THE COLLEGE OF NEW JERSEY

(A Component Unit of the State of New Jersey)

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

June 30, 2018

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
The College of New Jersey:

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

KPMG

Independent Auditors' Report

Emphasis of Matter

As discussed in note 2(n) to the financial statements, on July 1, 2017, the Trenton State College Corporation was incorporated into the College's reporting entity as a discretely presented component unit. Our opinions are not modified with respect to this matter.

As discussed in note 2(l) to the financial statements, on July 1, 2017, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

As also discussed in note 2(l) to the financial statements, on July 1, 2017, The College of New Jersey Foundation adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 26 and the schedules of proportionate share of the net pension liability, schedules of employer contributions, and schedule of proportionate share of the total other postemployment benefits (OPEB) liability on pages 73 through 75, 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

Short Hills, New Jersey
March 29, 2019

Overview of Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) section provides an analytical overview of The College of New Jersey's (TCNJ or the College) financial performance during the fiscal year ended June 30, 2018. The MD&A section is intended to help readers of the financial statements better understand the financial position and operating activities for the year ended June 30, 2018 and includes selected comparative information for the year ended June 30, 2017. As an unaudited discussion prepared by management, it should be read in-conjunction with the financial statements and footnotes disclosures.

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for governments, including public colleges and universities. The College's significant accounting policies are summarized in note 2 to the financial statements of this report, including further information on the financial reporting entity.

Because the financial statements of The College of New Jersey Foundation Inc. and Trenton State College Corporation, component units of TCNJ, are presented discretely from the College, the MD&A focuses only on the College. Information relating to the component units can be found in their separately issued financial statements.

College Overview

The College of New Jersey is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. The College gives primacy to teaching and has an achievement-oriented and diverse student body.

Acknowledged for the quality of its academic offerings, the College has been ranked as one of the best comprehensive colleges in the country since 1993 in *US News & World Report*'s annual survey of "America's Best Colleges." The annual survey for 2017–18 ranked the College number one among public colleges and universities, number two for undergraduate education, and tied for number three in the best Regional Universities category for the North region of the country. In 2017, *Kiplinger's Personal Finance* ranked the College number 31 in its list of the 100 "Best College Values" in public higher education nationally and tops the list for the best value institution in New Jersey (the State). In *Money Magazine's* 2018 ranking of the "Best Colleges for Your Money", the College ranked number one among public colleges and universities and second overall in the State. Nationally the College placed 14th among other public institutions of higher education and 24th overall in the nation. *Money Magazine* also included TCNJ on its list of 20 public colleges that are "most likely to pay off financially" and ranked the College number six out of 25 "Public Colleges Where Students Graduate the Fastest". TCNJ also ranked 74th overall and 23rd among public institutions on *Forbes*' list of "America's Best Value Colleges". The College's School of Business was ranked 35th in *Bloomberg Businessweek's* 2016 ranking of the top 100 undergraduate business programs in the nation and has the number one undergraduate business school in the State, according to the publication's survey of the "Best Undergraduate Business Schools". Additionally, in 2016, *The Princeton Review* ranked the College as one of the nation's 75 "Best Value" public colleges and universities. The College was the only public college from the State to make the list.

A strong liberal arts core forms the foundation for a wealth of degree programs offered through the College's seven schools. These schools include Arts and Communication; Business; Education; Humanities and Social Science; Science; Nursing, Health, and Exercise Science; and Engineering. The College is enriched by an honors program and extensive opportunities to study abroad; its freshman orientation programs have helped make its retention and graduation rates among the highest in the country.

The College is recognized as a public institution of higher education by the State of New Jersey and, accordingly, the State Legislature appropriates funds annually to support operations and the cost of fringe benefits for state authorized positions. Under the law, the College is an instrumentality of the State with a high degree of autonomy and is subject to all of the laws and regulations applying to the state public colleges.

Governance

The governing board of the College is a Board of Trustees comprised of no more than 15 publicly appointed trustees, two students and the President of the College (ex-officio non-voting). All citizen members are voting members, as is one of the two students. The Board also includes representatives from the staff and the faculty.

Under P.L. 1994, C. 48, the Board of Trustees is responsible for developing an institutional plan; determining academic programs; establishing administrative policies; borrowing money; awarding contracts; setting tuition and fees; granting degrees; appointing, evaluating and determining compensation of the president; appointing and promoting the faculty and staff; establishing admission standards and requirements and standards for granting diplomas, certificates and degrees; recommending members for appointments to the Board of Trustees by the Governor; having final authority to determine controversies and disputes pertaining to tenure and other personnel matters of employees; investing and reinvesting the funds of the College; retaining legal counsel of the College's choosing; and preparing and making public an annual financial statement.

Academic Profile

Faculty

Grounded in the liberal arts, TCNJ's personalized, collaborative, and rigorous education engages students at the highest level within and beyond the classroom. In fall 2017, the College's overall full-time equivalent (FTE) faculty count was 544. Approximately 67% of the total faculty FTE was full time (362) and the remaining 33% (182) included permanent part-time faculty, adjunct and teaching professional staff. During this same period, the total FTE student enrollment was 6,815 and the student to faculty ratio was 13:1. The College does not employ graduate teaching assistants, which increases faculty involvement in the curriculum and enriches student learning.

Faculty Data

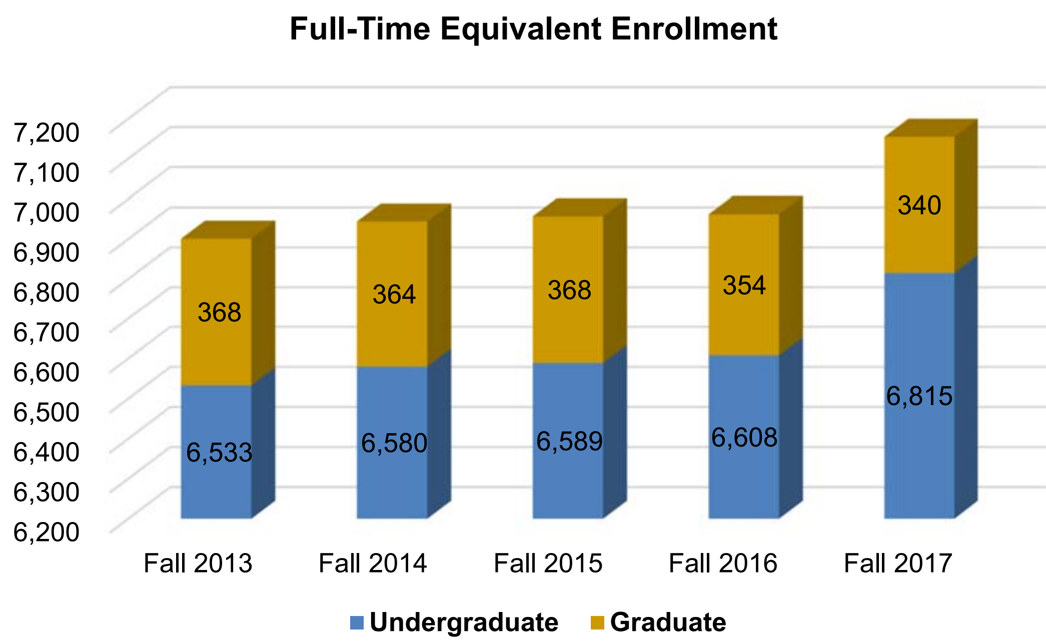
Academic Year	Full-Time Faculty	Part-Time Faculty*	Tenured Faculty	Faculty with Terminal Degrees	Student/ Faculty Ratio
2015 - 2016	355	162	271	323	13:1
2016 - 2017	355	172	259	320	13:1
2017 - 2018	362	182	261	329	13:1

*Part-time includes permanent part-time faculty, adjunct and teaching professional staff full-time equivalents.

Students

The College enjoys a healthy student demand and continues to attract academically talented students. In fall 2017, the full-time freshmen class enrolled 1,542 students yielding a 25% matriculation ratio based upon a 48% acceptance ratio for 12,898 applicants. The 94% freshman to sophomore retention rate demonstrates a high level of student satisfaction. The level of academic engagement is reflected in the high four year and six year graduation rates for the 2011 first time freshman cohort of 73% and 87%, respectively. Currently, 89% of the freshmen class and 55% of all undergraduate students live on campus.

In the fall of 2017, TCNJ enrolled 6,815 full-time equivalent undergraduate students and 340 full-time graduate students. Over the last five years, TCNJ has targeted enrollment growth in line with its strategic enrollment plan goals, with the total full-time equivalent population growing by 254 from fall 2013 to fall 2017, primarily in the undergraduate population as reflected in the graph below.



The 2017–2018 academic year concluded with the awarding of 1,609 bachelor's degrees, 387 master's degrees, and 76 pre-/post-master's certifications.

Using the Financial Statements

The basic financial statements present the financial position, the changes in financial position and cash flows of the College, through three primary financial statements and notes to the financial statements. The three financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Sustained increases or decreases in net position over time is one indicator of the improvement or erosion of an institution's financial health when considered with relevant nonfinancial indicators such as enrollment levels, quality of freshman applicants, student retention and graduation rates and the condition of the facilities.

Significant Aspects of the Financial Statements

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College's revenues, including state appropriations, OPEB revenue (in fiscal year 2018), and investment income, are considered nonoperating, as defined by GASB Statement No. 35. The net nonoperating revenue totaled $62.5 million and $42.5 million for the years ended June 30, 2018 and 2017, respectively.
- Scholarships applied to student accounts are shown as a reduction of student tuition and housing fee revenue. Tuition waivers are reported as a scholarship expense. For the years ended June 30, 2018 and 2017, scholarship allowance totaled $28.2 million and $25.7 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $22.9 million and $21.9 million for the years ended June 30, 2018 and 2017, respectively.
- Unrestricted net position comprised various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net position. The College has many activities that require a certain level of reserves to be maintained. Examples include working capital reserves for auxiliary operations, educational and general activities, coverage for debt service and capital reserves for planned construction efforts.

GASB Statement No. 68

In fiscal year 2015, the College implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB 68 requires state and local government employers to recognize a net pension liability for defined benefit plans where the entity is a participant. The College pension plans impacted by GASB 68 and 71 are the State of New Jersey Public Employees' Retirement System (PERS), the State of New Jersey Police and Firemen's Retirement System (PFRS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF).

The changes in net pension liability adjusted for the deferred inflows and deferred outflows of resources result in pension expense. Prior to fiscal year 2015, the College only recognized pension expense for these plans up to the amount contributed to the plan by the State as indicated within the fringe benefit rate provided by the State. In fiscal year 2015, the College was also required to adjust the unrestricted net position by $118.1 million to reflect the cumulative effect of implementation from prior years. The amounts recorded as a result of following GASB 68 have been shown separately in the tables below.

Historically, the State provided the contributions to the plan while seeking reimbursement from the College for the College's non-State-authorized positions. The State provides an annual fringe benefit appropriation to the College based on a fully loaded fringe benefit appropriation. The College 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.

The College's financial statements relating to the reporting of pension liability under GASB 68 reflect its proportionate share, as determined by the Division of Pensions and Benefits (DPB) of the State, of the State-wide pension liabilities under the PERS and PFRS. In computing the College's proportionate share, DPB first computed the contributions made for the College for each fiscal year as a percentage of contributions deemed made on behalf of all "employers" in the "State Group" for that fiscal year. Next, DPB multiplied this ratio by the total net pension liability for the entire State Group as of the last day of each fiscal year.

With respect to TPAF, the State determined they met the “special funding situation” included in GASB 68 and the State recorded the pension liability on its respective financial statements. With respect to PERS and PFRS, the State determined the College was a separate employer. Thus, the College records on its financial statements the net pension liability and related deferred inflows and deferred outflows as determined by DPB.

However, the State has communicated that the GASB 68 pension liability “allocations do not impact state laws or past funding arrangements that have been established annually in the State budget.”

GASB Statement No. 75

In fiscal year 2018, the College implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 addresses accounting and financial reporting for other postemployment benefits (OPEB). The College's retirees participate in the State of New Jersey State Health Benefit State Retired Employees Plan (the Plan). The Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts. The College is considered a participating employer in the Plan and the State is a nonemployer contributing entity. The Plan is administered by the State on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB 75.

The State is legally obligated to pay the OPEB benefit coverage for eligible retirees of the College under N.J.S.A. 52:14-17.32. Since the College does not contribute directly to the Plan, there is no total OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the College's financial statements. The College's portion of the nonemployer contributing entity's total proportionate share of the total OPEB liability that is associated with the College is disclosed in note 11.

Prior to the adoption of GASB 75, the College did not recognize any OPEB expenses related to the Plan. In fiscal year 2018, the College recognized $17.0 million in OPEB expense and non-operating OPEB revenue to account for the College's portion of the OPEB expense that was paid by the State. The amounts recorded in the Statement of Revenues, Expenses and Changes in Net Position as a result of GASB 75 have been shown separately in the tables below.

The College's financial statements relating to the reporting of OPEB under GASB 75 reflect its proportionate share, as determined by the DPB, of the State's OPEB expenses under the Plan as of June 30, 2017 (FY 2017). The College's proportionate share was calculated by DPB based on the ratio of the members (active and retired) of an individual employer to the total members of the Plan during the measurement period. The College's fiscal year 2018 financial statements include its proportionate share of OPEB revenues and expenses for the measurement period July 1, 2016 through June 30, 2017.

The tables below show the GASB 68 adjustments to the financial statements for fiscal years 2018 and 2017, and the GASB 75 adjustments to the financial statements for fiscal year 2018:

2018

Condensed Statement of Net Position
(Amounts in thousands)

	Before GASB 68	GASB 68 Adjustment	As Reported
Assets:			
Current assets	$ 113,845	—	113,845
Capital assets, net	673,564	—	673,564
Other noncurrent assets	81,485	—	81,485
Total assets	868,894	—	868,894
Deferred outflows of resources	33,208	35,068	68,276
Liabilities:			
Current liabilities	51,273	—	51,273
Noncurrent liabilities	399,595	159,574	559,169
Total liabilities	450,868	159,574	610,442
Deferred inflows of resources	—	22,704	22,704
Net Position:			
Net investment in capital assets	329,313	—	329,313
Restricted expendable	15,816	—	15,816
Unrestricted	106,106	(147,211)	(41,105)
Total net position	$ 451,235	(147,211)	304,024

2017 Condensed Statement of Net Position (Amounts in thousands)				
		Before GASB 68	GASB 68 Adjustment	As Reported
Assets:				
Current assets	$	117,076	—	117,076
Capital assets, net		673,155	—	673,155
Other noncurrent assets		87,879	—	87,879
Total assets		878,110	—	878,110
Deferred outflows of resources		35,077	41,744	76,821
Liabilities:				
Current liabilities		50,520	—	50,520
Noncurrent liabilities		418,135	180,206	598,341
Total liabilities		468,655	180,206	648,861
Deferred inflows of resources		—	129	129
Net Position:				
Net investment in capital assets		324,924	—	324,924
Restricted expendable		15,430	—	15,430
Unrestricted		104,178	(138,591)	(34,413)
Total net position	$	444,532	(138,591)	305,941

Under GASB 68, the College recorded its proportionate share of pension expense of $13.2 million and $17.3 million, for fiscal years 2018 and 2017, respectively. In fiscal years 2018 and 2017, the State's contributions amounted to $4.2 million and $3.1 million, respectively.

2018

Condensed Statement of Revenues, Expenses and Changes in Net Position
(Amounts in thousands)

		Before GASB 68 & 75	GASB 68 Adjustment	GASB 75 Adjustment	As Reported
Net student revenues	$	149,739	—	—	149,739
Government grants and contracts		20,572	—	—	20,572
Auxiliary activities		5,717	—	—	5,717
Other		5,738	—	—	5,738
Operating revenues		181,766	—	—	181,766
Instruction and research		76,071	3,799	—	79,870
Academic support		16,799	703	—	17,502
Student services		20,223	953	—	21,176
Operation and maintenance of plant		26,886	1,366	—	28,252
Institutional support		19,411	1,116	—	20,527
Auxiliary activities		34,045	532	—	34,577
Other postemployment benefit expense		—	—	17,034	17,034
Depreciation		22,858	—	—	22,858
Loss on disposal of capital assets		1,373	—	—	1,373
Other		7,663	215	—	7,878
Operating expenses		225,329	8,684	17,034	251,047
Operating loss		(43,563)	(8,684)	(17,034)	(69,281)
State appropriations and fringe benefits		53,942	64	—	54,006
Other postemployment benefit revenue		—	—	17,034	17,034
Other expenses, net		(8,534)	—	—	(8,534)
Net nonoperating revenues		45,408	64	17,034	62,506
Capital grants and gifts		4,858	—	—	4,858
Increase (decrease) in net position		6,703	(8,620)	—	(1,917)
Net position, beginning of year		444,532	(138,591)	—	305,941
Net position, end of year	$	451,235	(147,211)	—	304,024

2017 Condensed Statement of Revenues, Expenses and Changes in Net Position (Amounts in thousands)		Before GASB 68	GASB 68 Adjustment	As Reported
Net student revenues	$	144,236	—	144,236
Government grants and contracts		18,805	—	18,805
Auxiliary activities		5,066	—	5,066
Other		6,036	—	6,036
Operating revenues		174,143	—	174,143
Instruction and research		70,510	6,202	76,712
Academic support		16,028	1,104	17,132
Student services		18,972	1,536	20,508
Operation and maintenance of plant		23,748	2,095	25,843
Institutional support		16,711	1,752	18,463
Auxiliary activities		32,841	878	33,719
Depreciation		21,883	—	21,883
Other		8,169	398	8,567
Operating expenses		208,862	13,965	222,827
Operating loss		(34,719)	(13,965)	(48,684)
State appropriations and fringe benefits		51,827	152	51,979
Other expenses, net		(9,496)	—	(9,496)
Net nonoperating revenues		42,331	152	42,483
Capital grants and gifts		17,451	—	17,451
Increase (decrease) in net position		25,063	(13,813)	11,250
Net position, beginning of year		419,469	(124,778)	294,691
Net position, end of year	$	444,532	(138,591)	305,941

Refer to note 11 for additional information related to GASB 68 and 75.

Statement of Net Position

The Statement of Net Position presents the College's financial position at the end of fiscal years 2018, including all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position using the accrual basis of accounting. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is carried at cost.

Assets and liabilities are categorized as current and noncurrent and are shown in order of their relative liquidity. An asset's liquidity is determined by how readily it is expected to be converted to cash or whether restrictions limit the College's ability to use the resources. Current assets are generally considered to be convertible to cash within one year. Noncurrent assets are predominantly composed of deposits held by trustees for capital, long-term investments and capital assets (net).

Deferred outflows of resources are a consumption of net position by the College that is applicable to a future reporting period. The College'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.

A liability's liquidity is based on its maturity or when cash is expected to be used to liquidate it. Current liabilities are amounts becoming due and payable within the next year and consist primarily of accounts payable, accrued liabilities and the portion of bond principal due within a year. The College's net pension liability and long-term debt comprise the majority of its noncurrent liabilities.

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

Net position represents the residual interest in the College's assets and deferred outflows of resources after all liabilities and deferred inflows are deducted. Net position is one indicator of the financial condition of the College, while the change in net position during the year is a measure of whether the overall condition has improved or worsened during the year.

Net position is classified into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment. The second category is restricted expendable net position, which are available resources to the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on their usage.

Finally, unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College, such as donors or granting agencies. Also included are normal working capital balances maintained for departmental and auxiliary enterprise activities.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the College. They may also determine how much the College owes external vendors, bond holders and other parties. A summary of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and 2017 are as follows:

Condensed Statements of Net Position
(Amounts in thousands)

		2018	2017
Assets:			
Current assets	$	113,845	117,076
Capital assets, net		673,564	673,155
Other noncurrent assets		81,485	87,879
Total assets		868,894	878,110
Deferred outflows of resources		68,276	76,821
Liabilities:			
Current liabilities		51,273	50,520
Noncurrent liabilities		559,169	598,341
Total liabilities		610,442	648,861
Deferred inflows of resources		22,704	129
Net Position:			
Net investment in capital assets		329,313	324,924
Restricted expendable		15,816	15,430
Unrestricted		(41,105)	(34,413)
Total net position	$	304,024	305,941

Statement of Net Position Financial Highlights

Assets

During fiscal year 2018, the College's total assets decreased by $9.2 million, or 1.0%. At June 30, 2018, the College's working capital, which is current assets less current liabilities, was $62.6 million, a decrease of $4.0 million from the previous year. This change was primarily due to a decrease in cash and cash equivalents which included a transfer of $3.0 million in excess cash to the investment portfolio, offset by a decrease in accounts payable and the current portion of bonds payable.

Working capital is a key financial metric used to measure the College's liquidity for operations. It measures the institution's ability to satisfy its current obligations as they come due. With current assets at 2.22 times above current liabilities in fiscal year 2018, the College had adequate liquidity to satisfy its current obligations.

Summary of Working Capital (Amounts in thousands)			
		2018	**2017**
Current assets	$	113,845	117,076
Current liabilities		51,273	50,520
Working capital		62,572	66,556
Ratio of current assets to current liabilities		2.22	2.32

Cash and Investments

In fiscal year 2018, cash and cash equivalents decreased by $5.2 million, or 28.0%, primarily due to the transfer of $3.0 million in excess cash to the investment portfolio, coupled with disbursements for operations including debt service payments. The net decrease in cash was offset by cash receipts and reimbursements from deposits held by bond trustees for capital expenses.

The College's investment portfolio contains two components: a short duration fixed income approach, which holds high-quality liquid fixed income securities generally maturing between overnight and three years, and a longer-term multi-asset class management portfolio, which employs a more diversified approach focused on global investments.

The investment portfolio produced strong results for the fiscal year ended June 30, 2018. The combined portfolio generated over $5.1 million, or 5.9%, in fiscal year 2018 compared to $5.3 million, or 6.8%, the previous fiscal year. This was the result of a very strong equity market performance coupled with the College's strategic investment in a long-term, diversified, multi-asset class portfolio, which returned 9.6% over the past 12 months, exceeding its blended benchmark, which returned 7.8% during the same period.

Despite the persistently low interest rate environment during the fiscal year, the College's short duration fixed income portfolio generated positive returns while adhering to the investment policy mandates of safety, liquidity and yield. For fiscal year 2018, the fixed income portfolio generated a gross return of 0.8% versus 0.5% for its benchmark, Merrill Lynch 0-3 Year US Treasury Index. The short duration fixed income portfolio is allocated largely towards U.S. government securities, which include U.S. Treasury and federal agency notes and bonds rated AA or better. These investments accounted for approximately 26.5% of the portfolio at June 30, 2018. The remainder of the portfolio is invested in high quality credit investments, including corporate notes, commercial paper, certificates of deposit and municipal bonds.

The multi-asset class portfolio is allocated with a 70.0% equity and 30.0% fixed income approach since its inception in February 2012. As of June 30, 2018, the portfolio was slightly overweight by 3.6% in equities against the target allocation while the fixed income segment was underweight by 3.8% in order to minimize risk to the portfolio due to the market environment.

At June 30, 2018, investments totaled $94.9 million, representing an increase of $8.1 million primarily due to a transfer of $3 million in excess cash to the investment portfolio plus investment income and appreciation net of investment manager fees.

Cash and Cash Equivalents and Investments (Amounts in thousands)			
		2018	2017
Cash and cash equivalents	$	13,305	18,490
Investments – current		67,808	63,174
Investments – noncurrent		27,069	23,574
Total cash and cash equivalents and investments	$	108,182	105,238

Restricted Deposits Held With Trustees

Restricted deposits held with trustees had a net decrease of approximately $11.0 million as of June 30, 2018 primarily due to requisitions paid throughout the fiscal year to reimburse TCNJ for bond-financed capital expenditures temporarily funded by operating cash. Consistent with the prior fiscal year, debt service payments for July 1, 2018 are reflected in the restricted deposits held with bond trustees as of June 30, 2018.

Capital Assets

At June 30, 2018, the College had $673.6 million invested in capital assets, net of accumulated depreciation of $309.6 million. Depreciation charges totaled $22.9 million for the year ended June 30, 2018. Net capital additions totaling $18.3 million were comprised primarily of new construction and renovation of facilities such as the new STEM Complex, the Brower Student Center renovation plus expansion, and various asset renewal projects. These additions were funded by capital contributions, institutional reserves, capital grants and proceeds from bonds. The following is a breakdown of the net additions for fiscal years ended June 30, 2018 and 2017:

Net Capital Additions (Amounts in thousands)			
		2018	2017
Net additions:			
Land and land improvements	$	381	107
Works of art/historical treasures		308	—
Buildings and building improvements		97,690	1,139
Leasehold improvements		14	26
Infrastructure		9,254	2,202
Equipment and other assets		4,650	8,232
Construction in progress, net		(93,973)	44,333
Net total additions	$	18,324	56,039

Deferred Outflows of Resources

During fiscal year 2018, the deferred outflows of resources consist of deferred amounts from debt refunding and pensions. In fiscal year 2018, the deferred outflows of resources related to debt refunding decreased by $1.9 million due to the recognition of deferred outflows from the Series 2016F and 2016G bond issues, partially offset by the amortization of the deferred amounts, while the deferred outflows relating to pensions decreased by $6.7 million due to changes in proportion of the allocated pension liability and changes in actuarial assumptions used to calculate the pension liability.

Liabilities

Current Liabilities

Current liabilities remained relatively stable during fiscal year 2018, with a modest increase of $753 thousand, or 1.5%, primarily due to the increase in the current portion of the bonds payable.

Noncurrent Liabilities

During fiscal year 2018, noncurrent liabilities decreased by $39.2 million, or 6.5%, primarily due to a $20.1 million reduction of the net pension liability under GASB 68 and $13.1 million decrease in bonds payable due to repayment of debt.

Long-Term Debt

The use of debt has been a key component in the College's transformation into a selective institution that has earned national recognitions for its commitment to academic excellence. The attractiveness of the College's facilities is an important factor in the College's ability to recruit highly qualified students. At June 30, 2018, the College had $402.5 million in outstanding bonds and other long-term obligations including bond premium, issued by the New Jersey Educational Facilities Authority. TCNJ's debt burden is a characteristic of many New Jersey state colleges and universities due primarily to the lack of state capital support historically and TCNJ's strategic choice to invest and reinvest in state-of-the-art facilities.

At June 30, 2018, the College's outstanding bonds includes $37.1 million of principal from the proceeds of the 2016F bonds, which is being counted in the amount of debt outstanding along with the $37.1 million of principal on the 2010B bonds to be redeemed using the escrow proceeds when they are callable on July 1, 2019 at par. The crossover bonds were sized to fund an escrow (debt service reserve) account which will pay interest on the portion of the Series 2016F bonds allocable to the Series 2010B bonds to be refunded through July 1, 2019, and the redemption price on the Series 2010B bonds (at par in an amount equal to $37.1 million). The escrow is invested in qualified securities such as U.S. Treasuries and is reported in the restricted deposits with trustees in the accompanying financial statements.

According to the rating agencies, TCNJ's bond ratings and stable outlook reflect strong student demand and conservative financial management, which have translated into excellent operating performance and significant growth in cash and investments. At June 30, 2018, the College's bond ratings and outlook were as follows:

Bond Rating and Outlook			
	Fitch	Moody's Investors Service	Standard & Poor's
Long–term rating	AA-	A2	A
Rating outlook	Stable	Stable	Stable

The College's long-term debt structure is all fixed-rate with no interest rate swaps. Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements.

Deferred Inflows of Resources

During fiscal year 2018, the deferred inflows of resources consist of deferred amounts relating to pensions of $22.7 million, which represent the College's proportionate share recognized under GASB 68 for each fiscal year.

Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after all liabilities and deferred inflows are deducted. Net position is one indicator of the financial condition of the College, while the change in net position during the year is a measure of whether the overall condition has improved or worsened during the year.

The College's net position before the GASB 68 adjustment to the financial statements in fiscal year 2018 increased $6.7 million, yet due to the recording of $8.7 million in net pension expense under GASB 68, the reported net position showed a decrease of $1.9 million or 0.6%.

At June 30, 2018 the total net position was reflected in the following three component categories:

- Net investment in capital assets represents the College's capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets. During fiscal year 2018, this category increased $4.4 million due to net additions to capital assets and related debt, offset by payments of outstanding debt.
- Restricted expendable net position contains resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal year 2018, this category increased $386 thousand primarily due to an increase in funds held by trustees for principal and interest repayment.
- Unrestricted net position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the College's management or Board of Trustees. In fiscal year 2018, this category had a decrease of $6.7 million primarily due to the recording of the College's proportionate share of pension expense and related deferred outflows of resources, net pension liability and deferred inflows of resources under GASB 68.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the College's results of operations. The statement distinguishes revenues and expenses between operating and nonoperating categories, and provides a view of the College's performance. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are incurred in the normal operation of the College, including a provision for estimated depreciation on capital assets. Revenues and expenses are recognized when earned or incurred regardless of when the cash is received or paid.

Certain revenue sources that the College relies on for operations, including state appropriations and investment income, are required by GASB to be classified as nonoperating revenues. Nonoperating expenses primarily include interest expense and amortization expense related to the deferred outflows of resources from debt refunding. The College will likely always report an operating loss due to the types of revenues classified as nonoperating. Therefore, the change in net position is more indicative of the overall financial results for the fiscal year.

A summary of the College's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2018 and 2017 are as follows:

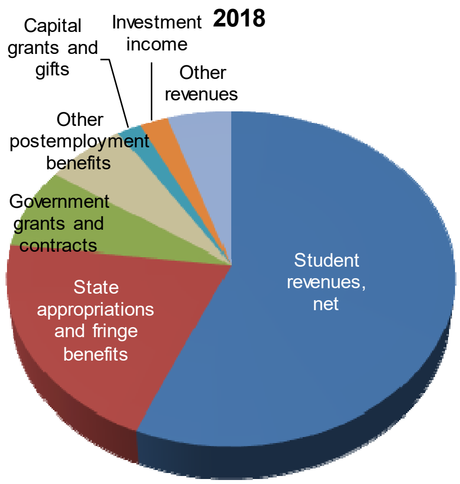
Condensed Statements of Revenues, Expenses and Changes in Net Position (Amounts in thousands)

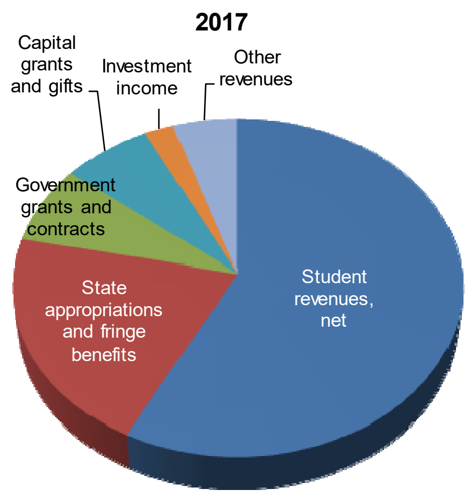
		2018	2017
Net student revenues	$	149,739	144,236
Government grants and contracts		20,572	18,805
Auxiliary activities		5,717	5,066
Other		5,738	6,036
Operating revenues		181,766	174,143
Instruction and research		79,870	76,712
Academic support		17,502	17,132
Student services		21,176	20,508
Operation and maintenance of plant		28,252	25,843
Institutional support		20,527	18,463
Auxiliary activities		34,577	33,719
Other postemployment benefit expense		17,034	—
Depreciation		22,858	21,883
Loss on disposal of capital assets		1,373	274
Other		7,878	8,293
Operating expenses		251,047	222,827
Operating loss		(69,281)	(48,684)
State appropriations and fringe benefits		54,006	51,979
Other postemployment benefit revenue		17,034	—
Investment income		5,978	5,704
Other expenses, net		(14,512)	(15,200)
Net nonoperating revenues		62,506	42,483
Capital grants and gifts		4,858	17,451
(Decrease) increase in net position		(1,917)	11,250
Net position, beginning of year		305,941	294,691
Net position, end of year	$	304,024	305,941

Statement of Revenues, Expenses and Changes in Net Position Financial Highlights

Revenues

The following is an illustration of revenues by source (both operating and nonoperating), that were used to fund the College's activities for the fiscal years ended June 30, 2018 and 2017:





	2018			2017		
	Amount		Percent	Amount		Percent
	(Amounts in thousands)					
Student revenues, net	$	149,739	56.4%	$	144,236	57.5%
State appropriations and fringe benefits		54,006	20.3%		51,979	20.7%
Government grants and contracts		20,572	7.8%		18,805	7.5%
Other postemployment benefits		17,034	6.4%		—	0.0%
Capital grants and gifts		4,858	1.8%		17,451	7.0%
Investment income		5,978	2.3%		5,704	2.3%
Other revenues		13,197	5.0%		12,525	5.0%
	$	**265,384**	**100.0%**	$	**250,700**	**100.0%**

Operating Revenues

Operating revenues represent resources generated by the College in fulfilling its instruction, research and public service mandate. Total operating revenues increased by $7.6 million in fiscal year 2018.

Tuition and Fees

Tuition and fees revenues increased $5.7 million, or 4.7%, in fiscal year 2018, primarily due to the College's continued strategic efforts to keep the cost of education affordable with a modest tuition and fees increase of 2.25% in 2018 for undergraduate students coupled with targeted growth in undergraduate enrollment.

Student Housing and Fees

In fiscal year 2018, student housing and fees increased by $2.3 million, or 4.9%, due to a room and board rate increase of 2.48% coupled with increased housing occupancy over the previous fiscal year.

Scholarship Allowance

Scholarship allowance increased by $2.5 million or 9.9% in fiscal year 2018 primarily due to increases in need-based institutional, state and federal scholarships as reflected in the table below.

Scholarship Allowance (Amounts in thousands)

		2018	2017
State scholarships	$	7,851	6,886
Federal scholarships		6,182	5,537
Institutional scholarships		14,201	13,274
Total scholarships	$	28,234	25,697

Government Grants and Contracts

The College recognizes revenues associated with the direct costs of grants and contracts as the related expenditures are incurred. In fiscal year 2018, government grants and contracts had a net increase of $1.8 million, or 9.4%, due to a $1.1 million increase in State of New Jersey grants and contracts and a $621 thousand increase in federal grants and contracts.

Auxiliary Activities

Auxiliary activities, which are self-supporting activities, accounted for approximately 3.1% of the total operating revenues in fiscal year 2018. Included in auxiliary activities are revenues derived primarily from commissions, student center and conference center operations, and summer camp activities.

Nonoperating Revenues

Nonoperating revenues are those not generated by the College's core mission and include such funding sources as investment income and New Jersey State support, appropriations and funding for fringe and other postemployment benefits.

New Jersey State Appropriations

New Jersey state appropriations represented 20.3% of the total College revenues in fiscal years 2018. The level of state support is therefore a factor influencing the College's overall financial condition. The state appropriations include amounts appropriated by the State Legislature and employees' fringe benefits paid by the State.

The College reimburses the State for the fringe benefit costs for the number of employees who exceed the state authorized position count of 859 for TCNJ. Even though state appropriations are considered nonoperating revenue for financial reporting purposes, the total amount supports operating expenses.

In fiscal year 2018, the gross state support to the College increased by $2.0 million, or 3.9%, due to an increase in the fringe benefits funded by the State while the base state appropriation remained flat.

The breakdown of the state appropriations at June 30, 2018 and 2017 are as follows:

State Appropriations (Amounts in thousands)			
		2018	2017
State appropriations	$	27,177	27,177
Fringe benefits		26,829	24,802
Gross State support	$	54,006	51,979

Other Postemployment Benefit Revenue

The fiscal year 2018 other postemployment benefit (OPEB) revenue represents the College's proportionate share of OPEB expenses under GASB 75. This non-cash revenue is a direct offset of the OPEB expenses that were recognized in fiscal year 2018. See note 11 for additional information on OPEB.

Investment Income

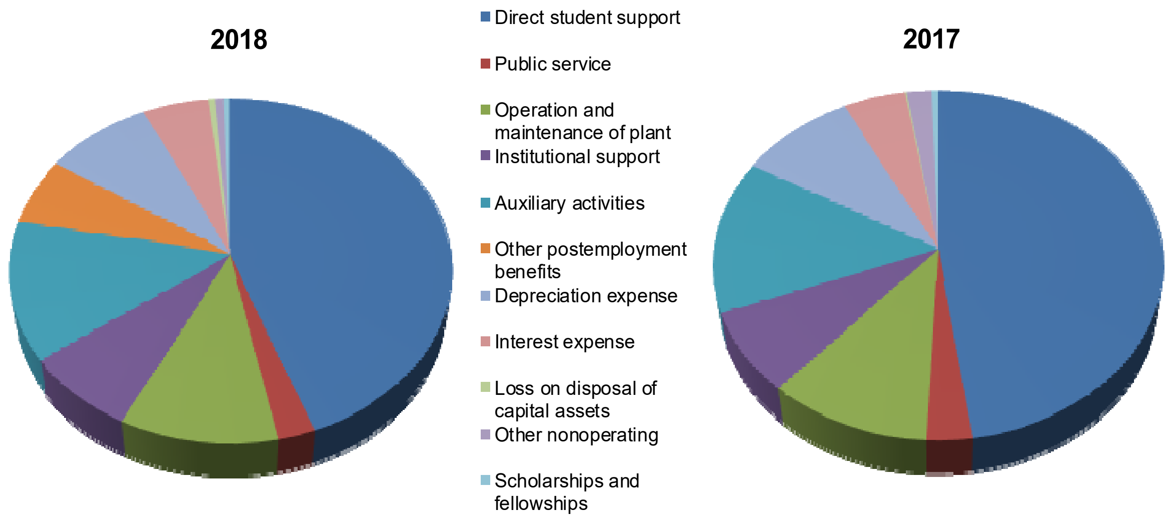
Investment income includes interest and dividend income as well as realized and unrealized gains and losses. During fiscal year 2018, the positive performance of the investment portfolio yielded a total return of $6.0 million, an increase of $274 thousand over the previous fiscal year total of $5.7 million.

Capital Grants and Gifts

Capital grants and gifts totaled $4.9 million in fiscal year 2018 due to the receipt of a number of New Jersey State grants to fund the a new Science, Technology, Engineering and Mathematics (STEM) building, the renovation of Armstrong Hall and various information technology improvements. The revenue for these capital grants is recognized as 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 revenue in the statements of net position.

Expenses

The following is an illustration of total expenses by function (both operating and nonoperating), for the fiscal years ended June 30, 2018 and 2017:



	2018		2017	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Instruction and research	$ 79,870	29.9%	$ 76,712	32.0%
Academic support	17,502	6.5%	17,132	7.1%
Student services	21,176	7.9%	20,508	8.6%
Direct student support	118,548	44.3%	114,352	47.7%
Public service	6,593	2.5%	7,107	3.0%
Operation and maintenance of plant	28,252	10.6%	25,843	10.8%
Institutional support	20,527	7.7%	18,463	7.7%
Auxiliary activities	34,577	12.9%	33,719	14.1%
Other postemployment benefits	17,034	6.4%	—	0.0%
Depreciation expense	22,858	8.5%	21,883	9.1%
Interest expense	14,434	5.4%	11,938	5.0%
Loss on disposal of capital assets	1,373	0.5%	274	0.1%
Other nonoperating	1,820	0.7%	4,685	2.0%
Scholarships and fellowships	1,285	0.5%	1,186	0.5%
	$ 267,301	**100.0%**	**$ 239,450**	**100.0%**

Operating Expenses

The College has consistently demonstrated its commitment to preserving the quality of its academic programs despite the challenging state funding environment by continuing to allocate a significant portion of its operating expenses to direct student support (instruction, research, academic support and student services) and to college-funded scholarships which are reported as a reduction of student revenues in these financial statements.

In fiscal year 2018, total operating expenses were $251.0 million, representing an overall increase of $28.2 million, or 12.7%, over the previous fiscal year total of $222.8 million. This increase was primarily due to $17.0 million in other postemployment benefit expense recognized in fiscal year 2018 due to the adoption of GASB 75, increases in salaries and fringe benefits from obligations of the various union contracts collectively bargained at the State level, operation and maintenance of plant, auxiliary activities, depreciation expense and loss on disposal capital assets.

Instruction and Research

The combination of instruction and research represents the College's largest operating expense category. In fiscal year 2018, the change in both functional categories was primarily due to salaries and fringe benefits costs driven by the requirements of the union contracts.

Academic Support

In fiscal year 2018, academic support expenses increased $370 thousand, or 2.2%. The increase was primarily due to increases in salaries and fringe benefits expenses and information technology maintenance costs.

Public Service

Public service represents grant activities and academic enterprise programs geared toward community involvement and benefit, such as the Bonner Center for Civic and Community Engagement and the New Jersey AmeriCorps grants. This category decreased by $514 thousand, or 7.2%, in fiscal year 2018.

Student Services

In fiscal year 2018, student service expenses increased by $668 thousand, or 3.3%, due to increases in salaries and fringe benefits costs driven by the requirements of the union contracts. In addition, there were investments for athletics activities and the operation of a new fitness center.

Operation and Maintenance of Plant

Operation and maintenance of plant increased by $2.4 million, or 9.3%, in fiscal year 2018, primarily due to an increase in fuel and utilities costs for new and renovated facilities, plus increases in salaries and fringe benefits resulted from the union contracts negotiations.

Institutional Support

In fiscal year 2018, institutional support increased $2.1 million, or 11.2%, due primarily to salaries and fringe benefits increase per the requirements of various union contracts.

Auxiliary Activities

In fiscal year 2018, auxiliary activities increased by $858 thousand, or 2.5%, primarily due to increases in salaries and fringe benefits and meal plan costs.

Other Postemployment Benefit Expense

The fiscal year 2018 OPEB expense represents the College's proportionate share of OPEB expenses under GASB 75. This non-cash expense is directly offset by the OPEB revenue that were recognized in fiscal year 2018. See note 11 for additional information on OPEB.

Depreciation Expense

Depreciation expense increased by $975 thousand, or 4.5%, in fiscal year 2018 due to additional capital expenditures which were eligible to be depreciated.

Loss on Disposal of Capital Assets

During fiscal year 2018 there was a total of $1.4 million in loss on disposal of capital assets which represents the net book value of assets that were disposed of during the major renovation of the student center.

Nonoperating Expenses

Nonoperating expenses are those not incurred by the College's core mission and include such activities as interest on debt and transactions with institutionally affiliated organizations.

Interest Expense

Interest expense is traditionally partially offset by the amount of interest capitalized during the construction phase of major projects. Interest expense decreased by $2.5 million, or 20.9%, in fiscal year 2018 due to debt service savings achieved from the refunding of various bond issues.

Transactions with Affiliates

The College's affiliates include The College of New Jersey Foundation (the Foundation) and the Trenton State College Corporation (the Corporation). Examples of transactions that are reflected in affiliate transfers include: funds disbursed from the Foundation for institutional scholarship support, restricted fund disbursements from the Foundation and transfer of properties from the Corporation. In fiscal year 2018, transactions with affiliates increased by $319 thousand primarily due to the Corporation's affiliate transfers.

Other Revenues (Expenses), Net

In fiscal year 2018, other nonoperating expenses increased $2.9 million, due to an increase in amortization of bond premiums and deferred outflows related to outstanding bond issues plus the recording of bond issue costs associated with the bond refinancing activities.

Economic Factors that Will Affect the Future

The College's long tradition of prudent management, cost containment, conservative budgeting and sensible investment strategies has allowed it to continue to strengthen its financial position through positive operating results and to weather unforeseen fiscal challenges.

Cognizant of the College's responsibility to allocate resources strategically and keep the cost of education at TCNJ affordable, the College has identified areas for focused review and strategies to ensure the maintenance of its long-term financial health. These focused reviews will be coordinated with two major institutional initiatives, the strategic plan and the enterprise risk management program, and should provide the foundation for improvement in the health of the institution based on sound strategic planning.

These financial sustainability strategies will provide a better understanding of the increasing demand for institutional scholarships, strategic enrollment management and thoughtful investment in academic and student development programs. The strategies will include cost containment initiatives, review of the organizational structure to generate financial efficiencies and preserve organizational effectiveness, investment in facilities, expansion of fundraising activities, diversification of revenues, and enhancement of entrepreneurial activities.

The state and national economy will continue to pose financial challenges for the College in the future. However, as a result of strategic planning efforts and a commitment to prudent fiscal management, TCNJ will continue to make significant strategic investments over the next several years based on our financial position.

A healthy student demand and favorable market position as evidenced by stable enrollment, our sustained ability to attract and retain high-achieving students and our consistently strong operating cash from margins and liquidity, are all factors in the positive outlook for The College of New Jersey. Management believes that the College is well positioned to continue providing excellence in educational programs to our students and service to the State and to achieve its strategic goal of long-term financial sustainability.

STATEMENT OF NET POSITION

June 30, 2018

(Amounts in thousands)

Assets		Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Component Unit Trenton State College Corporation	Total
Current assets:					
Cash and cash equivalents	$	13,305	1,712	2,271	17,288
Receivables:					
Student accounts, net of allowance for doubtful accounts of $461		2,772	—	—	2,772
Student loans		922	—	—	922
Grants		3,924	—	—	3,924
Due from State of New Jersey (note 5)		4,536	—	—	4,536
Due from affiliates (note 3)		531	6	655	1,192
Other		2,314	157	—	2,471
Total receivables		14,999	163	655	15,817
Investments (notes 4 and 15)		67,808	1,781	—	69,589
Restricted deposits held with trustees (note 7)		16,839	—	—	16,839
Prepaid expenses and other assets		894	—	35	929
Total current assets		113,845	3,656	2,961	120,462
Noncurrent assets:					
Student loans receivable, net of allowance for doubtful loans of $61		2,906	—	—	2,906
Restricted deposits held with trustees (note 7)		51,510	—	—	51,510
Escrow deposits from tenants		—	—	74	74
Other assets		—	1	—	1
Investments (notes 4 and 15)		27,069	—	—	27,069
Restricted investments (note 15)		—	37,825	—	37,825
Capital assets, net (note 6)		673,564	—	6,432	679,996
Total noncurrent assets		755,049	37,826	6,506	799,381
Total assets		868,894	41,482	9,467	919,843
Deferred Outflows of Resources					
Deferred amounts from debt refunding		33,208	—	—	33,208
Deferred amounts from pensions (note 11)		35,068	—	—	35,068
Total deferred outflows of resources		68,276	—	—	68,276
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses (note 8)		31,742	140	99	31,981
Compensated absences – current portion (note 12)		3,516	—	—	3,516
Due to affiliates (note 3)		661	493	38	1,192
Unearned revenue and student deposits		1,470	—	—	1,470
Bonds payable – current portion, including net premium of $2,150 (note 9)		13,100	—	—	13,100
Other long-term obligations – current portion (note 9)		784	398	—	1,182
Total current liabilities		51,273	1,031	137	52,441
Noncurrent liabilities (note 9):					
Compensated absences – noncurrent (note 12)		454	—	—	454
U.S. and Government grants refundable		3,207	—	—	3,207
Unearned revenue – noncurrent		7,294	—	—	7,294
Escrow deposits from tenants		—	—	74	74
Bonds payable – noncurrent, including net premium of $17,527 (note 9)		381,122	—	—	381,122
Other long-term obligations (note 9)		7,518	2,540	—	10,058
Net pension liability (note 11)		159,574	—	—	159,574
Total noncurrent liabilities		559,169	2,540	74	561,783
Total liabilities		610,442	3,571	211	614,224
Deferred Inflows of Resources					
Deferred amounts from pensions (note 11)		22,704	—	—	22,704
Deferred amounts from charitable gift annuities		—	1,608	—	1,608
Total deferred inflows of resources		22,704	1,608	—	24,312
Net Position					
Net investment in capital assets		329,313	—	6,432	335,745
Restricted:					
Nonexpendable:					
Scholarships		—	11,261	—	11,261
Other programs		—	4,342	—	4,342
Expendable:					
Scholarships		—	13,443	—	13,443
Research		—	260	—	260
Debt service and capital		14,830	—	—	14,830
Other		—	4,008	—	4,008
Student loans		986	—	—	986
Unrestricted		(41,105)	2,989	2,824	(35,292)
Total net position	$	304,024	36,303	9,256	349,583

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2018

(Amounts in thousands)

		Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Component Unit Trenton State College Corporation	Total
Operating revenues:					
Student revenues:					
Student tuition and fees	$	127,524	—	—	127,524
Less tuition scholarship allowances		(22,297)	—	—	(22,297)
Net student tuition and fees		105,227	—	—	105,227
Student housing and fees		50,449	—	—	50,449
Less housing scholarship allowances		(5,937)	—	—	(5,937)
Net student housing and fees		44,512	—	—	44,512
Federal grants and contracts		10,753	—	—	10,753
State of New Jersey grants and contracts		9,819	—	—	9,819
Auxiliary activities		5,717	—	1,391	7,108
Contributions		—	2,838	—	2,838
Interest on student loans receivable		128	—	—	128
Other operating revenues		5,610	1,387	26	7,023
Total operating revenues		181,766	4,225	1,417	187,408
Operating expenses:					
Instruction		67,045	—	—	67,045
Research		12,825	—	—	12,825
Academic support		17,502	—	—	17,502
Public service		6,593	—	—	6,593
Student services		21,176	—	—	21,176
Operation and maintenance of plant		28,252	—	355	28,607
Institutional support		20,527	—	—	20,527
Scholarships and fellowships		1,285	876	—	2,161
Auxiliary activities		34,577	—	896	35,473
Fundraising and program services		—	1,079	—	1,079
Other postemployment benefits (note 11)		17,034	—	—	17,034
Depreciation		22,858	—	364	23,222
Loss on disposal of capital assets		1,373	—	—	1,373
Total operating expenses		251,047	1,955	1,615	254,617
Operating (loss) income		(69,281)	2,270	(198)	(67,209)
Nonoperating revenues (expenses):					
State of New Jersey appropriations		27,177	—	—	27,177
State of New Jersey fringe benefits		26,829	—	—	26,829
Other postemployment benefits (note 11)		17,034	—	—	17,034
Investment income		5,978	2,340	28	8,346
Interest expense		(14,434)	—	—	(14,434)
Transactions with affiliates (note 3)		1,742	(3,547)	36	(1,769)
Other revenues (expenses), net		(1,820)	4	—	(1,816)
Net nonoperating revenues (expenses)		62,506	(1,203)	64	61,367
(Loss) income before other revenues		(6,775)	1,067	(134)	(5,842)
Additions to permanent endowments		—	1,975	—	1,975
Capital grants and gifts		4,858	—	—	4,858
(Decrease) increase in net position		(1,917)	3,042	(134)	991
Net position as of beginning of year (note 2(l))		305,941	33,261	9,390	348,592
Net position as of end of year	$	304,024	36,303	9,256	349,583

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

(Business-Type Activities – College only)
Year ended June 30, 2018
(Amounts in thousands)

		2018
Cash flows from operating activities:		
Student tuition and fees	$	104,759
Federal and State grants and contracts		20,478
Payments to suppliers		(57,085)
Payments to employees		(109,732)
Payments for benefits		(6,895)
Student housing and auxiliary activities		50,455
Other receipts, net		6,308
Net cash provided by operating activities		8,288
Cash flows from noncapital financing activities:		
New Jersey State appropriations		26,697
Other receipts, net		2,454
Net cash provided by noncapital financing activities		29,151
Cash flows from capital and related financing activities:		
Purchase of capital assets		(26,646)
Net withdrawals from deposits held with trustees		12,426
Capital grants and gifts		1,573
Principal payments on bonds and other obligations		(10,233)
Interest payments on bonds and other obligations		(17,221)
Net cash used in capital and related financing activities		(40,101)
Cash flows from investing activities:		
Interest on investments		477
Purchases of investments		(3,000)
Net cash used in investing activities		(2,523)
Net change in cash and cash equivalents		(5,185)
Cash and cash equivalents as of beginning of year		18,490
Cash and cash equivalents as of end of year		13,305
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(69,281)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Other postemployment benefits	$	17,034
Depreciation		22,858
Loss on disposal of capital assets		1,373
State of New Jersey fringe benefits		26,829
Changes in assets and liabilities:		
Receivables, net		(1,828)
Prepaid expenses		(113)
Deferred outflows of resources from pensions		6,677
Accounts payable and accrued expenses		551
Accrued salaries		2,111
Other accrued expenses		(259)
Due to affiliates		(26)
Unearned revenue and student deposits		419
Net pension liability		(20,632)
Deferred inflows of resources		22,575
Net cash provided by operating activities		8,288

See accompanying notes to financial statements.

(1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Arts and Communication; Business; Education; Humanities and Social Science; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2017, TCNJ enrolled 6,815 full-time equivalent undergraduate students and 340 full-time equivalent graduate students. The College has residential facilities that house more than half of the students on campus.

The College is recognized as a public institution of higher education by the State of New Jersey (the State) and, accordingly, the State Legislature appropriates funds annually to support the College. Under the law, the College is an instrumentality of the State with a high degree of autonomy. However, pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended, the College is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the College are included in the State's Comprehensive Annual Financial Report.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting policies of the College conform to all U.S. generally accepted accounting principles as applicable to public colleges and universities.

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

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

  Nonexpendable: Net position that is subject to externally imposed stipulations and must be maintained permanently by the College.

  Expendable: Net position that is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.
- ***Unrestricted:*** Net position that is not subject to externally imposed stipulations and may be designated for specific purposes by action of management to the board of trustees.

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

(b) *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less, except for those managed as a component of the College's investment portfolio. The balance includes deposits with Wells Fargo Bank and the State of New Jersey Cash Management Fund. The State of New Jersey Cash Management Fund is a large-scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury issues, commercial paper, certificates of deposit, obligations of government agencies and corporate bonds. The State of New Jersey Cash Management Fund is classified as a cash equivalent as it is a highly liquid investment purchased with an original maturity of three months or less and it is used to support the daily cash flow needs of the College.

(d) *Restricted Deposits Held with Trustees*

Restricted deposits held with trustees are reflected at fair value, which is based on quoted market prices in an active market. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

(e) *Investments*

Investments are reflected at fair value, which is based on quoted market prices or other fair value measurement methods allowed by GASB Statement No. 72. 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 both realized and unrealized gains and losses) are reported in investment income.

(f) *Capital Assets*

Capital assets include land, buildings, equipment, works of art, and infrastructure assets, such as roads and sidewalks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Building improvements and infrastructure costing over $5, equipment items with a unit cost of $5 or more, land improvements over $25, and software implementation over $100 are capitalized. Leasehold improvements are capitalized using the building improvement and equipment thresholds and are depreciated over the life of the lease. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized.

Notes to the Financial Statements ($ in thousands)

Capital assets of the College are depreciated using the straight line method over the following useful lives:

Capital asset	Useful lives
Buildings	30 to 50 years
Infrastructure	10 to 35 years
Land and building improvements	25 years
Leasehold improvements	10 years
Equipment and other assets	3 to 10 years

Estimated costs to complete the projects classified as construction in progress are approximately $10,317. Such construction costs are anticipated to be financed by proceeds from long-term debt, capital grants, and capital reserves.

(g) *Deferred Outflows of Resources*

Deferred outflows of resources represent unamortized amounts from debt refunding and amounts related to changes in the net pension liability.

(h) *Deferred Inflows of Resources*

Deferred inflows of resources represent amounts related to changes in the net pension liability and amounts related to The College of New Jersey Foundation's (the Foundation) remainder interest in irrevocable charitable gift annuity agreements.

(i) *Revenue Recognition*

Revenues from student tuition and fees and auxiliary activities are presented net of scholarships applied to student accounts and are recognized in the period earned. Tuition waivers and 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 fiscal year are recorded as unearned revenue in the accompanying statements of net position.

Grant revenue is comprised mainly of funds received from grants from Federal and State of New Jersey sources and is 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 revenue in the accompanying statements of net position.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the College.

(j) *Student Activity Fees*

It is the policy of the College to collect the student activity fees for the Student Finance Board. Collections and related remittance of these fees to the Student Finance Board of $1,845 in fiscal year 2018 have not been included in the accompanying financial statements.

Notes to the Financial Statements ($ in thousands)

(k) Operating Activities

The College's policy for defining operating activities as reported on the statements of revenues, expenses and changes in net position are those that serve the College's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, net of scholarship allowances, and most Federal, State and private grants and contracts. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income. Interest expense is reported as a nonoperating expense.

(l) Adoption of Accounting Pronouncements

In fiscal year 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. The adoption of GASB 75 resulted in the College recognizing other postemployment benefit expense and non-operating revenue for its proportionate share of OPEB expense that was paid by the State. See note 11 for additional information on the OPEB plan and GASB 75.

In fiscal year 2018, the Foundation adopted GASB Statement No. 81 (GASB 81), *Irrevocable Split-Interest Agreements*. GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflows at the inception of the agreement. GASB 81 also requires that a government recognize revenue when the resources become applicable to the reporting period. The Foundation's charitable gift annuity agreements meet the definition of an irrevocable split-interest agreement under GASB 81.

The provisions of GASB 81 have been applied to the beginning net position of fiscal year 2018. The following is a reconciliation of the Foundation net position as previously reported at July 1, 2017 to the restated Foundation net position:

Net position as previously reported as of July 1, 2017	$	34,789
Restatement to beginning of year net position		(1,528)
Net position as of July 1, 2017, as restated		33,261

(m) Accounting Pronouncements Applicable to the College, Issued but Not Yet Effective

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement requires a government entity to recognize an asset retirement obligation when the liability is incurred and reasonably estimable. The government entity would measure the obligation based on its best estimate of the current value of outlays expected to be incurred. The requirements of this Statement are effective for reporting period beginning after June 15, 2018 (fiscal year 2019). The College is evaluating the impact of this new standard.

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 College is evaluating the impact of this new standard.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement improves the accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal year 2021). The College is evaluating the impact of this new standard.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (fiscal year 2019). The College is evaluating the impact of this new standard.

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 College will no longer capitalize interest cost related to debt-financed construction projects beginning in fiscal year 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This Statement improves the accounting and financial reporting of a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal year 2020). The College is evaluating the impact of this new standard.

(n) Change in the Reporting Entity

In fiscal year 2018, the College determined that the Trenton State College Corporation (the Corporation) should be included in the College's financial reporting entity as the College can impose its will on the Corporation. The Corporation qualified to be presented as a discretely presented component unit of the College.

(o) Income Taxes

The College is exempt from income taxes on related income pursuant to Federal and State tax laws as an instrumentality of the State of New Jersey.

(p) 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 reported period. Actual results could differ from those estimates.

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for restricted scholarships, private grants, departmental funds, and donated capital assets of $3,587 during fiscal year 2018. The College provides certain administrative functions on behalf of the Foundation. The costs of salaries and benefits for administrative functions were not charged to the Foundation in fiscal year 2018. As of June 30, 2018, a receivable of $493 was due from the Foundation. In fiscal year 2018, the College approved a transfer of $40 in unrestricted support to the Foundation. As of June 30, 2018, a payable of $6 was due to the Foundation. Additional information about the Foundation is presented in note 15 to the financial statements.

(b) Trenton State College Corporation

The Corporation assists in the development and growth of the College through property acquisitions and facilities management. The New Jersey Board of Higher Education approved the Corporation on April 15, 1988, in accordance with the Public College Auxiliary Organizations Act, P.L. 1982. Additional information about the Corporation is presented in note 16 to the financial statements.

During fiscal year 2018 the College incurred $312 in rent and related expenses paid to the Corporation for usage of space in homes owned by the Corporation. In addition, the College reimbursed the Corporation for expenses associated with the maintenance of College owned properties. As of June 30, 2018 there were outstanding payables of $107 due to the Corporation relating to these expenses.

Additionally, the Corporation pays the College for the portion of salaries and benefits of College employees who perform functions for the Corporation and any expenses applicable to the Corporation. This amounted to $378 as of June 30, 2018, of which $38 was due to the College as of June 30, 2018.

The Corporation purchased student housing facilities in order to provide additional housing for the College's students. During fiscal year 2018 the College reimbursed the Corporation for expenses incurred while maintaining the Transfer Housing facilities plus a management fee. The expenses reimbursed to the Corporation for Transfer Housing during fiscal year 2018 $130.

Additional information about the College's transactions with the Corporation for Campus Town is presented in note 18 to the financial statements.

During fiscal year 2018, the Corporation purchased two single family homes on behalf of the College. Those purchases were transferred to the College within the same fiscal year, resulting in a total of $548 in capital asset costs transferred to the College. As of June 30, 2018, there were outstanding payables to the Corporation of $548 related to the transfer of the properties.

(4) Cash, Cash Equivalents and Investments

The carrying amount of cash and cash equivalents was $13,305 as of June 30, 2018, which included $14,199 held in the State of New Jersey Cash Management fund and $(900) in various accounts at Wells Fargo Bank. The amount on deposit with Wells Fargo was $2,609 as of June 30, 2018. Of the amounts on deposit at Wells Fargo Bank, $250 was insured by the Federal Deposit Insurance Corporation (FDIC) and the amounts in excess of FDIC coverage were collateralized pursuant to New Jersey Statute 52:18-16-1.

The College participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The operations of the State of New Jersey Cash Management Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. Statutes of the State of New Jersey 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, 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. The fair value of the State of New Jersey Cash Management Fund is based on the number of shares held by the College and the market price of those shares as of June 30, 2018. The Cash Management Fund is unrated with a portfolio maturity of less than one year.

The College has an investment policy approved by the Board of Trustees that establishes guidelines for permissible investments. The College may invest in equities, real estate assets, inflation hedge and fixed income assets. The Commonfund is a financial services group serving the educational and philanthropic community that holds and administers a series of investment funds for educational institutions meeting certain eligibility criteria. The College liquidated its investment in the Commonfund in fiscal year 2018.

Notes to the Financial Statements ($ in thousands)

The College's investments as of June 30, 2018 were as follows:

Investments		
		2018
Mutual funds:		
Domestic equities	$	24,233
International equities		13,859
Fixed income		14,535
Mutual funds total		52,627
U.S. Treasury bonds and notes		10,444
U.S. Government agencies		8,467
Corporate bonds		8,583
Municipal bonds		2,024
Commercial paper		1,435
Certificates of deposit		8,348
Exchange-traded funds		2,729
Money market fund		73
Cash and cash equivalents		147
Total	$	94,877

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

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

Notes to the Financial Statements ($ in thousands)

As of June 30, 2018, the College's fixed income investments were rated as follows:

2018									
Fixed Income Investments Ratings									
Rating	**Total**	**U.S. Treasury bonds and notes**	**U.S. Government agencies**	**Corporate bonds**	**Municipal bonds**	**Commercial paper**	**Certificates of deposit**	**Money market fund**
Aaa	$ 19,271	10,444	8,467	287	—	—	—	73
Aa1	525	—	—	322	203	—	—	—
Aa2	2,365	—	—	803	140	—	1,422	—
Aa3	2,647	—	—	591	1,059	—	997	—
A1	5,333	—	—	2,393	622	—	2,318	—
A2	2,497	—	—	2,497	—	—	—	—
A3	1,690	—	—	1,690	—	—	—	—
P1	5,046	—	—	—	—	1,435	3,611	—
	$ 39,374	10,444	8,467	8,583	2,024	1,435	8,348	73

The fixed income mutual funds of $14,535 as of June 30, 2018 were not rated.

The College's investment policy requires the following limits:

- Equities – No single corporation shall exceed 5% of the College's total stock portfolio. The College's ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at market value may be held in any one industry category.
- Corporate notes and bonds – Issuers must have a long-term rating of at least A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase. No single issuer shall exceed 5% of the College's portfolio.
- Certificates of deposit – Issuers must have a minimum short-term rating of A-1 by Standard & Poor's or P1 by Moody's or a minimum long-term rating of A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase.
- Commercial paper – Issuers must have a short-term rating of at least A-1 by Standard & Poor's or P1 by Moody's. The maximum maturity of any investment in this sector is limited to 270 days from time of purchase.
- Bankers' acceptances – Issuers must have a short-term rating of at least A-1 by Standard & Poor's and P1 by Moody's. The maximum maturity of any investment in this sector is limited to 180 days from time of purchase.
- Municipal debt obligations – Issuers must have a long-term rating of at least A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase. No single issuer shall exceed 5% of the College's portfolio.
- Repurchase agreements – The maximum maturity of any investment in this sector is limited to 90 days at time of purchase. No single repurchase agreement counterparty shall exceed 15% of the College's portfolio.

Notes to the Financial Statements ($ in thousands)

- Money market funds – Funds must be rated AAm by Standard & Poor's or Aa-mf by Moody's. No single fund in this category shall exceed 15% of the College's portfolio.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The College's investment policy provides limitations in the maturities of various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. As of June 30, 2018 the College's fixed income investments had maturity dates as follows:

2018 Fixed Income Investments Maturity								
Maturing in years	Total	U.S. Treasury bonds and notes	U.S. Government agencies	Corporate bonds	Municipal bonds	Commercial paper	Certificates of deposit	Money market fund
Less than 1	$ 12,304	1,641	2,974	1,904	632	1,435	3,645	73
1 – 5	26,837	8,803	5,260	6,679	1,392	—	4,703	—
6 – 10	233	—	233	—	—	—	—	—
	$ 39,374	10,444	8,467	8,583	2,024	1,435	8,348	73

Fair Value Measurement

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

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

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

While the College 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:

- Mutual funds – The fair value of mutual funds are based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

- U.S. Treasury bonds and notes – The fair value of debt and equity securities and funds are based on prices quoted in active markets for those securities.
- U.S. Government agencies – The fair value of government agencies are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Corporate bonds – The fair value of corporate bonds are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Municipal bonds – The fair value of municipal bonds are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Commercial paper – The fair value of commercial paper is based on evaluations based on various market and industry inputs.
- Certificates of deposit – The fair value of certificates of deposit are based on evaluations based on various market and industry inputs.
- Exchange-traded funds – The fair value of exchange-traded funds are based on quoted market prices.
- Money market funds – These investments are measured at amortized cost and have been excluded from fair value leveling.
- Cash and cash equivalents – These investments are measured at amortized cost and have been excluded from fair value leveling.

Notes to the Financial Statements ($ in thousands)

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

2018					
Investments Measured at Fair Value					
			Fair value measurements using		
Investment		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level					
Mutual funds:					
Domestic equities	$	24,233	24,233	—	—
International equities		13,859	13,859	—	—
Fixed income		14,535	14,535	—	—
Exchange-traded funds		2,729	2,729	—	—
U.S. Treasury bonds and notes		10,444	10,444	—	—
U.S. Government agencies		8,467	—	8,467	—
Corporate bonds		8,583	—	8,583	—
Municipal bonds		2,024	—	2,024	—
Commercial paper		1,435	—	1,435	—
Certificates of deposit		8,348	—	8,348	—
Total investments measured at fair value	$	94,657	65,800	28,857	—

The College had no investments measured at the net asset value per share or its equivalent as of June 30, 2018.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2018:

Due from State of New Jersey		
		2018
FICA benefit reimbursement	$	1,281
Alternative Benefit Program		510
State appropriation		2,745
Total	$	4,536

Notes to the Financial Statements ($ in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2018 was as follows:

2018 Capital Asset Activity				
	Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:				
Land	$ 22,255	134	—	22,389
Works of art/historical treasures	592	87	221	900
Construction in progress	115,246	19,850	(113,823)	21,273
Total nondepreciable assets	138,093	20,071	(113,602)	44,562
Depreciable assets:				
Land improvements	230	247	—	477
Buildings	533,925	822	58,565	593,312
Building improvements	134,826	1,054	37,249	173,129
Leasehold improvements	1,442	14	—	1,456
Infrastructure	64,899	880	8,374	74,153
Equipment and other assets	91,441	1,652	2,998	96,091
Total depreciable assets	826,763	4,669	107,186	938,618
Total capital assets	964,856	24,740	(6,416)	983,180
Accumulated depreciation:				
Land improvements	(201)	(10)	—	(211)
Buildings	(166,766)	(10,687)	3,423	(174,030)
Building improvements	(37,454)	(5,302)	925	(41,831)
Leasehold improvements	(142)	(144)	—	(286)
Infrastructure	(17,170)	(2,131)	1	(19,300)
Equipment and other assets	(69,968)	(4,274)	284	(73,958)
Total accumulated depreciation	(291,701)	(22,548)	4,633	(309,616)
Capital assets, net	$ 673,155	2,192	(1,783)	673,564

Notes to the Financial Statements ($ in thousands)

As of June 30, 2018, the College's bond obligations were collateralized by buildings and equipment with a book value of $588,426. During fiscal year 2018, interest income on bond construction funds for Series 2010B, and 2013A bonds was $74. Interest expense on these same bond funds was $317 for 2018. Net interest costs of $243 for fiscal year 2018 was capitalized and included in construction in progress.

(7) Restricted Deposits Held with Trustees

Deposits held with trustees represent restricted funds held by U.S. Bank and BNY Mellon (the trustees), under the terms of various lease agreements, bond indentures and grant agreements. Restricted deposits held with trustees are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2018 deposits held with trustees include the following:

Restricted Deposits Held with Trustees		
		2018
Construction funds	$	1,479
Grant related deposits		11,852
Debt service (principal and interest)		55,018
	$	68,349

As of June 30, 2018, the College's restricted deposits held with trustees are invested in money market funds, commercial paper, U.S. Treasury notes or government securities guaranteed by the U.S. government. All money market and U.S. Treasury notes and government security investments are rated Aaa and all commercial paper investments are rated P-1. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2018, the College holds $68,349 in restricted deposits held by trustees comprised of money market funds, commercial paper, and U.S. Treasury notes and government securities which are categorized as Level 1. The following table summarizes restricted deposits held with trustees maturities as of June 30, 2018:

2018 Restricted Deposits Held with Trustees				
			Investment maturities (in years)	
Investment type		Fair value	Less than 1	1 - 5
Money market funds	$	23,135	23,135	—
U.S. Treasury notes and government securities		45,214	3,851	41,363
	$	68,349	26,986	41,363

(8) Accounts Payable and Accrued Expenses

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

Accounts Payable and Accrued Expenses		
		2018
Bond principal and interest	$	16,996
Vendors		6,531
Accrued salaries and benefits		4,987
Accrued expenses – construction		3,228
Total	$	31,742

(9) Noncurrent Liabilities

The College is obligated under lease agreements associated with various revenue bonds issued by the New Jersey Educational Facilities Authority to finance the construction and acquisition of dormitories, parking garages, equipment, academic facilities, a co-generation plant, and student recreational facilities.

Notes to the Financial Statements ($ in thousands)

The following is a breakout of bonds payable and other long-term obligations, as of June 30, 2018:

Bonds Payable and Other Long-Term Obligations		
		2018
Bonds payable:		
New Jersey Educational Facilities Authority:		
2010 Series B (interest 5.921%, maturing on July 1, 2018)	$	1,045
2010 Series B (interest 6.021% to 7.395%, to be advance refunded on July 1, 2019)		37,115
2012 Series A (interest 2.00% to 5.00%, maturing on July 1, 2019)		5,145
2013 Series A (interest 4.00% to 5.00%, due serially starting on July 1, 2016 to July 1, 2033)		10,905
2013 Series A (interest 5.00%, maturing on July 1, 2038)		5,545
2013 Series A (interest 5.00%, maturing on July 1, 2043)		7,085
2015 Series G (interest 3.25% to 5.00%, due serially starting on July 1, 2019 through July 1, 2031)		114,525
2016 Series F (interest 4.00% to 5.00%, due serially starting on July 1, 2017 to July 1, 2035)		74,950
2016 Series F (interest 3.00%, maturing on July 1, 2040)		12,975
2016 Series G (interest 1.866% to 3.640%, due serially starting on July 1, 2017 to July 1, 2032)		75,320
2016 Series G (interest 3.64%, maturing on July 1, 2034)		29,935
Subtotal bonds payable		374,545
Add:		
Bond premium		19,677
Total bonds payable	$	394,222
Other long-term obligations:		
Higher Education Capital Improvement Fund (interest 2.27% to 4.75%, maturing on August 15, 2022)	$	4,821
Higher Education Equipment Leasing Fund (interest 5.00%, maturing on May 1, 2023)		929
Higher Education Capital Improvement Fund (interest 3.00% to 5.50%, maturing on August 15, 2036)		2,552
Total other long-term obligations	$	8,302

Notes to the Financial Statements ($ in thousands)

Aggregate principal and interest repayments required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2018:

Principal and Interest Repayments					
		Bond Principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2019	$	10,950	784	16,209	302
2020*		49,060	812	13,000	276
2021		12,455	823	12,569	249
2022		16,315	1,864	11,998	205
2023		17,075	1,930	11,323	142
2024-2028		91,460	459	45,126	378
2029-2033		105,415	706	26,301	340
2034-2038		59,310	924	7,090	122
2039-2043		12,505	—	1,343	—
	$	374,545	8,302	144,959	2,014

* The bond principal repayment amount for the fiscal year ending June 30, 2020 includes $37,115 of 2010 Series B principal that will be paid on July 1, 2019 from the crossover escrow included in restricted deposits held with trustees.

Noncurrent liabilities activity for the years ended June 30, 2018 is as follows:

2018 Noncurrent Liabilities Activity						
		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	4,229	346	(605)	3,970	3,516
U.S. and Government grants refundable		3,207	—	—	3,207	—
Unearned revenues and student deposits		13,010	8,904	(13,150)	8,764	1,470
Bonds payable, net		405,133	—	(10,911)	394,222	13,100
Other long-term obligations		9,015	—	(713)	8,302	784
Net pension liability		180,206	13,093	(33,725)	159,574	—
Total noncurrent liabilities	$	614,800	22,343	(59,104)	578,039	18,870

In September 2016, the New Jersey Educational Facilities Authority issued tax-exempt 2016 Series F and federally taxable 2016 Series G Revenue Refunding Bonds to refund a portion of the 2008 Series D and 2010 Series B bonds. The 2008 Series D bonds were refunded by both 2016 Series F and 2016 Series G by establishing an escrow account with U.S. Treasury securities, the cash flow from which will be sufficient to pay principal and interest on the refunded bonds through their call date of July 1, 2019, at which point the refunded bonds will be called at par. The refunded 2008 Series D bonds totaled $150,810, of which $54,425 was refunded by 2016 Series F and $96,385 by 2016 Series G. This included all of the remaining principal outstanding on the serial bonds maturing from 2019 through 2028 and the remaining sinking fund payments on the term bond maturing in 2035. The refunded 2008 Series D bonds have been legally defeased and have been removed from the College's financial statements.

The 2010 Series B bonds will be repaid by a portion of the 2016 Series F bonds and are structured as a crossover refunding. A crossover escrow account with noncallable U.S. government obligations was established, the cash flow from which will be sufficient to pay interest on the portion of the 2016 Series F bonds allocable to the refunding of the 2010 Series B bonds to be refunded to July 1, 2019 (the crossover date) and to redeem $37,115 of principal on the 2010 Series B bonds to refunded on the crossover date. The crossover date is the first optional redemption date of the 2010 Series B bonds. The 2010 Series B bonds to be refunded will be legally defeased as of the crossover date. Prior to the crossover date, the 2010 Series B bonds to be refunded will continue to be secured by and payable from the revenues which were originally pledged for the payment of the 2010 Series B bonds. The 2010 Series B bonds to be refunded will remain outstanding until the crossover date and are included in the bonds payable balance in the statement of net position. The crossover escrow account balance of $38,708 is included in the restricted deposits held with trustees balance in the 2018 statement of net position.

(10) Benefits Paid by the State of New Jersey

The State, through separate appropriations, funds certain fringe benefits, principally healthcare costs and FICA taxes, on behalf of College employees and retirees. The costs of these benefits were funded directly by the State on behalf of the College and are included in the accompanying financial statements as part of nonoperating revenues and as operating expenses in various functional expense categories.

(11) Retirement Plans

(a) Introduction

The College participates in three cost-sharing, multiple-employer defined benefit retirement plans administered by the State of New Jersey, Division of Pensions and Benefits as follows:

- Public Employees' Retirement System (PERS) – The College was determined to be a separate employer within the State Group of the plan. Although the State has historically provided the contribution, the special funding situation criteria were not met and the New Jersey statutes are silent as to the legal obligation. The College has recorded its proportionate share of the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to the PERS plan in the financial statements.

- Police and Firemen's Retirement System (PFRS) – The College was determined to be a separate employer within the State Group of the plan. Although the State has historically provided the contribution, the special funding situation criteria were not met and the New Jersey statutes are silent as to the legal obligation. The College has recorded its proportionate share of the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to the PFRS plan in the financial statements.

- Teachers' Pension and Annuity Fund (TPAF) – TPAF met the GASB 68 special funding situation criteria per the New Jersey statute and thus the net pension liability is recorded by the State of New Jersey. The College has disclosed its proportionate share of the net pension liability and recorded its proportionate share of the pension expense and related revenue in the statements of revenues, expenses and changes in net position.

Benefit and employer contribution provisions are established by state statute and the provisions of the aforementioned plans can only be amended by new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for PERS, PFRS and TPAF once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible for and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30 year projection period. Chapter 78, P.L. 2011 also suspended COLA increases for all active and future retirees of all State of New Jersey retirement plans.

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

The College also participates in several defined contribution retirement plans, primarily the Alternative Benefit Program (ABP). Generally all employees, except certain part-time employees, participate in one of these plans. Under these plans, participants make annual contributions, and the State, in accordance with annual appropriations, makes employer contributions on behalf of the College for these plans. The College is charged for pension costs through a fringe benefit charge assessed by the State which is included within the state paid fringe benefits in the accompanying financial statements.

Notes to the Financial Statements ($ in thousands)

(b) Plan Descriptions

Public Employees' Retirement System

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

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

The following represents the membership tiers for PERS:

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

Police and Firemen's Retirement System

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

Notes to the Financial Statements ($ in thousands)

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Teachers' Pension and Annuity Fund

The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The vesting and benefit provisions 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

Notes to the Financial Statements ($ in thousands)

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 years or more 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.

Defined Contribution Plans

The ABP is a defined contribution plan that 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 ABP is an agency fund overseen by the State of New Jersey Division of Pensions and Benefits.

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

(c) Basis of Accounting and Valuation of Investments

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 PERS, PFRS and TPAF and additions to/deductions from PERS', PFRS' and TPAF's fiduciary net position have been determined on the same basis as they are reported by the respective plans. 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.

(d) Contributions

PERS, PFRS and TPAF covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. The contribution requirements of employees are established and may be amended by the Pension Plan Design Committee of the respective plan. Each member's percentage is based on age determined at the effective date of enrollment. The employee contribution rates as a percentage of salary for the fiscal year ended June 30, 2018 were as follows:

Defined Benefit Retirement Plan Employee Contribution Rates

	2018
Public Employees' Retirement System	7.20%
Police and Firemen's Retirement System	10.00%

Notes to the Financial Statements ($ in thousands)

The College had no active employees enrolled in TPAF in the fiscal year ended June 30, 2018.

The required employer contributions are actuarially determined. Chapter 1, P.L. 2010 required the State of New Jersey to resume making actuarially recommended contributions to the defined benefit pension plans on behalf of the employers on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

The State's contributions made subsequent to the measurement date to the PERS and PFRS plans on behalf of the College for the fiscal year ended June 30, 2018 were as follows:

Defined Benefit Retirement Plan Employer Contributions		
		2018
Public Employees' Retirement System	$	3,833
Police and Firemen's Retirement System		387

The above contributions are recognized in the financial statements as deferred outflows of resources.

(e) Pension Amounts

Net pension liability amounts recorded within the College's 2018 financial statements are measured as of June 30, 2017. The College's proportion of the respective plans' net pension liability was based on the ratio of the employer contributions made related to the College's employees to the total contributions made by all participating State-group employers for the fiscal year ended June 30, 2017. Pension expense is recognized within the functional classifications in the statements of revenues, expenses and changes in net position.

Notes to the Financial Statements ($ in thousands)

2018 Summary of Pension Amounts		PERS	PFRS	TPAF*
College proportionate share of the net pension liability	$	152,684	6,890	928
College proportion of the net pension liability - State group:				
2017		0.595%	0.157%	0.001%
College proportion of the net pension liability - Plan as a whole:				
2017		0.312%	0.032%	—%
Deferred outflows of resources		33,648	1,420	N/A
Deferred inflows of resources		21,616	1,088	N/A
Pension expense		12,408	686	64

* TPAF meets the special funding situation criteria of GASB 68. The proportionate share of the net pension liability shown here is the portion of the State's net pension liability attributable to the College, and is 100% of the amount attributable to the College. The amount of pension expense disclosed is also recognized as revenue by the College.

2018 Deferred Outflows of Resources from Pensions		PERS	PFRS
Difference between expected and actual experience	$	3,498	—
Changes in assumptions		19,972	412
Changes in proportion		5,375	495
Net difference between projected and actual investment earnings		970	126
Contributions paid to plan subsequent to measurement date**		3,833	387
Total	$	33,648	1,420

** The contributions paid to the plan subsequent to the measurement date are recognized as a reduction of the net pension liability in fiscal year 2019.

Notes to the Financial Statements ($ in thousands)

2018			
Deferred Inflows of Resources from Pensions			
		PERS	**PFRS**
Difference between expected and actual experience	$	—	89
Changes in assumptions		21,616	586
Changes in proportion		—	413
Net difference between projected and actual investment earnings		—	—
Total	$	21,616	1,088

The following table displays the net deferred outflows of resources and deferred inflows of resources that will be recognized in pension expense or that will be recognized as a reduction of the net pension liability:

Future Recognition of Net Deferred Outflows (Inflows) of Resources			
		PERS	**PFRS**
2019	$	3,959	161
2020		4,868	195
2021		3,283	(47)
2022		(1,855)	(236)
2023		(2,056)	(128)
Total deferrals recognized as pension expense		8,199	(55)
Deferred outflows recognized as a reduction to net pension liability in fiscal year 2019		3,833	387
Net deferred outflows	$	12,032	332

(f) Defined Benefit Plan Assumptions

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

Notes to the Financial Statements ($ in thousands)

The total pension liability for each plan was determined using the following actuarial assumptions:

2018 Actuarial Methods and Assumptions	PERS	PFRS	TPAF
Valuation date	7/1/2016	7/1/2016	7/1/2016
Measurement date	6/30/2017	6/30/2017	6/30/2017
Inflation rate	2.25%	2.25%	2.25%
Projected salary increases:			
Initial fiscal year applied through	2026	2026	N/A
Rate	1.65% - 4.15% based on age	2.10% - 8.98% based on age	Varies based on experience
Thereafter	2.65% - 5.15% based on age	3.10% - 9.98% based on age	Varies based on experience
Investment rate of return	7.00%	7.00%	7.00%
Municipal bond rate:			
2017	3.58%	3.58%	3.58%
Discount rate:			
2017	5.00%	6.14%	4.25%
Experience study dates	7/1/2011 - 6/30/2014	7/1/2010 - 6/30/2013	7/1/2012 - 6/30/2015

For the June 30, 2017 measurement date, PERS pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back four years for males and females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

For the June 30, 2017 measurement date, PFRS pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

For the June 30, 2017 measurement date, 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.

Discount Rate

The discount rates in the above tables used to measure the total pension liabilities for PERS, PFRS and TPAF, respectively, are single blended discount rates based on the long-term expected rate of return on investments and the municipal bond rates specified in the tables. The municipal bond rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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, 2057 for PFRS, 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, 2057 for PFRS, and 2036 for TPAF. The municipal bond rate was applied to projected benefit payments after that date determining the total pension liability

Long-term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net of the pension plan's 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, 2017 are summarized in the following tables:

Notes to the Financial Statements ($ in thousands)

2018				
Target Asset Allocation and Long-Term Expected Rate of Return				
	PERS and PFRS		**TPAF**	
	Target Allocation	**Long-term Expected Real Rate of Return**	**Target Allocation**	**Long-term Expected Real Rate of Return**
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yeild	2.50%	6.82%	2.50%	6.82%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%

Change in Assumptions

For the valuation used in the measurement of the net pension liability for PERS as of June 30, 2017, the discount rate increased 1.02% to 5.00% and the long-term expected rate of return decreased 0.65% to 7.00%. For the valuation used in the measurement of the net pension liability for PFRS as of June 30, 2017, the discount rate increased 0.59% to 6.14% and the long-term expected rate of return decreased 0.65% to 7.00%.

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

The following table presents the College's proportionate share of the collective net pension liability for the PERS and PFRS as of June 30, 2017 calculated using the discount rate as disclosed above for each plan as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Notes to the Financial Statements ($ in thousands)

2018 Sensitivity of the Net Pension Liability			
Pension Plan	1.0% decrease in discount rate	At current discount rate	1.0% increase in discount rate
PERS (4.00%, 5.00%, 6.00%)	177,529	152,684	132,049
PFRS (5.14%, 6.14%, 7.14%)	8,154	6,890	5,854

(g) Alternate Benefit Program

The ABP currently provides the choice of seven investment carriers: Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), VALIC, AXA Financial (Equitable), Met Life, MassMutual (formerly The Hartford), VOYA Financial Services and Prudential Retirement Services. The College assumes no liability for ABP members other than payment of contributions. A separate board of trustees administers ABP alternatives. The State and Social Security Law establishes participation eligibility as well as contributory and noncontributory requirements.

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 College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions for the ABP are 8%. During the years ended June 30, 2018 ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions		
		2018
Employer contributions	$	5,330
Employee contributions		6,722
Participating employees' salaries		66,625

Employer contributions to the ABP are paid by the State and are reflected in the accompanying financial statements as nonoperating revenue under New Jersey State appropriations and as operating expenses in various functional expense categories.

(h) Supplemental Alternate Benefit Program

The plan is administered by the College. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the College with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The College will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during each calendar year is $141. There were no employee contributions during fiscal year 2018. The employer contributions made during fiscal year 2018 were $102.

(i) Postemployment Benefits Other Than Pensions

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

Plan Description, Including Benefits Provided

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

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

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

Notes to the Financial Statements ($ in thousands)

Total OPEB Liability and OPEB Expense

As of June 30, 2018, the State recorded a liability of $289,555, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the College (the College's share). The College's share was based on the ratio of its members to the total members of the Plan. At June 30, 2018, the College's share was 3.54% and 1.03% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2018, the College recognized OPEB expense of $17,034. As the State is legally obligated for benefit payments on behalf of the College, the College recognized revenue related to the support provided by the State of $17,034.

Actuarial Assumptions and Other Inputs

The State's liability associated with the College at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017. This actuarial valuation used the following assumptions:

Actuarial Methods and Assumptions

	2018
Inflation rate	2.50%
Projected salary increases:	
Initial fiscal year applied through	2026
Rate	1.55 - 8.98%
Thereafter	2.00 - 9.98%
Discount rate	3.58%

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

Preretirement mortality rates were 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, 2016 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the TPAF – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2013).

Health Care Trend Assumptions

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

(12) Compensated Absences

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of $15 per employee. Employees separating from College service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the College recorded a liability for accumulated sick leave balances in the amount of $454 as of June 30, 2018 which is reflected in compensated absences in the accompanying financial statements.

The College is required to pay non-faculty employees for their accumulated vacation time upon their separation or retirement. The liability was $3,222 as of June 30, 2018 and is reflected in compensated absences in the accompanying financial statements.

The College is required to pay employees for their accumulated bank leave time upon their separation or retirement. As of June 30, 2018 a liability of $294 was included in compensated absences in the accompanying financial statements.

(13) Contingencies

The College is a party to various pending legal actions and other claims in the normal course of business. Management of the College is of the opinion that the outcome thereof will not have a material effect on its financial position based on legal representation letters obtained from outside counsel.

(14) Government Relations and Legal Fees

The New Jersey Higher Education Restructuring Act of 1994 requires the College to disclose the costs incurred associated with government and public relations and legal costs. During the years ended June 30, 2018 the College expended $324 for government and public relations, and $97 for legal fees.

Notes to the Financial Statements ($ in thousands)

(15) The College of New Jersey Foundation, Inc.

Component Unit

The College of New Jersey Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the organization with a fiscal year end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the College and its educational activities. The Foundation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation at 2000 Pennington Road, Green Hall Room 211, Ewing, NJ 08628.

Investments

The Foundation has an investment policy which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds, and alternative investments. Investments consist of the following as of June 30, 2018:

Investments

		2018
Cash and cash equivalents	$	1,852
U.S. Treasury bills and notes and Government agencies		3,639
Corporate bonds		1,218
Equity securities		18,420
Mutual funds		5,971
Exchange-traded funds		3,471
Alternative investments:		
Private equity		600
Hedge funds		3,090
Managed futures		717
Common trust funds		628
	$	39,606

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

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

Within the Foundation's investment policy guidelines, the policy gives investment money managers and investment funds full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups.

The following are guidelines to be followed by the investment advisors in the selection of investment money managers:

- Domestic equities may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. The cost of an individual security in the portfolio at purchase may not exceed 5% of the total market value of that portfolio. Individual securities held in a portfolio must not exceed 5% of the portfolio on a cost basis. Mutual funds and investment money managers are not to be included in this limitation.
- Only international managers experienced in trade on foreign exchanges shall handle investments in international equities.
- Managers may use a mutual fund as a means of participating in international equities, with prior approval of the Investment Committee.
- Managers may invest in commercial paper, bankers' acceptances, repurchase agreements, U.S. Treasury bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. All such assets must represent maturities of one year or less at the time of purchase.
- Commercial paper must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively.
- Bankers' acceptances and certificates of deposit should only be purchased from larger, well-capitalized domestic and foreign banks with a minimum of an A rating from one of the major rating agencies. Uninvested cash reserves should be kept to minimum levels. In any instance where the total funds on deposit with a financial institution exceeds the insurance coverage provided by the FDIC or FSLIC, collateral security or its equivalent shall be required.
- Fixed income investments will include U.S. Treasury and Federal agency debt obligations, corporate bonds, mortgages, asset backed securities and preferred stocks. By design, the managers should focus on fixed income securities of the highest quality, thereby reducing investment risk. With the exception of Federal Government issues, no single issue should exceed 4% and no industry group should exceed 10% of the aggregate fixed income portfolio without the Investment Committee's prior approval. The average credit quality of the fixed income or convertible portfolio should be rated investment grade or better. The average maturity of the fixed income portfolio may not exceed 12 years and the average duration of the fixed income portfolio should not exceed 10 years.

Notes to the Financial Statements ($ in thousands)

As of June 30, 2018, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

2018 Fixed Income Investments Ratings					
Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	3,791	2,095	1,476	220
Aa1		95	—	68	27
Aa2		108	—	—	108
A1		71	—	—	71
A2		158	—	—	158
A3		226	—	—	226
Baa1		254	—	—	254
Baa2		104	—	—	104
Baa3		50	—	—	50
Total	$	4,857	2,095	1,544	1,218

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2018, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

2018 Fixed Income Investments Maturity					
Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	209	61	68	80
1 – 5		1,943	1,429	—	514
6 – 10		911	336	106	469
Greater than 10		1,794	269	1,370	155
Total	$	4,857	2,095	1,544	1,218

Fair Value Measurement

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

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

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

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

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

- U.S. Treasury bills and notes – The fair value of U.S. Treasury bills and notes are based on prices quoted in active markets for those securities.
- U.S. Government agencies – The fair value of government agencies are based on a multi-dimensional relational model. Standard inputs to the pricing model for the Level 2 debt securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.
- Corporate bonds – The fair value of corporate bonds are based on a multi-dimensional relational model. Standard inputs to the pricing methods for the Level 2 debt securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.
- Equity securities – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. These investments are classified as Level 1. Equity securities classified in Level 2 of the fair value hierarchy are valued at quoted market prices in the over-the-counter (inactive) market. The price used as the fair value may be from a market transaction or a bid or ask price in the market that did not result in a transaction.
- Mutual funds – The fair value of mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.
- Exchange-traded funds – The fair value of exchange-traded funds are based on the quoted market price on an active market as of the measurement date.

Notes to the Financial Statements ($ in thousands)

- Alternative investments – Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.
- Cash and cash equivalents – These investments are measured at amortized cost and have been excluded from fair value leveling.

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

2018 Investments Measured at Fair Value					
			Fair value measurements using		
Investment		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level					
U.S. Treasury bills and notes	$	2,095	2,095	—	—
U.S. Government agencies		1,544	—	1,544	—
Corporate bonds		1,218	—	1,218	—
Equity securities		18,420	18,420	—	—
Mutual funds		5,971	5,971	—	—
Exchange-traded funds		3,471	3,471	—	—
Total investments by fair value level		32,719	29,957	2,762	—
Investments measured at net asset value (NAV)					
Private equity		600			
Hedge funds		3,090			
Managed futures		717			
Common trust funds		628			
Total investments measured at NAV		5,035			
Total investments measured at fair value	$	37,754			

Notes to the Financial Statements ($ in thousands)

The fair value as of June 30, 2018 and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments Measured at NAV				
Investment		**Fair value 2018**	**Redemption frequency (if currently eligible)**	**Redemption notice period**
Private equity	$	600	Quarterly	65 days
Hedge funds		3,090	Monthly / Quarterly	45 - 67 days
Managed futures		717	Semi-monthly	8 days
Common trust funds		628	N/A	N/A
Total investments measured at NAV	$	5,035		

As of June 30, 2018, the Foundation had no unfunded commitments for investments measured at NAV.

The investment strategy, valuation method and redemption terms for the investments measured as NAV are discussed below.

Private equity: This type is an investment in one multi-strategy private equity fund that invests in direct, secondary and primary private equity investments across a range of geographic markets, investment types and vintage years. The objective of the fund is to generate returns by systematically overweighting the vehicles, segments and opportunities it believes offer the best relative value at a point in time. Redemptions may be requested quarterly by tender offer with 65 days' notice. The fund's board of managers has the sole discretion to repurchase units from a tender offer due to the illiquid nature of the fund. The fund limits the redemptions each quarter to no more than 5% of the fund's net asset value. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

Hedge funds: This type consists of investments in seven funds that employ a variety of alternative investment strategies including global macro, multi-strategy equity, event driven, relative value, and multi-strategy funds of funds. Redemption terms vary by fund. Redemption from one fund may be requested monthly by tender offer with 60 calendar days' notice while redemptions from the other six funds may be requested quarterly with 45 – 67 calendar days' notice depending on the fund. Two of the funds have one year lockup periods after initial subscription during which the investment cannot be redeemed, which for the Foundation expired in September and October 2017. One fund's board of directors has the sole discretion to repurchase units with a tender offer. This fund limits the redemptions each quarter to 5-25% of the fund's net asset value. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investment.

Managed futures: This type is an investment in one fund that engages in systematic speculative trading of futures and forward contracts on a wide range of commodities including agriculture, currencies, energy, interest rates, metals and stock indices. The fund employs both short-term trading and long-term trend-following strategies using multiple time frames. Redemptions may be requested semi-monthly with 8 business days' notice. There are no restrictions or limits on redemptions. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

Common trust funds: This type consists of investments in twelve common trust funds that invest in a variety of debt and equity strategies including small- and mid-cap growth and value, large-cap core, emerging markets, international equities, dividend income, high quality equities and aggregate bonds. These funds are held within an irrevocable trust of which the Foundation is a beneficiary. The investments in these common trust funds cannot be redeemed. The Foundation is currently receiving income earned on the investments. Distributions from the liquidation of the underlying assets are unknown at this time. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

(16) Trenton State College Corporation

Component Unit

The Trenton State College Corporation (the Corporation or TSCC) is a legally separate, tax-exempt component unit of the organization with a fiscal year end of June 30. The Corporation is qualified under Section 115 of the Internal Revenue Code as an organization exempt from Federal income taxes by its relationship with the College and the State of New Jersey. The Corporation assists in the development and growth of the College through property acquisitions and facilities management. The Corporation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Corporation can be obtained from the Corporation at 54 Carlton Avenue, Ewing Township, NJ 08618.

Notes to the Financial Statements ($ in thousands)

Capital Assets

Capital asset activity for the Corporation for year ended June 30, 2018 was as follows:

2018 Capital Assets					
2018		Beginning balance	Additions	Property sold/ transferred	Ending balance
Depreciable assets:					
Buildings	$	5,812	727	(414)	6,125
Building improvements		1,146	177	—	1,323
Leasehold improvements		1,214	—	—	1,214
Furniture		30	—	—	30
Vehicles		59	5	—	64
Nondepreciable assets:				—	
Land		2,630	255	(134)	2,751
Total capital assets		10,891	1,164	(548)	11,507
Accumulated depreciation:					
Buildings		(4,108)	(193)	—	(4,301)
Building improvements		(444)	(40)	—	(484)
Leasehold improvements		(121)	(122)	—	(243)
Furniture		(30)	—	—	(30)
Vehicles		(8)	(9)	—	(17)
Total accumulated depreciation		(4,711)	(364)	—	(5,075)
Capital assets, net	$	6,180	800	(548)	6,432

(17) Risk Management

The College is exposed to various risks of loss. The College purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The College'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 of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs).

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed $100 per occurrence with a per occurrence limit of $2,000,000. Commercial crime insurance coverage provides money and securities coverage for an actual loss in excess of $100 with a per loss limit of $5,000. In addition to the insurance purchased and maintained through the consortium, the College maintains two additional policies. The first is a student blanket professional liability insurance policy with a limit of $2,000 per claim and a $5,000 aggregate. The second is a museum collection and temporary loans policy with a $500 limit.

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

All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

(18) Campus Town Development

The College is participating in a public-private partnership with a private real estate corporation to develop approximately 13 acres of land adjacent to the College into a mixed use retail/student housing complex. This project, called Campus Town, which is projected to cost approximately $85 million for Phase One, was made possible pursuant to the provisions of the New Jersey Economic Stimulus Act of 2009. In February 2015, the College and the developer agreed to expand the project to include two additional residential buildings in Phase Two of the project. The partnership has been structured to include no direct financial obligation of the College to support the project. Planning, design, construction, operation, preventative maintenance and capital renewal of the project are all borne by the developer.

Notes to the Financial Statements ($ in thousands)

The Ground Lease for Campus Town was executed by all parties at closing on April 4, 2014. The term of the Ground Lease is 50 years and the Developer agrees to make Basic Rent payments of $400 on the rent commencement date (September 1, 2017) in accordance with the lease agreement, increasing by an Additional Applicable Increase Rent of $25 annually for the duration of the Ground Lease term. In addition to the Basic and Applicable Increase Rent, after the seventh year of the lease, the Developer will also pay Supplemental Rent in accordance with the lease agreement. The developer will set rental rates for the student housing units and the College will treat this similarly to other off-campus housing it does not own and manage. There were no rental payments by the developer during fiscal year 2018. The College will not be providing any financial assistance to the developer. Upon expiration of the lease term the premises will revert to the College.

Phase One of the project opened on schedule for student housing in August 2015 for the fall semester of 2015. Phase Two of the project opened on schedule for student housing in August 2016 for the fall semester of 2016. Bond rating agencies do not include any Campus Town debt in their calculations of the College's debt burden given the state's legislation prohibiting the College from financing any portion of Campus Town, or being financially obligated.

The College entered into an agreement on April 4, 2014 to lease a space from the Developer to operate a fitness center on the Campus Town premises. The lease term is 10 years beginning August 2015 with two options to renew for an additional five years. The Base Rent for year one was $196 annually plus Additional Rent equal to the College's percentage of the cost of expenses as included in the lease agreement. Future years' Base Rent will also increase in accordance with the lease agreement. Rental payments began on the Rent Commencement Date (September 14, 2015) in accordance with the lease agreement. In fiscal year 2018 there were rental payments by the College totaling $202. The minimum annual base rental commitments approximate the following:

Annual Rental Commitments		
		Amount
Year ending June 30:		
2019	$	206
2020		211
2021		215
2022		219
2023		224
2024-2026		508
	$	1,583

Notes to the Financial Statements ($ in thousands)

Under the fitness center lease agreement, the College is responsible for the capital tenant improvements to prepare the leased property for its intended use. As of June 30, 2018 $1,456 of capital construction costs have been incurred and were recorded as leasehold improvements in the statements of net position. The cost of these leasehold improvements will be depreciated on a straight-line basis over the 10 year term of the lease agreement.

To facilitate the construction and operation of the bookstore in Campus Town, the Corporation was engaged to act as an intermediary between the College, Barnes & Noble College Booksellers, LLC (Barnes & Noble) and PRC Campus Partners, LLC (PRC). The Corporation entered into a ten year service management agreement dated April 4, 2014 with Barnes & Noble to manage and operate a hybrid campus and general interest retail bookstore in the space leased by the Corporation in the Campus Town development. Beginning on the Bookstore Services Commencement Date (August 3, 2015), Barnes & Noble will pay the Corporation a minimum annual guaranteed commission of $650 with additional commission paid based on the specified percentages of gross sales in accordance with the agreement terms. After the Corporation pays the space rental payments to the landlord and other operational costs and deducts certain amounts for tenant fit-out as described below, excess commission will be transferred to the College. In fiscal year 2018 there was no excess commission to be transferred to the College. In fiscal year 2018, $36 was due to be reimbursed to the Corporation for certain expenses related to the bookstore operations.

The Chairs of the Corporation Board of Directors and the College Board of Trustees executed an agreement dated July 7, 2015 whereby the College provided $250 to the Corporation for reimbursement of the bookstore fit-out and tenant improvement costs. Additionally, the agreement stipulates that the remainder of the fit-out and tenant improvement costs of $1,085 are to be repaid to the Corporation from the bookstore commission revenue during the first five years of the Barnes & Noble agreement based on a capital reimbursement schedule. The amount repaid for the year ended June 30, 2018 was $226. The remaining years four and five are to be repaid as follows.

Capital Reimbursement Schedule

	Principal	Interest	Total
Year ending June 30:			
2019	$ 209	17	226
2020	218	9	227
	$ 427	26	453

The College of New Jersey

Schedules of Proportionate Share of the Net Pension Liability

(Unaudited)

June 30, 2018

(In thousands)

Public Employees' Retirement System

		2018	2017	2016	2015
College proportion of the net pension liability - State group		0.595%	0.586%	0.571%	0.557%
College proportion of the net pension liability - Plan as a whole		0.312%	0.292%	0.294%	0.289%
College proportionate share of the net pension liability	$	152,684	172,328	135,548	112,127
College covered-employee payroll (for the year ended as of the measurement date)		26,046	25,776	25,823	25,380
College proportionate share of the net pension liability as a percentage of the employee covered-payroll		586.21%	668.56%	524.91%	441.79%
Plan fiduciary net position as a percentage of the total pension liability		36.78%	31.20%	38.21%	42.74%

Police and Firemen's Retirement System

		2018	2017	2016	2015
College proportion of the net pension liability - State group		0.157%	0.167%	0.169%	0.153%
College proportion of the net pension liability - Plan as a whole		0.032%	0.031%	0.032%	0.031%
College proportionate share of the net pension liability	$	6,890	7,878	7,262	5,420
College covered-employee payroll (for the year ended as of the measurement date)		785	772	763	822
College proportionate share of the net pension liability as a percentage of the employee covered-payroll		877.71%	1020.47%	951.77%	659.37%
Plan fiduciary net position as a percentage of the total pension liability		54.52%	48.55%	52.84%	58.86%

Teachers' Pension and Annuity Fund

		2018	2017	2016	2015
College proportion of the net pension liability		0.001%	0.000%	0.000%	0.000%
College proportionate share of the net pension liability	$	—	—	—	—
State's proportionate share of the net pension liability associated with the College		928	2,024	4,749	4,666
Total net pension liability		928	2,024	4,749	4,666
College covered-employee payroll (for the year ended as of the measurement date)		—	—	—	122
College proportionate share of the net pension liability as a percentage of the employee covered-payroll		N/A	N/A	N/A	3824.59%
Plan fiduciary net position as a percentage of the total pension liability		25.41%	22.33%	28.71%	33.64%

Notes:

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

2. There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.

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

PERS

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 4.90% from 5.39%.

PFRS

For 2017, the discount rate changed to 6.14% and the long-term rate of returned changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 5.79% from 6.32%.

See accompanying independent auditors' report.

The College of New Jersey

Schedules of Employer Contributions

(Unaudited)

June 30, 2018

(in thousands)

Public Employees' Retirement System

		2018	2017	2016	2015
Contractually required contribution (amount provided by the State of New Jersey)	$	3,833	2,835	1,941	1,289
Contributions in relation to the contractually required contribution (amount provided by the State of New Jersey)		3,833	2,835	1,941	1,289
Contribution deficiency (excess)	$	—	—	—	—
College covered-employee payroll (as of the fiscal year end)	$	26,648	26,046	25,776	25,823
Contributions as a percentage of covered-employee payroll		14.38%	10.88%	7.53%	4.99%

Police and Firemen's Retirement System

		2018	2017	2016	2015
Contractually required contribution (amount provided by the State of New Jersey)	$	387	306	231	120
Contributions in relation to the contractually required contribution (amount provided by the State of New Jersey)		387	306	231	120
Contribution deficiency (excess)	$	—	—	—	—
College covered-employee payroll (as of the fiscal year end)	$	766	785	772	763
Contributions as a percentage of employee covered payroll		50.52%	38.98%	29.92%	15.73%

Notes:

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

2. There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.

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

PERS

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 4.90% from 5.39%.

PFRS

For 2017, the discount rate changed to 6.14% and the long-term rate of returned changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 5.79% from 6.32%.

See accompanying independent auditors' report.

The College of New Jersey

Schedule of Proportionate Share of the Total Other Postemployment Benefits (OPEB) Liability

(Unaudited)

June 30, 2018

(In thousands)

State Health Benefit State Retired Employees Plan

		2018
College proportion of the collective total OPEB liability		0.000%
College proportionate share of the collective OPEB liability	$	—
State's proportionate share of the collective OPEB liability associated with the College		289,555
Total proportionate share of the collective OPEB liability		289,555
College covered-employee payroll (for the year ended as of the measurement date)		77,708
College proportionate share of the collective OPEB liability as a percentage of the employee covered-payroll		0.000%

Notes:

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

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.