,002 |
| Student aid | 2,440 | 2,262 |
| Real estate-related activity | 3,719 | 2,664 |
| Auxiliary enterprises | 3,633 | 3,529 |
| Other postemployment health benefits | 8,835 | 13,254 |
| Depreciation | 10,324 | 9,649 |
| Total operating expenses | 170,768 | 175,509 |
| Operating loss | (69,353) | (73,579) |
| Nonoperating revenues (expenses): | | |
| State appropriations | 24,154 | 24,154 |
| State paid fringe benefits | 23,664 | 24,104 |
| State paid other postemployment health benefits | 8,835 | 13,254 |
| Gifts to affiliates | (965) | (1,024) |
| Investment income | 458 | 277 |
| Interest expense | (6,442) | (6,135) |
| Other nonoperating (expense) income, net | (78) | 1,298 |
| Net nonoperating revenues | 49,626 | 55,928 |
| Loss before other changes | (19,727) | (17,651) |
| Capital grants | 3,172 | 4,027 |
| Decrease in net position | (16,555) | (13,624) |
| Net position as of beginning of year | (31,366) | (17,742) |
| Net position as of end of year | $ (47,921) | (31,366) |

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2019 and 2018

(In thousands)

| | | 2019 | 2018 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Student receipts | $ | 56,684 | 55,902 |
| Grants and contracts | | 40,830 | 41,223 |
| Payments for salaries and benefits | | (92,590) | (91,940) |
| Payments to suppliers | | (25,190) | (24,354) |
| Payments for utilities | | (3,280) | (3,359) |
| Payments to students | | (2,516) | (2,261) |
| Auxiliary enterprises | | 1,461 | 1,570 |
| Other | | 7,627 | 5,157 |
| Net cash used by operating activities | | (16,974) | (18,062) |
| Cash flows from noncapital financing activities: | | | |
| State of New Jersey appropriations | | 24,154 | 24,154 |
| Net cash provided by noncapital financing activities | | 24,154 | 24,154 |
| Cash flows from capital financing activities: | | | |
| Capital grants | | 3,172 | 12,465 |
| Purchase of capital assets | | (10,910) | (17,677) |
| Principal paid on capital debt | | (9,926) | (12,308) |
| Interest paid on capital debt | | (6,053) | (6,313) |
| Decrease in deposits with trustees | | 7,903 | 5,780 |
| Net cash used by capital financing activities | | (15,814) | (18,053) |
| Cash flows from investing activities: | | | |
| Proceeds from sales and maturities of investments | | 12,531 | — |
| Purchases of investments | | — | (10,123) |
| Interest on investments | | 251 | 123 |
| Net cash provided by (used by) investing activities | | 12,782 | (10,000) |
| Net increase (decrease) in cash and cash equivalents | | 4,148 | (21,961) |
| Cash and cash equivalents as of beginning of year | | 5,624 | 27,585 |
| Cash and cash equivalents as of end of year | $ | 9,772 | 5,624 |
| Reconciliation of operating loss to net cash used by operating activities: | | | |
| Operating loss | $ | (69,353) | (73,579) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Provision for bad debts | | 1,745 | 1,561 |
| Amortization and transfer expense | | (2,462) | (225) |
| State paid fringe benefit expense | | 32,499 | 36,714 |
| Depreciation expense | | 10,324 | 9,649 |
| Loss on disposal of assets | | 287 | 22 |
| Changes in assets and liabilities: | | | |
| Receivables | | 1,691 | (3,264) |
| Vendor accounts payable and accrued expenses | | 1,468 | (477) |
| Other liabilities, current and noncurrent | | (906) | 115 |
| Unearned student tuition and fees | | 264 | 209 |
| Unearned capital reimbursement | | 3,685 | 4,040 |
| Unearned grant revenue | | 46 | (28) |
| Net pension liability and related deferrals | | 3,738 | 7,201 |
| Net cash used by operating activities | $ | (16,974) | (18,062) |

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.**
**AND AFFILIATE**
(A Component Unit of New Jersey City University)

Consolidated Statements of Financial Position

June 30, 2019 and 2018

(In thousands)

| Assets | | 2019 | 2018 |
|---|---|---|---|
| Cash and cash equivalents | $ | 2,796 | 1,204 |
| Other receivables | | 1,007 | 656 |
| Prepaid expenses | | 112 | 124 |
| Due from New Jersey City University | | 315 | 462 |
| Contributions receivable | | 2,612 | 2,623 |
| Investments | | 675 | 637 |
| Restricted deposits held by bond trustees | | 11,926 | 10,294 |
| Restricted investments | | 13,395 | 12,697 |
| Capital assets, net | | 49,917 | 51,156 |
| Total assets | $ | 82,755 | 79,853 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable and other accrued expenses | $ | 315 | 182 |
| Accrued interest | | 1,168 | 1,179 |
| Due to New Jersey City University | | 7,418 | 5,302 |
| Annuities payable | | 8 | 12 |
| Long-term debt, net | | 50,599 | 51,251 |
| Total liabilities | | 59,508 | 57,926 |
| Net assets: | | | |
| Without donor restrictions: | | | |
| Foundation operating and board designated | | 362 | 118 |
| West Campus Housing, LLC | | 5,914 | 6,302 |
| Total without donor restrictions | | 6,276 | 6,420 |
| With donor restrictions: | | | |
| Restricted for specified purpose or passage of time | | 12,780 | 11,370 |
| Restricted in perpetuity – endowment | | 4,191 | 4,137 |
| Total with donor restrictions | | 16,971 | 15,507 |
| Total net assets | | 23,247 | 21,927 |
| Total liabilities and net assets | $ | 82,755 | 79,853 |

See accompanying notes to consolidated financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.**
**AND AFFILIATE**
(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2019

(In thousands)

| | | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|---|
| Support and revenues: | | | | |
| Support from public contributions | $ | 310 | 1,070 | 1,380 |
| Development grants and contracts | | — | 768 | 768 |
| Contributed services | | 965 | — | 965 |
| Investment return, net | | 311 | 1,003 | 1,314 |
| Student housing revenues | | 4,853 | — | 4,853 |
| Special events | | 64 | — | 64 |
| Other income, net | | 34 | — | 34 |
| Fair value adjustment of split interest agreements | | — | (69) | (69) |
| Gift assessment | | 81 | (81) | — |
| Net assets released from restrictions in satisfaction of program restrictions | | 1,227 | (1,227) | — |
| Total support and revenues | | 7,845 | 1,464 | 9,309 |
| Expenses: | | | | |
| Program services | | 1,084 | — | 1,084 |
| Student housing | | 1,948 | — | 1,948 |
| Interest expense | | 2,283 | — | 2,283 |
| Management and general | | 900 | — | 900 |
| Special events | | 91 | — | 91 |
| Fundraising | | 136 | — | 136 |
| Depreciation and amortization | | 1,547 | — | 1,547 |
| Total expenses | | 7,989 | — | 7,989 |
| Change in net assets | | (144) | 1,464 | 1,320 |
| Net assets as of beginning of year | | 6,420 | 15,507 | 21,927 |
| Net assets as of end of year | $ | 6,276 | 16,971 | 23,247 |

See accompanying notes to consolidated financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.**
**AND AFFILIATE**
(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2018

(In thousands)

| | | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|---|
| Support and revenues: | | | | |
| Support from public contributions | $ | 204 | 800 | 1,004 |
| Development grants and contracts | | — | 300 | 300 |
| Contributed services and facilities | | 1,024 | — | 1,024 |
| Investment return, net | | 95 | 468 | 563 |
| Student housing revenues | | 4,771 | — | 4,771 |
| Special events | | 107 | — | 107 |
| Other income | | 34 | — | 34 |
| Fair value adjustment of split interest agreements | | — | 20 | 20 |
| Gift assessment | | 68 | (68) | — |
| Net assets released from restrictions in satisfaction of program restrictions | | 542 | (542) | — |
| Total support and revenues | | 6,845 | 978 | 7,823 |
| Expenses: | | | | |
| Program services | | 613 | — | 613 |
| Student housing | | 2,036 | — | 2,036 |
| Interest expense | | 2,359 | | 2,359 |
| Management and general | | 972 | — | 972 |
| Special events | | 141 | — | 141 |
| Fundraising | | 143 | — | 143 |
| Depreciation and amortization | | 1,522 | — | 1,522 |
| Total expenses | | 7,786 | — | 7,786 |
| Change in net assets | | (941) | 978 | 37 |
| Net assets as of beginning of year | | 7,361 | 14,529 | 21,890 |
| Net assets as of end of year | $ | 6,420 | 15,507 | 21,927 |

See accompanying notes to consolidated financial statements.

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

### *(a) Organization*

New Jersey City University (the University or NJCU) is a public institution of higher education in the State of New Jersey (the State) and an instrumentality of the State with a high degree of autonomy. The University is considered a component unit of the State for financial reporting purposes and its financial statements are included in the State's Comprehensive Annual Financial Report.

Opened in 1929 and granted university status in 1998, NJCU is dedicated to urban programs designed to meet the economic, social and educational needs of the surrounding urban region and beyond. The urban mission is unique among the State's colleges and universities and NJCU has embarked on a plan designed to make it the premier Cooperative Education University in the State. The University offers 47 undergraduate, 27 master and post-master and three doctoral programs, which are housed in four colleges and schools on a 52 acre campus and a harborside waterfront location in Jersey City. NJCU has approximately 6,100 undergraduate and 1,800 graduate students, who reflect the social and cultural diversity of the metropolitan area, 250 full time faculty and 650 staff.

New Jersey City University Foundation (the Foundation) is a separate tax exempt corporation, which serves primarily as a fundraising entity to supplement the resources available to the University in support of its mission. The Foundation is reported as a discretely presented unit in the University's financial report. See note 14 for further details about the Foundation's activities.

### *(b) Summary of Significant Accounting Policies*

*(i) Basis of Presentation*

The accounting policies of the University conform to generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) established state and local government financial reporting requirements and set forth the format and contents of the basic financial statements, certain related notes to the financial statements, and required supplementary information including management's discussion and analysis. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35) established standards for external financial reporting for public colleges and universities and requires 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 used to finance the acquisition, construction, or improvement of those assets.
- *Restricted – expendable*: Assets whose use by the University is subject to externally imposed stipulations as specified by creditors, grantors or the State that can be fulfilled by actions of the University pursuant to the stipulations, including Perkins loans and restricted deposits held with bond trustees.

- *Unrestricted*: Net position not subject to externally imposed stipulations that 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, initiatives, and capital programs.

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

*(ii) 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 University reports as a business-type activity, as defined by GASB 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Foundation reports under the codified standards of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB standards. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at 2039 Kennedy Boulevard, Jersey City, New Jersey 07305.

*(iii) Adoption of Accounting Pronouncements*

In fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in note to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities a government should include when disclosing information related to debt. The impact on the financial statements involves disclosures only.

*(iv) Accounting Pronouncements Applicable to the University, Issued but Not Yet Effective*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal year 2020). The University is evaluating the impact of this new standard.

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 increases the usefulness of governmental financial statements by requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the lease contract's payment provisions. GASB 87 will require lessees to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. GASB 87 will be effective for fiscal years beginning after December 15, 2019 (fiscal year 2021). The University is evaluating the impact of this new statement.


(Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal year 2021). As a result of this Standard, the University will no longer capitalize interest related to debt-financed construction projects beginning in fiscal year 2021.

*(v) 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.

*(vi) Cash and Cash Equivalents*

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less. The University maintains portions of its cash in two funds, a money market account which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts from which the funds are available upon demand.

*(vii) Investments*

All investments are reported at fair value based upon quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Changes in fair value, including realized and unrealized gains and losses, are reported as unrealized and realized gains (losses) on investments.

*(viii) Other receivables*

Other receivables include amounts due from the State for appropriations and reimbursement of fringe costs and amounts due from the Foundation and other affiliates for services rendered.

*(ix) Restricted Deposits Held with Bond Trustees*

Restricted deposits held with bond trustees are reported at fair value, based on quoted market prices and consist of money market accounts, U.S. Treasury notes and government securities. Restricted deposits are externally restricted to maintain sinking or reserve funds or to purchase or construct capital assets.



(Continued)

*(x) Capital Assets*

Capital assets are carried at historical cost or if the asset is donated, at acquisition value on the date the asset was donated. The costs for replacements are capitalized and the replaced items are retired. Gains or losses resulting from disposal of capital assets are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Land improvements | 10 years |
| Buildings and building improvements | 25 to 50 years |
| Equipment and other assets | 5 to 15 years |

The University does not capitalize equipment with a cost less than $1,000.

*(xi) Deferred Outflows of Resources and Deferred Inflows of Resources*

Deferred outflows of resources refer to the consumption of net position by the University that is applicable to a future reporting period. Deferred inflows of resources refer to the acquisition of net position by the University that is applicable to a future reporting period. Deferred outflows of resources increase the University's net position, similar to assets, while deferred inflows of resources decrease the University's net position, similar to liabilities. The University's deferred outflows of resources represent unamortized amounts from debt refunding and amounts related to changes in the net pension liability. The University's deferred inflows of resources represent amounts related to changes in the net pension liability.

*(xii) Net Pension Liability and Related Pension Amounts*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF), and additions to/deductions from PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. 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 and TPAF, please refer to the plans' Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

*(xiii) Other Post Employment Health Benefits*

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan). The Plan is a single employer defined 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 plan for standalone reporting purposes. For purposes of determining the cost of the University's retirees' other post employment health benefits and related state funding, information has been provided by the State.



(Continued)

*(xiv) Net Position*

The difference between the University's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources is referred to as the net position in the financial statements of the University. Net position reported as restricted refers to amounts restricted for the payment of future debt service obligations and Federal Perkins Loan Program loans due back to the United States Department of Education. Net position reported as unrestricted refers to the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the aforementioned restricted components of the University's net position.

*(xv) Revenue Recognition*

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the school year are recorded as unearned student tuition and fees in the accompanying statements of net position.

Grant revenues are comprised primarily of funds received from Federal and State sources and are recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned grant revenue in the accompanying statements of net position.

Revenues from State appropriations are recognized in the fiscal year during which the State appropriates the funds to the University.

*(xvi) Classification of Revenue*

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that primarily have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as appropriations from the State, investment income, interest expense and capital grants.

*(xvii) Income Taxes*

The University is exempt from Federal income taxes under Internal Revenue Code Section 115.

*(xviii) Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

*(xix) Financial Dependency*

Appropriations from the State are the University's largest source of nonoperating revenues. The University is economically dependent on these appropriations to carry on its operations.

## (2) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, concentration of credit risk, credit risk and interest rate risk which, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are discussed below.

### *(a) Cash and Cash Equivalents*

The carrying amount of cash and cash equivalents as of June 30, 2019 and 2018 was approximately $9.8 million and $5.6 million, respectively, while the amount on deposit with banks was approximately $10.9 million and $5.6 million, respectively.

Custodial credit risk associated with the University's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2019 and 2018 were partially insured by Federal Depository Insurance in the amount of $250,000. Bank balances in excess of insured amounts of $10.7 million in 2019 and $5.4 million in 2018 are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund (NJCMF) wherein amounts also contributed by other state entities are combined into a large scale investment program. The carrying amount and fair value of amounts invested in this program by the University as of June 30, 2019 and 2018 was approximately $76,000. The NJCMF is unrated and the majority of its investments as of June 30, 2019 mature in one year or less.

State statutes and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

### *(b) Investments*

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

| | | 2019 | 2018 |
|---|---|---|---|
| | | (In thousands) | |
| Money market fund | $ | 4,060 | 6,429 |
| U.S. Treasury notes | | — | 9,911 |
| | $ | 4,060 | 16,340 |

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2019 and 2018, the University's investments are insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2019 and 2018, the University's investment quality ratings as rated by Moody's were as follows:

| | 2019 | | |
|---|---|---|---|
| **Investment type** | **Quality rating** | | **Amount** |
| | (In thousands) | | |
| Money market fund | Aaa | $ | 4,060 |

| | 2018 | | |
|---|---|---|---|
| **Investment type** | **Quality rating** | | **Amount** |
| | (In thousands) | | |
| Money market fund | Not rated | $ | 6,429 |
| U.S. Treasury notes | Aaa | | 9,911 |
| | | $ | 16,340 |

Concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer that exceed 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University's investment policy provides limitations pertaining to the diversification to avoid undue risk of large losses over long time periods of the investment portfolio. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 10% of total portfolio assets. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard and Poor's BBB or Moody's Baa or higher). The University was not subject to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day's notice with no material impact on fair value. The final maturity of each security within the portfolio will not exceed five years for intermediate investments and thirty years for long-term investments. All of the University's investments at June 30, 2019 and 2018 had maturities of less than one year.

### (3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds that are restricted under the terms of various long-term debt agreements. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of money market funds and government securities. They include the following as of June 30, 2019 and 2018:

| | | 2019 | 2018 |
|---|---|---|---|
| | | (In thousands) | |
| Construction funds | $ | 5,480 | 13,276 |
| Debt service-principal and interest | | 8,061 | 8,168 |
| Total restricted deposits | | 13,541 | 21,444 |
| Less-current portion | | (9,341) | (10,809) |
| Noncurrent portion | $ | 4,200 | 10,635 |

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2019 and 2018, the University's deposits held with bond trustees were either insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's. As of June 30, 2019 and 2018, the University's investment quality ratings as rated by Moody's for the U.S. Treasury notes and government securities were AAA and the money market funds are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2019 and 2018, all deposits held with bond trustees had maturities of less than one year.

## (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 available at the measurement date;
- Level 2 –quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for an asset or liability.

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

While the University 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:

Money market funds – the fair value of these investments at measurement date is based on the net asset value of this open-end fund which invests in a broad range of U.S. dollar-denominated money market instruments, including government, bank, and commercial obligations and repurchase agreements.

U.S. Treasury notes and government securities – The fair value of U.S. Treasury notes and government securities are based on quoted prices in an active market that is available but not readily accessible for the equivalent units of government securities held, given the large blocks of similar units of government securities available in secondary markets through brokerages and banks.

All of the University’s cash, investments and restricted deposits held by trustees as of June 30, 2019 and 2018 were categorized as Level 1.

## (5) Capital Assets

The detail of capital assets activity for the years ended June 30, 2019 and 2018 follows:

| | | June 30, 2018 | Additions | Capitalization/ Retirements | June 30, 2019 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Depreciable assets: | | | | | |
| Land improvements | $ | 14,015 | 34 | — | 14,049 |
| Buildings and building improvements | | 228,913 | 42,887 | (248) | 271,552 |
| Equipment and other assets | | 60,700 | 2,132 | (1,173) | 61,659 |
| | | 303,628 | 45,053 | (1,421) | 347,260 |
| Less accumulated depreciation: | | | | | |
| Land improvements | | (1,923) | (906) | — | (2,829) |
| Buildings and building improvements | | (84,980) | (6,544) | 54 | (91,470) |
| Equipment and other assets | | (49,912) | (2,874) | 879 | (51,907) |
| | | (136,815) | (10,324) | 933 | (146,206) |
| Total depreciable assets | | 166,813 | 34,729 | (488) | 201,054 |
| Nondepreciable assets: | | | | | |
| Land | | 31,538 | — | — | 31,538 |
| Construction in progress | | 49,132 | 8,517 | (43,897) | 13,752 |
| Capital assets, net | $ | 247,483 | 43,246 | (44,385) | 246,344 |

| | | June 30, 2017 | Additions | Capitalization/ Retirements | June 30, 2018 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Depreciable assets: | | | | | |
| Land improvements | $ | 5,708 | 8,307 | — | 14,015 |
| Buildings and building improvements | | 228,161 | 752 | — | 228,913 |
| Equipment and other assets | | 60,339 | 1,318 | (957) | 60,700 |
| | | 294,208 | 10,377 | (957) | 303,628 |
| Less accumulated depreciation: | | | | | |
| Land improvements | | (1,432) | (491) | — | (1,923) |
| Buildings and building improvements | | (78,866) | (6,114) | — | (84,980) |
| Equipment and other assets | | (47,784) | (3,044) | 916 | (49,912) |
| | | (128,082) | (9,649) | 916 | (136,815) |
| Total depreciable assets | | 166,126 | 728 | (41) | 166,813 |
| Nondepreciable assets: | | | | | |
| Land | | 31,538 | — | — | 31,538 |
| Construction in progress | | 41,337 | 17,444 | (9,649) | 49,132 |
| Capital assets, net | $ | 239,001 | 18,172 | (9,690) | 247,483 |

The major projects included in construction in progress as of June 30, 2019 are the redesign of the Nursing facilities and the Infrastructure expansion. The costs to complete these projects are estimated at $4.5 million. The University has received $7.7 million as unearned capital reimbursement from the City of Jersey City (City) for the infrastructure project, and expects to receive approximately $4.0 million in 2020.

During 2019 and 2018, the University capitalized interest income of approximately $55 thousand and $127 thousand respectively, and interest expense of approximately $217 thousand in 2019 and $791 thousand in 2018, which are included in construction in progress in the accompanying statements of net position.

## (6) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA).

The following obligations to the NJEFA were outstanding as of June 30, 2019 and 2018:

| | Interest rate | 2019 | 2018 |
|---|---|---|---|
| | | (In thousands) | |
| NJEFA Revenue Bonds: | | | |
| Series 2003 B, due July 1, 2018 | 5.45 % | $ — | 250 |
| Series 2007 F, due July 1, 2032 | 3.00–5.00% | 13,765 | 14,580 |
| Series 2008 E, due July 1, 2035 | 4.00–5.00% | — | 1,950 |
| Series 2008 F, due July 1, 2036 | 6.85 % | 6,175 | 6,175 |
| Series 2010 F, due July 1, 2028 | 2.00–4.00% | 14,975 | 16,860 |
| Series 2010 G, due July 1, 2040 | 6.19 % | 18,310 | 18,310 |
| Series 2015 A, due July 1, 2045 | 2.75–5.25% | 35,340 | 35,340 |
| Series 2016 D, due July 1, 2035 | 3.00–5.00% | 52,075 | 52,075 |
| Total bonds payable | | 140,640 | 145,540 |
| Other long-term debt: | | | |
| NJEFA Capital Improvement Fund: | | | |
| Series 2000 B | 4.13–5.75% | 891 | 1,317 |
| Series 2016 B | 3.00–5.50% | 1,611 | 1,666 |
| NJEFA Equipment Leasing Fund: | | | |
| Series 2014 A | — % | 161 | 210 |
| New Jersey Environmental Infrastructure: | | | |
| Trust Loan 2005 A | 4.00–5.00% | 365 | 410 |
| Fund Loan 2005 A, net of imputed interest of $141 and $181, respectively | —% | 648 | 721 |
| Trust Loan 2013 A | 3.00–5.00% | 2,815 | 2,965 |
| Fund Loan 2013 A | —% | 7,730 | 8,296 |
| Capital lease obligations | 3.00–7.00% | 1,304 | 2,025 |
| Total other long-term debt | | 15,525 | 17,610 |
| Unamortized bond premiums | | 10,443 | 11,050 |
| Total long-term debt | | 166,608 | 174,200 |
| Less-current portion | | (7,684) | (7,782) |
| Noncurrent portion | | $ 158,924 | 166,418 |



(Continued)

In December 2016, the University was issued $5,222,725 Series 2016B Revenue Refunding Bonds through the NJEFA Higher Education Capital Improvement Fund to finance the Nursing Education Center. The University is responsible for repayment of one third of the grant award.

### *(a) Capital Leases*

The University has entered into various capital lease purchase agreements for equipment which are principally for the duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The fiscal year 2019 and 2018 payments for these capitalized lease obligations were approximately $1.1 million and $0.9 million, respectively.

### *(b) Future Minimum Payments*

The following is a schedule of future minimum principal and interest payments on the University's long-term debt obligations as of June 30, 2019:

| | | Principal | Interest | Total |
|---|---|---|---|---|
| | | | (In thousands) | |
| Year ending June 30: | | | | |
| 2020 | $ | 7,075 | 6,393 | 13,468 |
| 2021 | | 6,927 | 6,251 | 13,178 |
| 2022 | | 6,399 | 6,034 | 12,433 |
| 2023 | | 6,448 | 5,798 | 12,246 |
| 2024 | | 5,363 | 5,585 | 10,948 |
| 2020-2024 subtotal | | 32,212 | 30,061 | 62,273 |
| 2025–2029 | | 30,097 | 24,852 | 54,949 |
| 2030–2034 | | 37,387 | 18,297 | 55,684 |
| 2035–2039 | | 31,050 | 9,730 | 40,780 |
| 2040–2044 | | 20,955 | 4,203 | 25,158 |
| 2045–2047 | | 4,464 | 227 | 4,691 |
| Total | $ | 156,165 | 87,370 | 243,535 |

## (7) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2019 and 2018:

| | | June 30, 2018 | Additions | Reductions | June 30, 2019 | Current portion |
|---|---|---|---|---|---|---|
| | | | | (In thousands) | | |
| Unearned capital reimbursement | $ | 4,040 | 3,685 | — | 7,725 | — |
| Other noncurrent liabilities | | 9,606 | 649 | (1,199) | 9,056 | 4,529 |
| Unearned grant revenue | | 3,873 | 904 | (4,029) | 748 | — |
| Long-term debt | | 174,200 | 2,334 | (9,926) | 166,608 | 7,684 |
| Total noncurrent liabilities | $ | 191,719 | 7,572 | (15,154) | 184,137 | 12,213 |

| | | June 30, 2017 | Additions | Reductions | June 30, 2018 | Current portion |
|---|---|---|---|---|---|---|
| | | | | (In thousands) | | |
| Unearned capital reimbursement | $ | — | 4,040 | — | 4,040 | — |
| Other noncurrent liabilities | | 9,608 | 538 | (540) | 9,606 | 4,439 |
| Unearned grant revenue | | 3,901 | 848 | (876) | 3,873 | — |
| Long-term debt | | 184,911 | 1,908 | (12,619) | 174,200 | 7,782 |
| Total noncurrent liabilities | $ | 198,420 | 7,334 | (14,035) | 191,719 | 12,221 |

## (8) Retirement Plans

### *(a) Introduction*

The University participates in the State of New Jersey Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits and fall within the scope of GASB 68 which requires participating employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense in their financial statements, unless the plan meets the GASB 68 special funding situation. Under GASB 68, the University has recorded its proportionate share of the PERS plan in its financial statements. With respect to TPAF, the State has determined that it meets the special funding situation of GASB 68 and therefore the University's proportionate share of the net pension liability is recorded by the State and not the University.

The State issues publicly available financial reports that include financial statements, required supplementary information, and detailed information about the PERS and TPAF plans' fiduciary net position. The reports may be obtained by visiting www.state.nj.us/treasury /pensions/annrprts.shtml or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The University also participates in two defined contribution retirement plans, the Alternative Benefit Program (ABP) and the Defined Contribution Retirement Program (DCRP). Under these plans, participants make annual contributions, and the State, in accordance with annual appropriations, makes employer contributions on behalf of the University. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included within the State fringe benefit appropriations in the accompanying financial statements.

### *(b) Plan Descriptions*

*(i) Public Employees' Retirement System (PERS)*

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. 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.



(Continued)

*(ii) Teachers' Pension and Annuity Fund (TPAF)*

The vesting and benefit provisions for TPAF are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

| 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 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. 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.

*(iii) Defined Contribution Plans*

The ABP pension plan is a defined contribution program administered by the State of New Jersey, Division of Pensions and Benefits. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

The DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial, provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the minimum number of hours per week required for

PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least $5,000 annually, are eligible to participate in the program. Participation in this plan is insignificant.

### *(c) Contributions*

The contribution policy for PERS and TPAF is set by N.J.S.A. 43.15A and N.J.S.A 18A:66, respectively, and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State makes employer contributions on behalf of the University. 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.

For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of continuous employment. PERS members were required to contribute 7.5% and 7.34% of their annual covered salary for the years ended June 30, 2019 and 2018, respectively. The State contributes the remaining amounts necessary to pay benefits when due. The contribution requirements of the plan members and the University are established and may be amended by the State. The University's contributions to the PERS plan (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2019 and 2018 were $4.6 million and $3.8 million, respectively.

Certain faculty members of the University participate in the TPAF. Under the special funding situation, the State is legally responsible for 100% of the employer contributions. TPAF covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the University's behalf by the State annually at an actuarially determined rate. The University no longer enrolls new employees into the TPAF plan.

### *(d) Pension Amounts*

In accordance with GASB 68, the University reported a liability of $138.4 million and $150.8 million as of June 30, 2019 and June 30, 2018, respectively for its proportionate share of the PERS net pension liability. The PERS net pension liability reported at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The PERS net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The University's proportionate share of the respective net pension liabilities was based on actual contributions to PERS on behalf of the University relative to the total contributions of participating state-group employers for the plan for the fiscal years 2018 and 2017 and was 0.584% and 0.588%, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2018 and 2017 were 0.319% and 0.308%, respectively.

For the years ended June 30, 2019 and 2018, net pension expense of $8.6 million and $11.4 million related to PERS, respectively, and $0.5 million and $0.7 million related to TPAF, were recognized


(Continued)

within the functional classifications in the statements of revenues, expenses and changes in net position.

As of June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the PERS pension plan from the following sources (in thousands):

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **PERS Deferred outflows of resources** | **PERS Deferred inflows of resources** | **PERS Deferred outflows of resources** | **PERS Deferred inflows of resources** |
| Changes in assumptions | $ 13,524 | 27,857 | 19,727 | 21,351 |
| Differences between expected and actual experience | 2,409 | 1,155 | 3,455 | — |
| Net difference between projected and actual earnings on pension plan investments | 391 | | 958 | — |
| Changes in proportion | 2,214 | 977 | 2,927 | 192 |
| University contributions paid subsequent to the measurement date | 4,599 | — | 3,769 | — |
| Total | $ 23,137 | 29,989 | 30,836 | 21,543 |

The $4,599 and $3,769 reported as deferred outflows of resources related to PERS pensions at June 30, 2019 and 2018, respectively, resulting from University contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions as of June 30, 2019 will be recognized in pension expense as follows (in thousands):

| | |
|---|---|
| Year ending June 30: | |
| 2020 | $ 373 |
| 2021 | (874) |
| 2022 | (4,852) |
| 2023 | (4,555) |
| 2024 | (1,543) |
| Total | $ (11,451) |

The University's proportion of the TPAF net pension liability was based on the ratio of the State's contributions made on behalf of the University towards the actuarially determined contribution amount to total contributions to the TPAF plan, as adjusted by locations who participated in the State's early retirement incentives, for the years ended June 30, 2018 and 2017. The 2019 and 2018 TPAF net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively, which was rolled forward to June 30, 2018 and 2017, respectively. The University's proportionate share of the TPAF net pension liability recorded by the State for the fiscal years 2018 and 2017 was $8.5 million and $9.5 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2018 and 2017 was 0.013% and 0.014%, respectively. The TPAF net pension expense attributable to the University was $0.5 million and $0.7 million for the years ended June 30, 2019 and June 30, 2018, respectively, and has been recorded as an operating expense by functional classification and related revenue in the statements of revenues, expenses and changes in net position.

### *(e) Defined Benefit Plan Assumptions*

The University's net pension liability for PERS as of June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The University's net pension liability for PERS as of June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

The significant actuarial assumptions used to measure the total pension liability as of June 30, 2019 and 2018 were as follows:

**Actuarial methods and assumptions**

| | PERS | TPAF |
|---|---|---|
| Inflation rate | 2.25% | 2.25% |
| Salary increases: | | |
| Through 2026 | 1.65%–4.15% based on age | 1.55%–4.55% |
| Thereafter | 2.65%–5.15% based on age | 2.00%–5.45% |
| Investment rate of return | 7.00% | 7.00% |
| Experience study dates | 7/1/2011–6/30/2014 | 7/1/2012–6/30/2015 |

For the July 1, 2017 and July 1, 2016 actuarial valuations, pre-retirement mortality rates for PERS were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified 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 requirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified 2014 projection scale. Disability retirements 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).

For the June 30, 2018 measurement date, TPAF pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

For the June 30, 2017 measurement dates, mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953-2013.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates 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 the pension plans' target asset allocation as of June 30, 2018 and 2017 measurement dates are summarized in the following tables:

**2018 and 2017**
**Target asset allocation and long-term expected rate of return**

| | PERS & TPAF | |
|---|---|---|
| **Asset class** | **Target allocation** | **Long-term expected real rate of return** |
| Risk Mitigation Strategies | 5.00 % | 5.51 % |
| Cash Equivalents | 5.50 | 1.00 |
| U.S. Treasuries | 3.00 | 1.87 |
| Investment Grade Credit | 10.00 | 3.78 |
| Public High Yield | 2.50 | 6.82 |
| Global Diversified Credit | 5.00 | 7.10 |
| Credit Oriented Hedge Funds | 1.00 | 6.60 |
| Debt Related Private Equity | 2.00 | 10.63 |
| Debt Related Real Estate | 1.00 | 6.61 |
| Private Real Estate | 2.50 | 11.83 |
| Equity Related Real Estate | 6.25 | 9.23 |
| U.S. Equity | 30.00 | 8.19 |
| Non-U.S. Developed Markets Equity | 11.50 | 9.00 |
| Emerging Markets Equity | 6.50 | 11.64 |
| Buyouts/Venture Capital | 8.25 | 13.08 |

*(ii) Discount Rate*

The discount rate used to measure the PERS total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. The discount rate used to measure the TPAF total pension liability was 4.86% and 4.25% as of June 30, 2018 and 2017, respectively. These discount rates for PERS and TPAF are single blended discount rates and are based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2018 and 2017, respectively, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.



(Continued)

For fiscal year 2019, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions 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 and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046 for PERS and 2040 for TPAF. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2046 for PERS and 2040 for TPAF and the municipal bond rate was applied to project benefit payments after that date in determining the total pension liability.

For fiscal year 2018, 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. State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS, and 2036 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 for PERS, and 2036 for TPAF. The municipal bond rate was applied to projected benefit payments after that date determining the total pension liability.

*(iii) Sensitivity to the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following table presents the University's proportionate share of the collective net pension liability calculated using the discount rate as disclosed above for each plan as well as the University's proportionate share of the collective net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

**Sensitivity of the net pension liability**

| Pension plan | 1% decrease in discount rate | At current discount rate | 1% increase in discount rate |
|---|---|---|---|
| | | (In thousands) | |
| PERS (4.66%, 5.66%, 6.66%) | $ 160,062 | 138,407 | 120,266 |
| TPAF (3.86%, 4.86%, 5.86%) | 10,020 | 8,477 | 7,198 |

The TPAF net pension liability shown above represents the State's proportionate share of the net pension liability attributable to the University. It is not included in the net pension liability on the statement of net position because it meets the special funding situation criteria.

### *(f) Alternate Benefit Program (ABP)*

The ABP pension plan is a defined contribution retirement program administered by the State of New Jersey Division of Pensions and Benefits. The plan allows enrollees to make contributions to the following carriers: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), AXA Financial, VALIC, MassMutual Retirement Services, MetLife, VOYA Financial Services and Prudential.

Employees enrolled in ABP are faculty members, administrators, and managers of the University. Enrollment begins the first date of hire for all permanent employees. Temporary employees are enrolled after one year of continuous temporary employment. The ABP provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. The ABP also 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, is 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 University employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution up to the maximum Federal statutory limit. Employer contributions for the ABP are 8%. During the years ended June 30, 2019 and 2018, the ABP received employer and employee contributions that approximated the following from the University:

| | 2019 | 2018 |
|---|---|---|
| | (In thousands) | |
| Employer contribution | $ 4,233 | 4,052 |
| Employee contribution | 2,646 | 2,532 |
| Basis for contribution: | | |
| Participating employee salaries | 52,912 | 50,648 |

Employer contributions to the ABP are paid by the State and are reflected in the accompanying financial statements as appropriations revenue and operating expenses.

## (9) Postemployment Benefits Other Than Pensions

### *(a) Introduction and Description*

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan). The Plan is a single-employer defined 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 plan for standalone reporting purposes. In accordance with N.J.S.A. 52:14-17.32, 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 PERS, TPAF, the 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 by GASB 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 30, 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 as per GASB 75.

### *(b) OPEB Liability and Expense*

As of June 30, 2019 and June 30, 2018, the State recorded a liability of $192.7 million and $225.3 million, respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University. The University's share was based on the ratio of its members to the total members of the Plan. As of June 30, 2019, the University's share was 2.70% and 0.082% of the special funding situation and of the Plan, respectively. As of June 30, 2018, the University's share was 2.75% and 0.080% of the special funding situation and of the Plan, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of $8.8 million and $13.3 million, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University also recognized revenue related to the support provided by the State of $8.8 million and $13.3 million related appropriations for the years ended June 30, 2019 and 2018, respectively.

 (Continued)

### *(c) Actuarial Assumptions*

The State's liability associated with the University as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date of June 30, 2018. The State's liability associated with the University as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017. Other actuarial assumptions used in this illustration to measure the OPEB liability as of June 30, 2019 and 2018 were as follows:

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

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general municipal bonds with an average rating of AA/aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition they are based on age or years of service.

For the June 30, 2017 actuarial valuation, preretirement mortality rates were 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-2016 Headcount –Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

Certain actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of actuarial experience studies of the State's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the TPAF-July 1, 2012 through June 30, 2015) and PFRS (July 1, 2010 through June 30, 2013).

All retirees who currently have healthcare coverage are assumed to continue with that coverage. All active members are considered to participate in the Plan upon retirement, having a coverage blend of

85% and 15% in pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, respectively.

*Health Care Trend Assumptions* – For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.8% and 5.9% for the June 30, 2017 and 2016 valuations, respectively, and decreases to a 5.0% long-term trend rate after eight and nine years, respectively. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5% for the June 30, 2017 and 2016 valuations. For prescription drug benefits, the initial trend rate is 8.0% and 10.5% for the June 30, 2017 and 2016 valuations, respectively, decreasing to a 5.0% long-term trend rate after seven and eight years, respectively. For the Medicare Part B reimbursement, the trend rate is 5.0% for the June 30, 2017 and 2016 valuations. The Medicare Advantage trend rate is 4.5% for the June 30, 2017 and 2016 valuations and will continue in all future years.

## (10) Commitments and Contingent Liabilities

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

In December 2014, the University entered into a 20-year lease agreement in a building located at 147 Harborside Financial Center, Jersey City, NJ to house the University's School of Business. Rental expenses began in September 2015 and were approximately $2.2 million and $1.3 million for the years ended June 30, 2019 and 2018, respectively. Future minimum annual rental commitments approximate the following (in thousands):

| | | |
|---|---|---|
| Year ending June 30: | | |
| 2020 | $ | 1,891 |
| 2021 | | 1,936 |
| 2022 | | 1,982 |
| 2023 | | 2,029 |
| 2024 | | 2,077 |
| Thereafter | | 26,725 |
| Total | $ | 36,640 |

## (11) State of New Jersey Fringe Benefit Appropriations

The State, through separate appropriations, pays certain fringe benefits, primarily health benefits, a matching portion for the pension contributions of current employees and FICA taxes. For the years ended June 30, 2019 and 2018, such payments amounted to approximately $23.7 million and $24.1 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

## (12) Compensated Absences

The University recorded a liability for compensated absences in the amount of $5.8 million and $6.5 million as of June 30, 2019 and 2018, respectively, which included unused vacation, paid leave bank days and accrued compensation days, as well as an estimated vested amount for accrued sick leave.

The liability for accrued vacation time for nonfaculty employees was $3.3 million as of June 30, 2019 and 2018. Employees may also accrue up to four complimentary days per year on days worked that fall on school holidays that are nonpublic holidays.

The liability for paid leave bank days and accrued compensation days totaled $1.2 million in 2019 and 2018.

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. The liability for sick leave balances was $1.3 million and $2.0 million as of June 30, 2019 and 2018, respectively, and is included in noncurrent liabilities in the accompanying statements of net position. The University paid $0.2 million and $0.1 million in sick-leave payments for employees who retired during the years ended June 30, 2019 and 2018, respectively.

## (13) Student Financial Assistance Programs

The University's students receive support from Federal and State student financial assistance programs.

The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education. Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

## (14) New Jersey City University Foundation, Inc. and Affiliate

The Foundation is a separate tax-exempt corporation, which serves primarily as a fund-raising entity to supplement the resources available to the University in support of its programs. Since the resources and assets of the Foundation are used exclusively for the benefit of the University, it meets the criteria to be discretely reported as a component unit in the University's financial statements.

During 2015, the Foundation created West Campus Housing, LLC (WCH), a limited liability corporation of which the Foundation is the sole member, and the University entered into a ground lease agreement with WCH for land associated with two existing student residence halls and land located at its west campus site. The term of the ground lease is 40 years with no right to renew or extension option. The base annual rent is equal to the surplus cash flow generated by the operation of the student housing facilities and is paid annually upon WCH's certification that the annual debt service ratio has been met. The agreement also provides that WCH be deemed to be the owner of the two existing residence halls for the term of the ground lease. Therefore, the net book value of $8.9 million related to the building and building



(Continued)

improvements of the halls was transferred to WCH in 2016. Upon termination of the ground lease and full repayment of the related debt, all rights, title and interest in the West Campus Housing Facility shall revert to the University. There were no rental payments for the years ended June 30, 2019 and 2018.

In connection with the ground lease agreement, in March 2015 WCH issued $50.6 million in revenue bonds through the New Jersey Economic Development Authority (NJEDA) to finance the construction of a new residence hall and renovation of the existing housing facilities. A 425 bed residence hall opened in July 2016 on the west campus, while improvements to the existing housing facilities were completed in 2017. WCH is solely responsible for repayment of the bonds. The University has no obligation to pay debt service on the financing.

The University acts as WCH's agent by collecting student housing fees and related charges under the student housing agreements, which totaled $4.9 million in 2019 and $4.8 million in 2018, and depositing them with the bond trustee pursuant to the bond documents for payment of debt service and operating expenses. The University also provides administrative, resident life, security and other services to WCH's student housing facilities and pays for student housing utility costs, which are to be reimbursed by WCH as operating expenses. These costs totaled $0.9 million and $1.2 million during the years ended June 30, 2019 and 2018. In addition, the University contributed $0.4 million in contributed services to WCH in 2019 and $0.3 million in 2018.

During the years ended June 30, 2019 and 2018, the Foundation distributed $0.8 million and $0.4 million, respectively, to the University in the form of scholarships and program support. The University contributed $0.6 million and $0.7 million in contributed services to the Foundation during the years ended June 30, 2019 and 2018, respectively. The University recognized expenses procured and disbursed for the Foundation totaling $0.3 million and $0.4 million in 2019 and 2018, respectively.

The Foundation records its net assets in accordance with FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* (ASC 958-205). ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act.

The Foundation's net assets with donor restrictions are subject to purpose restrictions for scholarships and awards. Net assets with donor restrictions are designated for the following purposes:

| | | **2019** | **2018** |
|---|---|---|---|
| | | (In thousands) | |
| Scholarships | $ | 6,253 | 6,001 |
| Student and other activities | | 6,527 | 5,369 |
| Donor restricted endowment in perpetuity | | 4,191 | 4,137 |
| Total net assets with donor restrictions | $ | 16,971 | 15,507 |

## (15) University Development Programs

### *(a) University Place*

In continued support of the University's Transforming Lives – Strategic Plan, the University is working to enhance the environment for teaching, learning, living and working. Developed in conjunction with the City, University Place is a master mixed-use redevelopment plan with seven components that is designed to transform the University's 22 acre west campus neighborhood into a university urban village that will include residential units, a performing arts center, restaurants and parking.

In July 2015, the University submitted three Public Private Partnership applications to the NJEDA for the development of University Place which also included development agreements and ground leases that were executed by the University with CRT Holdings, LLC (Crossroads Companies), HC West Campus I LLC and HC West Campus II LLC (collectively, Claremont) and KKF University Enterprises, LLC. (KKF). The University Place development plan includes the 425 bed WCH student housing facility (the first component previously discussed), a performing arts center and academic building, another 600 units of residential housing, 120,000 square feet of retail space and various surface and parking facilities to accommodate 1,300 vehicles. Simultaneously, the University sold general obligation bonds to finance and develop the Phase I of an infrastructure project, which consisted of streets, landscape, streetscape, water management systems and utilities and was completed in 2019. The University is now partnering with the City to develop Phase II of the University Place roads and infrastructure.

*(i) Pre-Payment of Ground Lease Income*

Pursuant to the executed agreements mentioned above, each developer was required to remit prepaid ground lease rent payments to the University for the development of University Place, excluding the student housing facility and the University-developed infrastructure. These prepayments were calculated at 1% of the projected development cost of $238 million. The total prepaid rent of $2.4 million is included in other long term liabilities on the statement of net position as of June 30, 2019 and 2018. Of the total prepaid rent, $0.4 million is recorded as ground lease rent receivables as of June 30, 2019 and 2018. Since the various commercial real estate components of University Place will not be completed until fiscal years 2020 through 2023, the amounts received will effectively reduce the rents owed to the University from the various developers. The variability of prepaid rents is commensurate to the various development milestones achieved by each developer, which includes approvals from the City, County and the State.

*(ii) Development Fee*

In 2014, the University engaged Strategic Development Group (SDG), a real estate development firm, to advise the University and the Board of Trustees on various development matters related to the School of Business and University Place. A member of the Foundation's Board of Directors is also the key officer of SDG and its affiliate real estate project management company which are both involved in the development of University Place. In fiscal year 2019, the University incurred expenses of $0.7 million in monthly retainer fees, pertaining to real estate consulting and project management services related to University Place.

*(iii) Rivet Apartment Project*

In August 2018, Rivet, a 163 unit apartment and retail project developed by Claremont and the Hampshire Companies, was completed as the second component of University Place.

*(iv) City Line Apartment Project*

In October 2019, City Line, a 149 unit apartment project developed by KKF was completed as the third component of University Place.

*(v) Performing Arts Center*

In July 2019, the Board of Trustees approved the development of a Performing Arts Center (PAC), which will include a Center for Music, Dance and Theater, classrooms, restaurants, an apartment complex and parking. The University, the Foundation and developers are collaborating in the planning process for construction and financing of the PAC. These plans are contingent upon finalization of financing agreements by the developer and the Foundation.

***(b) Fort Monmouth Satellite Campus***

A draft agreement has been reached between the State agency that is redeveloping the Fort Monmouth property in Monmouth County and KKF, which calls for KKF to purchase and renovate a building and then lease it to the University as a satellite campus for nursing, business and other programs for juniors and seniors who have completed two years at Brookdale Community College (Brookdale) and other area community colleges. The University currently offers programs to Brookdale students at its Higher Education Center in Wall, New Jersey pursuant to an affiliation agreement. Programs on the Fort Monmouth campus are currently scheduled to begin in the spring of 2021, subject to finalization of a financing agreement by KKF.

## (16) Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to students, faculty and staff; and natural disasters. The University purchased and funds property and casualty insurances through a joint insurance program with the nine State Public Colleges and Universities. The University's risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State (including tort liability, auto liability, trustees and officers' liability, workers' compensation, unemployment, temporary and long-term disability, unemployment liability, life insurance and employee retirement

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed $100,000 per occurrence with a per occurrence limit of $1.5 billion. Employee theft coverage provides for the actual loss in excess of $75,000 with a per occurrence loss limit of $5.0 million. The University also maintains a Fine Arts Insurance Policy that insures all permanent fine arts on campus, as well as temporary loan exhibitions that take place in the University art galleries to the extent that losses exceed $1,000 for each separate occurrence of loss or damage or $2,500 for outdoor sculptures with a per occurrence limit of $500,000.

As an instrumentality of the State, the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State or against its employees for which the State 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 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.

## (17) Subsequent Events

The University has evaluated events and transactions subsequent to June 30, 2019 and through January 28, 2020, the date on which the financial statements were issued. There are no significant subsequent events which would require recognition or disclosure in the accompanying financial statements

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
June 30, 2019 and 2018
(In thousands)

**Public Employees' Retirement System**

| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Contractually required contributions | $ | 4,599 | 3,769 | 2,780 | 2,218 | 1,295 |
| Contributions in relation to the contractually required contributions | | 4,599 | 3,769 | 2,780 | 2,218 | 1,295 |
| Contribution deficiency (excess) | $ | — | — | — | — | — |
| University employee covered-payroll (University year end) | $ | 24,447 | 23,781 | 25,182 | 24,987 | 25,432 |
| Contributions as a percentage of employee covered payroll | | 18.81 % | 15.85 % | 11.04 % | 8.88 % | 5.09 % |

Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedules of Proportionate Share of the Net Pension Liability

June 30, 2019 and 2018

(In thousands)

**Public Employees' Retirement System**

| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| University proportion of the net pension liability – State Group | | 0.584 % | 0.588 % | 0.576 % | 0.574 % | 0.574 % |
| University proportion of the net pension liability – Total Plan | | 0.319 | 0.308 | 0.287 | 0.295 | 0.296 |
| University proportionate share of the net pension liability | $ | 138,407 | 150,813 | 169,296 | 136,182 | 114,911 |
| University employee covered-payroll (measurement date) | | 23,781 | 25,182 | 24,987 | 25,432 | 26,170 |
| University proportionate share of the net pension liability as a percentage of the employee covered-payroll | | 582.0 % | 598.9 % | 677.5 % | 535.5 % | 439.1 % |
| Plan fiduciary net position as a percentage of the total pension liability | | 40.45 % | 36.78 % | 31.20 % | 38.21 % | 42.74 % |

**Notes**

Changes in benefit terms – There were no significant changes in PERS benefits for the June 30, 2018 measurement date (actuarial valuation as of July 1, 2017).
Changes in assumptions – The following lists the significant changes in assumptions for PERS between the July 1, 2017 valuation and the July 1, 2014 valuation:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience study period | 7/1/2011–6/30/2014 | 7/1/2011–6/30/2014 | 7/1/2011–6/30/2014 | 7/1/2008–6/30/2011 | 7/1/2008–6/30/2011 |
| Inflation rate | 2.25 % | 2.25 % | 3.08 % | 3.04 % | 3.01 % |
| Projected salary increases, 2017–2026 (based on age) | 1.65%-41.5% | 1.65%–4.15% | 1.65%–4.15% | 2.15%–4.40% | 2.15%–4.40% |
| Projected salary increases, thereafter (based on age) | 2.65%-5.15% | 2.65%–5.15% | 2.65%–5.15% | 3.15%–5.40% | 3.15%–5.40% |
| Investment rate of return | 7.00 % | 7.00 % | 7.65 % | 7.90 % | 7.90 % |
| Discount rate | 5.66 % | 5.00 % | 3.98 % | 4.90 % | 5.39 % |
| Mortality table | RP-2000 | RP-2000 | RP-2000 | RP-2000 | RP-2000 |

**Teachers' Pension and Annuity Fund**

| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| University proportion of the net pension liability | | — % | — % | — % | — % | — % |
| University proportionate share of the net pension liability | $ | — | — | — | — | — |
| State's proportionate share of the net pension liability | | 8,477 | 9,531 | 11,231 | 39,065 | 38,968 |
| Total net pension liability | | 8,477 | 9,531 | 11,231 | 39,065 | 38,968 |
| University employee covered-payroll | | — | 56 | 129 | 123 | 122 |
| University proportionate share of the net pension liability as a percentage of the employee covered-payroll | | — % | — % | — % | — % | — % |
| Plan fiduciary net position as a percentage of the total pension liability | | 26.40 % | 25.41 % | 22.33 % | 28.71 % | 33.64 % |

**Notes**

Changes in benefit terms – There were no significant changes in TPAF benefits for the June 30, 2018 measurement date (actuarial valuation as of July 1, 2017).
Changes in assumptions – The following lists the significant changes in assumptions for TPAF between the July 1, 2017 valuation and the July 1, 2014 valuation:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience study period | 7/1/2012–6/30/2015 | 7/1/2012–6/30/2015 | 7/1/2012–6/30/2015 | 7/1/2009–6/30/2012 | 7/1/2009–6/30/2012 |
| Inflation rate | 2.25 % | 2.25 % | 2.50 % | 2.50 % | 2.50 % |
| Projected salary increases, 2017–2026 | 1.55%–4.55% | Varies based on experience | Varies based on experience | Varies based on experience | Varies based on experience |
| Projected salary increases, thereafter | 2.00%–5.45% | Varies based on experience | Varies based on experience | Varies based on experience | Varies based on experience |
| Investment rate of return | 7.00 % | 7.00 % | 7.65 % | 7.90 % | 7.90 % |
| Discount rate | 4.86 % | 4.25 % | 3.22 % | 4.13 % | 4.68 % |
| Mortality table | RP-2006 | RP-2006 | RP-2006 | RP-2000 | RP-2000 |

Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.

**NEW JERSEY CITY UNIVERSITY**
(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Total OPEB Liability

June 30, 2019 and 2018

(In thousands)

**State Health Benefit State Retired Employees Plan**

| | | 2019 | 2018 |
|---|---|---|---|
| University's proportion of the collective total OPEB liability | | —% | —% |
| University's proportionate share of the collective OPEB liability | $ | — | — |
| State's proportionate share of the collective OPEB liability associated with the University | | 192,695 | 225,294 |
| Total proportionate share of the collective OPEB liability | $ | 192,695 | 225,294 |
| University's covered-employee payroll (for the year ended as of the measurement date) | $ | 68,523 | 57,576 |
| University's proportionate share of the collective OPEB liability as a percentage of the employee covered-payroll | | —% | —% |

Notes:

1. Information provided for Required Supplementary Information will be provided for ten years as the information becomes available.
2. 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.*

See accompanying independent auditors' report.