2018 Annual Financial Report

TCNJ
THE COLLEGE OF NEW JERSEY


EICKHOFF HALL

TCNJ THE COLLEGE OF NEW JERSEY

Dear Trustees and President Foster,

I am pleased to submit this executive summary of The College of New Jersey (the College or TCNJ) audited financial statements for the fiscal year ending June 30, 2018. The management of the College is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The management's discussion and analysis provides an overview of the financial position and activities of the College and should be read in conjunction with the financial statements and notes to the financial statements. The financial results for TCNJ Foundation and Trenton State College Corporation, component units of TCNJ, are presented discretely from the College in the audited financial report.

The financial statements have been audited by the independent accounting firm of KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Trustees. The College believes that all representations made to the independent auditors during the audit were valid and appropriate. KPMG's unmodified audit opinion is presented on pages 1 to 2 of the report.

The College maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the College's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective actions on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the financial statement preparation. Management believes that, as of June 30, 2018, the College's system of internal controls was adequate to accomplish the objectives discussed herein.

The College's Board of Trustees, through its Audit, Risk Management and Compliance Committee, is responsible for engaging the independent auditors, and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. To insure auditor independence, both internal auditors and the independent auditors have full and free access to the Audit, Risk Management and Compliance Committee during the committee meetings both with management present and in sessions without management.

Based on the above, I hereby certify, to the best of my knowledge, that the information contained in the accompanying financial statements fairly presents, in all material respects the financial condition, changes in net position and cash flows of The College of New Jersey as of June 30, 2018.

Respectfully submitted,

Mr. Lloyd A. Ricketts
Vice President and Treasurer

Introduction

TCNJ's long tradition of prudent fiscal management, conservative budgeting and investment strategies has allowed it to continue to strengthen its financial position through positive operating results and to weather unforeseen fiscal challenges. For the fiscal year ending June 30, 2018, the College finished with an increase of $6.7 million in net position excluding the recognition of $8.6 million in net pension expense due to the adoption of GASB 68. The consistent increases in net position over the past five years is one indicator that the College's financial health continues to improve.

Cognizant of our 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 the College's long-term financial health. These focused reviews are coordinated with two major institutional priorities, 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 as well as facilities master planning.

The state and national economy will continue to pose budgetary challenges for the College in the future. However, as a result of strategic planning efforts and a campus-wide commitment to prudent fiscal management, TCNJ continues to make significant strategic investments based on our improved financial position.

A healthy student demand and favorable market position as evidenced by steady increase in applications, consistent enrollment, our ability to attract and retain high-achieving students and our consistently strong operating performance 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 sustain its long-term financial health.

GASB Statements No. 68

In fiscal year 2015, the College implemented Government Accounting Standards Board (GASB) Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date*. GASB 68 and GASB 71 require state and local government employers to recognize a net pension liability and related deferred outflows and inflows of resources and pension expense for defined benefit plans in which the entity participates. 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).

Historically, the State of New Jersey (the State) provided the contributions to the pension plans while seeking reimbursement from the College for the College's non-State-authorized positions. The State has communicated that the GASB 68 pension liability "allocations do not impact state laws or past funding arrangements that have been established annually in the State budget". The College's proportionate share of $159.6 million of the pension liability, as determined by the Division of Pensions and Benefits of the State, is recorded in the audited financial statements.

GASB Statements 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 Plan is administered by the State on a pay-as-you-go basis and accordingly, no assets are accumulated in a qualifying trust.

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 recorded in the College's financial statements. However, the College recorded the OPEB expense plus the offsetting non-operating revenue to account for the College's share that was funded by the State. As For fiscal year 2018, the College's proportionate share of $289.6 million in OPEB liability is disclosed in footnote 11 of the audited financial statements.

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The condensed statement of net position below reflects the GASB Statement No. 68 adjustment to the College's 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

Under GASB 68, the College recorded its proportionate share of pension expense of $13.2 million and the State's contributions amounted to $4.2 million for fiscal year 2018. The College also recorded $17.0 million in OPEB expense plus the offsetting non-operating OPEB revenue to account for the College's portion of the OPEB expenses that were funded by the State of New Jersey under GASB 75.

The table below reflects the GASB 68 and GASB 75 adjustments to the College's financial statements for fiscal year 2018:

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**

Financial Performance Overview

The assets of the College totaled $868 million (net of accumulated depreciation of $310 million) as of June 30, 2018. The net capital additions of $18.3 million were comprised primarily of new construction and renovation of facilities such as the new STEM Complex, the Brower Student Center renovation and various asset renewal projects. These projects were funded by capital contributions, institutional reserves, capital grants and bond proceeds.

Working capital, which is current assets less current liabilities, was approximately $63 million, a decrease of $4 million from the previous year. This change was primarily due to a decrease in cash and cash equivalents which included a transfer of $3 million in excess cash to the long-term investment portfolio.

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 2.2 times above current liabilities, the College had adequate liquidity to satisfy its current obligations.

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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

Total liabilities decreased by $38.4 million, totaling $610.4 million as of June 30, 2018. Current liabilities remained relatively stable, while noncurrent liabilities decreased by $39.1 million, 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 bond principal repayment.

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. The change in net position is a measure of whether TCNJ's overall financial condition has improved or worsened during the year. The consistent increases in net position is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution. In fiscal year 2018, the College's net position increased by $6.7 million. (Excluding the $8.6 million in pension expense due to the adoption of GASB 68.)

Revenues

Operating revenues which represent resources generated by the College in fulfilling its mission had a net increase of $7.6 million in fiscal year 2018. Tuition and fees increased by $5.7 million primarily due to a modest rate increase of 2.25% coupled with targeted growth in undergraduate enrollment. Student housing revenues increased by $2.3 million due to an overall rate increase of 2.48% coupled with increased housing occupancy over the previous fiscal year. Nonoperating revenues are those not generated by the College's core mission and include such funding sources as investment income and New Jersey State appropriations and funding for other postemployment benefits.

Scholarship Allowance

Scholarship allowance increased by $2.5 million or 9.9% in fiscal year 2018 primarily due to increases in 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**

New Jersey State Appropriations

The state appropriations include amounts appropriated by the State Legislature and employees' fringe benefits paid by the State. 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**

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.

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 new Science, Technology, Engineering and Mathematics (STEM) building, the renovation of Armstrong Hall and various information technology infrastructure. 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.

Other Postemployment Benefit Revenue

The other postemployment benefit (OPEB) revenue increase of $17.0 million represents the College's proportionate share of OPEB operating expense funded by the State under GASB Statement No. 75.

Investment Income

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

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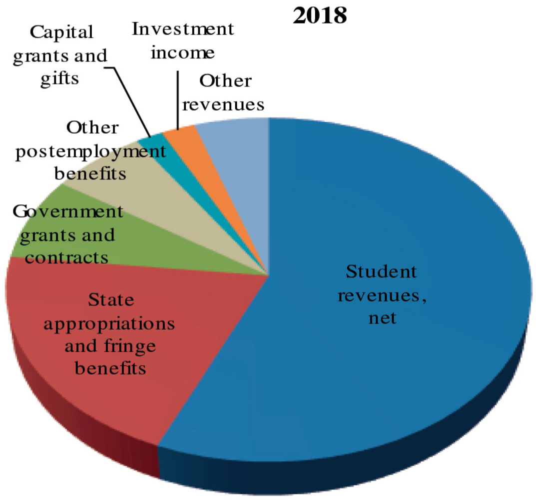
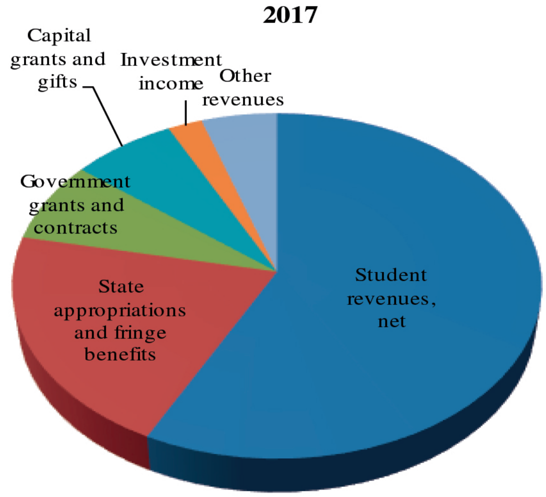
The graphs below are illustrations of revenues by source that were used to fund the College's activities for the fiscal years ended June 30, 2018 and 2017:





	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%**

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

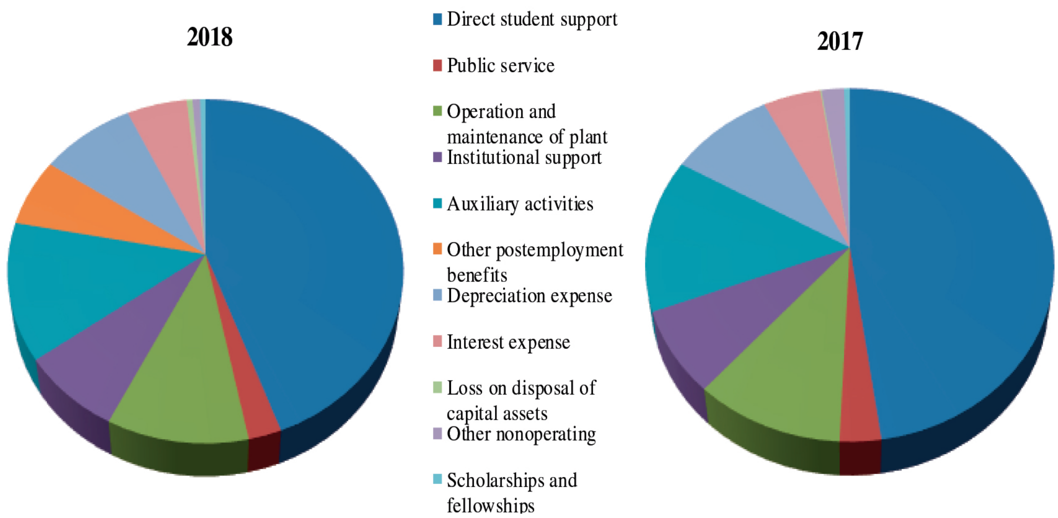
Operating Expenses

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 due to the adoption of GASB 75. In-addition, there were increases in salaries and fringe benefits due to the various union contracts collectively bargained at the state level, fuel and utilities costs for new and renovated facilities and depreciation of capital assets.

Nonoperating Expenses

Interest expense increased by $2.5 million in fiscal year 2018 due to the significant debt service savings achieved through bond refinancing in the previous fiscal year. During fiscal year 2017, the College refinanced $193.2 million of outstanding bonds that were structured to provide debt service savings over five fiscal years (FY2017 through FY2021) of approximately $22.9 million, averaging over $4.5 million per year. Other nonoperating expense represents amortization of bond premiums, cost of issuance and deferred outflows on outstanding bond issues.

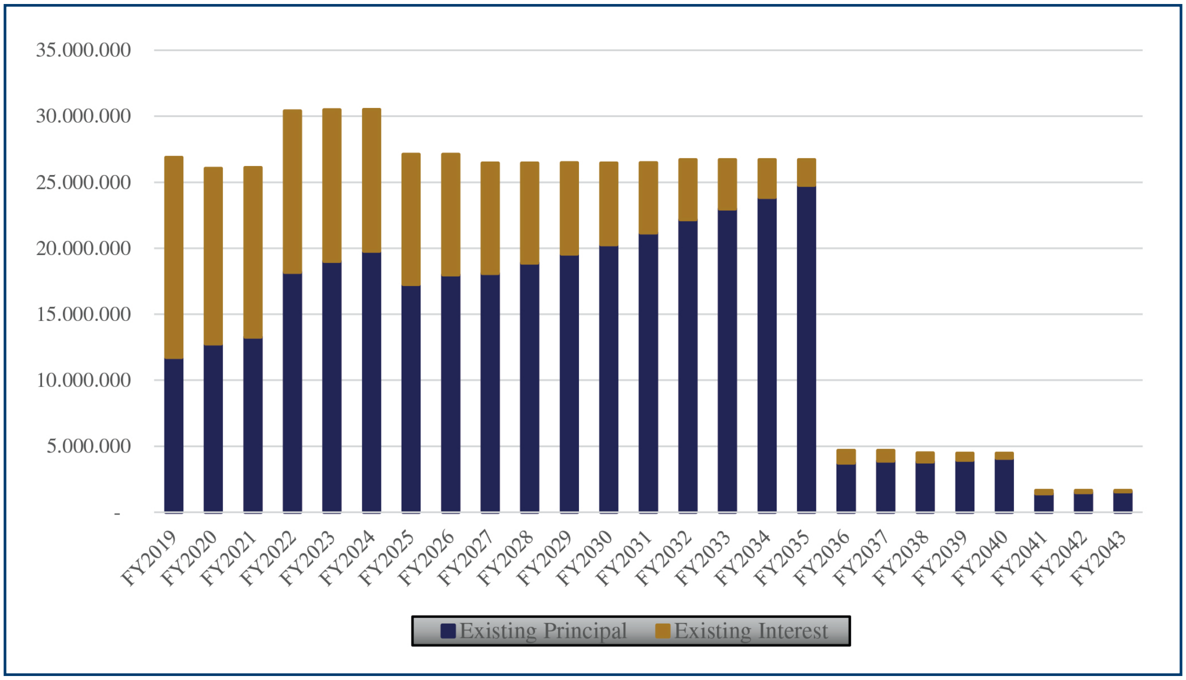
The graphs below are illustrations of expenses by functional categories incurred by the College's operation for the fiscal years ended June 30, 2018 and 2017:



	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%**

Long-Tern Debt

TCNJ remains mindful of its limited debt capacity as it considers future strategic reinvestment in facilities and new capital initiatives. The College continues to amortize principal aggressively with annual principal amortization averaging $15 million over the next five years. TCNJ will amortize approximately $167 million or 48% of its current outstanding debt over the next ten years. 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 footnote # 9 to the financial statements. The chart below illustrates the aggregate annual debt service in principal and interest:



According to the rating agencies, TCNJ's bond ratings and outlook reflect strong student demand and conservative financial management, which have translated into very good financial reserves and liquidity. 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

Investment Report

Total investments held by the College and the Foundation finished the 2017-18 fiscal year at $149.5 million, a net increase of $2.2 million over the prior fiscal year–end balance. Strong investment performance and growth in endowment fundraising helped to offset operating and capital expenditures.

TCNJ's investment assets are organized at the "Non-Endowment" and "Foundation" levels. TCNJ finance staff and its Business and Infrastructure Committee of the Board of Trustees maintain oversight of non-endowment assets, while the TCNJ Foundation (the "Foundation") Investment Committee of the Board of Directors provides governance oversight of Foundation investments. The fiscal year-end assets are described as follows:

Pool	Type of Funds	Market Value as of June 30, 2018
Non-Endowment Pool	Working capital and cash reserves to support operating activities of the College	$108,182,067
Foundation Investment Pool*	Funds donated to TCNJ Foundation to establish gift annuities, trusts, and endowments	$41,318,648
Total Investments		**$149,500,715**

**Funds Held in Trust:* *The Foundation was named the beneficiary of a trust whose investments fair value approximated $6.7 million as of June 30, 2018, is not reflected in the Foundation's investment pool above.*

Through regular cash flow analysis and risk management, the College manages its assets across three distinct tiers, which together are designed to meet its investment goals and objectives:

(1) **Working Capital:** short-term, liquid balances used to fund daily, weekly, and monthly operating expenses. These assets are invested with low risk aversion and a goal of safely meeting daily liquidity.

(2) **Contingency Cash:** short-term funds, used for prudently meeting contingency and unexpected expenses, and these assets are invested with a goal of protecting principal while safely enhancing earnings over cash.

(3) **Core Cash:** reserve funds that are not expected to be used in the near-term. These funds are invested in a balanced, globally-diversified approach meant to maximize earnings and guided by TCNJ's investment policy objectives and risk tolerance.

TCNJ's investments have grown significantly over the past six fiscal years. A purposeful investment strategy has led to excess cash allocation totaling $40 million to the Contingency and Core Cash portfolios over the past six fiscal years, aided by market value appreciation of more than $19 million during that same time period.

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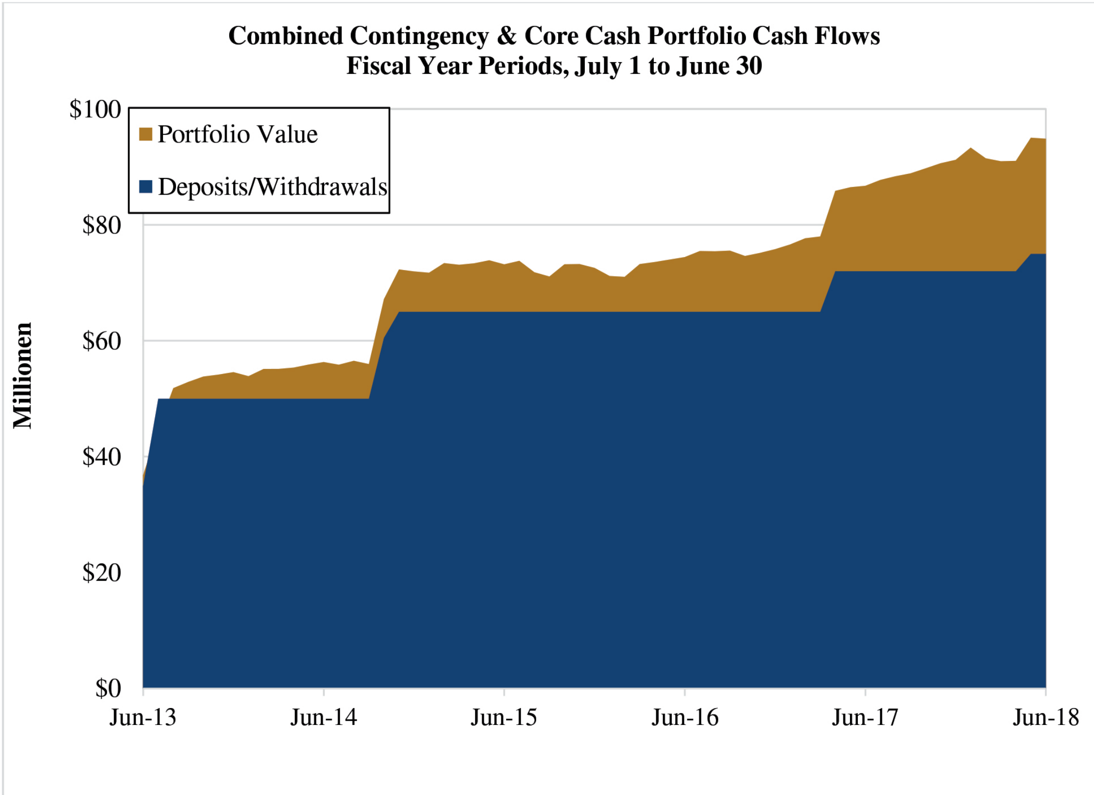
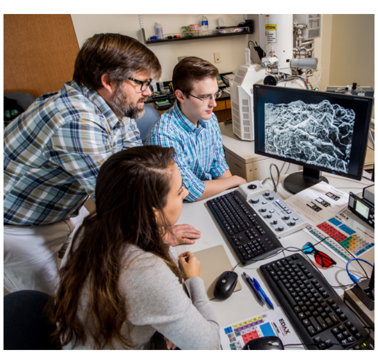


Categories	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Entire Period
Opening Balance ($)	35,625,881	36,853,924	56,329,950	73,194,374	74,447,018	86,747,755	35,625,881
Contributions, net ($)	-	15,000,000	15,000,000	-	7,000,000	3,000,000	40,000,000
Appreciation ($)	1,228,043	4,476,026	1,864,424	1,252,644	5,300,737	5,128,844	19,250,718
Closing Balance ($)	**36,853,924**	**56,329,950**	**73,194,374**	**74,447,018**	**86,747,755**	**94,876,599**	**94,876,599**

The Foundation's $8.4 million or 26% growth in investment assets over the past five fiscal years can be attributed to positive investment performance and the College's successful comprehensive fundraising campaign.

Foundation Cash and Investment Pools

Pool	FY2014	FY2015	FY2016	FY2017	FY2018
Cash & Cash Equivalents	$1,320,741	$1,326,763	$1,272,622	$1,413,474	$ 1,712,361
Endowment Pool	$25,279,912	$26,184,060	$27,254,591	$31,140,393	$ 33,270,183
Gift Annuities & Trusts	$6,286,591	$6,054,428	$6,176,795	$6,296,998	$ 6,336,104
Total	**$32,887,244**	**$33,565,251**	**$34,704,008**	**$38,850,865**	**$ 41,318,648**



TCNJ Non-Endowment Pool

The College's investment program, characterized and driven by conservative investment goals that stress a well-diversified and high quality portfolio of investments, experienced steady earnings growth again this fiscal year. For the fiscal year ended June 30, 2018, the portfolio returned 5.9%, following earnings of 6.9% in the previous fiscal year. With low but rising domestic interest rates and improvement in the equity markets, the balanced approach to investing produced strong returns that helped to strengthen the College's balance sheet.

The investment strategies for each component have been structured and implemented to align with each component's respective goals. TCNJ holds its Working Capital funds in overnight liquidity accounts. The College invests its Contingency Cash funds in high quality short- and intermediate-term fixed income investments, and its Core Cash funds in a multi-asset class ("MACM") strategy which consists of approximately 70% equity and 30% core fixed income investments. The table below summarizes the ranges and targets for each component, as prescribed by the College's Investment Policy Statement.

Component	Investment Policy Range (%)	Investment Policy Target (%)	June 30, 2018 Allocation (%)	June 30, 2018 Balance
Working Capital	10% - 30%	20%	12%	$13.3 million
Contingency Cash	25% - 45%	35%	36%	$39.4 million
Core Cash	30% - 65%	45%	52%	$55.5 million
Total		**100%**		**$108.2 million**

Short-Duration Fixed Income Strategy

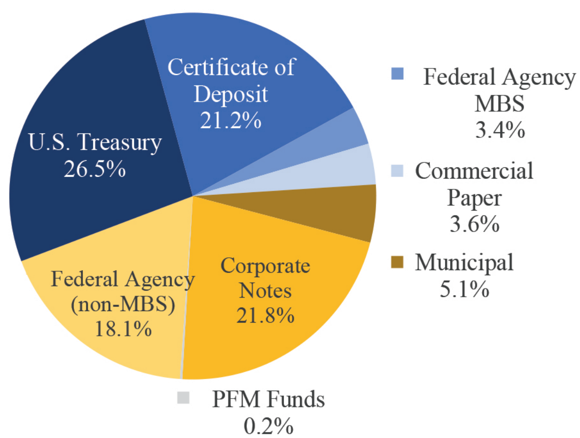
Interest rates across the curve rose throughout the fiscal year, with short- and intermediate-term rates rising more significantly than longer-term rates. Despite the rising interest rate environment, TCNJ's Contingency Cash portfolio generated positive returns while adhering to the investment policy mandates of safety, liquidity, and yield. Over the past 12 months, the portfolio generated a gross total return of 0.80% versus the Bank of America Merrill Lynch 0 to 3 Year U.S. Treasury Index benchmark return of 0.48%. As seen in the table below, the Contingency Cash portfolio has consistently outperformed the benchmark over the long-term.

Total Return[1,2,3]	**Past 3 Months**	**Fiscal Year**	**Past 3 Years**	**Past 5 Years**	**Annualized Since Inception[4]**
TCNJ Contingency Cash Portfolio	0.46%	0.80%	0.93%	0.90%	0.92%
BofA Merrill Lynch 0-3 Year U.S. Treasury Index	0.31%	0.48%	0.53%	0.67%	0.82%

The Contingency Cash portfolio, totaling approximately $39.4 million, is allocated largely towards high quality credit investments, including corporate notes, commercial paper, certificates of deposit, and municipal bonds maturing between 0-3 years. These investments accounted for approximately $20.4 million or 52% of the portfolio at June 30, 2018.

The remainder of the Contingency Cash portfolio was invested in U.S. government securities, which included U.S. Treasury, federal agency notes and bonds, and federal agency mortgage-backed securities ("Agency MBS"). Strategic shifts in sector allocations were executed in order to diversify the portfolio and take advantage of relative value and yield differences across these various asset classes and in different maturities.

Contingency Cash Portfolio Sector Allocation
June 30, 2018



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[1] *Performance on trade-date basis, gross (i.e., before fees) in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).*

[2] *Merrill Lynch indices provided by Bloomberg Financial Markets.*

[3] *On 10/31/14, the benchmark was changed from the BAML 1-3 Yr US Corp/Gov A-rated and above to the BAML 0-3 Yr US Treasury Index.*

[4] *Contingency Cash Fund performance inception date as of December 31, 2010.*

70% Equity / 30% Fixed Income MACM Portfolio

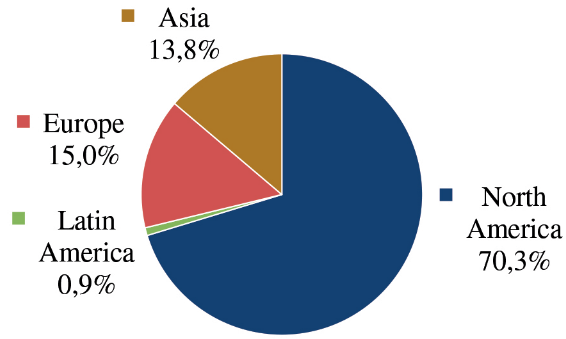
The Core Cash portfolio, totaling $55.5 million, is invested in a 70% equity 30% fixed income multi-asset class strategy. These asset allocation targets were determined by using TCNJ's investment advisor's intermediate and long-term capital market assumptions while also keeping in mind TCNJ's goals, objectives, liquidity needs, and risk tolerance. The table below shows a comparison of how the Core Cash portfolio was invested at the beginning of the fiscal year versus the end of the year.

Security Type	June 30, 2017	June 30, 2018	% of Portfolio	Benchmark Target	FYTD Change in Value
Domestic Equity	24,473,860	26,962,008	48.6%	46.0%	2,488,148
International Equity	13,058,641	13,859,446	25.0%	24.0%	800,805
MACM Fixed Income	13,014,558	14,535,176	26.2%	30.0%	1,520,618
Money Market	124,076	146,760	0.3%	0.0%	22,685
TOTAL	**50,671,135**	**55,503,391**	**100.0%**	**100.0%**	**4,832,256**

At the end of the fiscal year, the portfolio was managed with an overweight to equities relative to its 70% target. Specifically, the portfolio was tactically positioned with an approximate 4% overweight to equities and 4% underweight to fixed income, relative to the established targets of TCNJ's 70:30 portfolio structure. The tactical overweight to equities helped to drive returns, especially versus the index, as the MACM portfolio appreciated by approximately $4.8 million during the fiscal year.

The Core Cash portfolio is diversified geographically, with a majority of assets allocated to North America. While the global economy lagged at the end of the fiscal year, expectations are for the global economy to produce positive growth over the next several years. Global funds and managers have been chosen to add diversification in a tactical manner.

Core Cash Portfolio
Geographic Exposure by Domicile
June 30, 2018



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TCNJ
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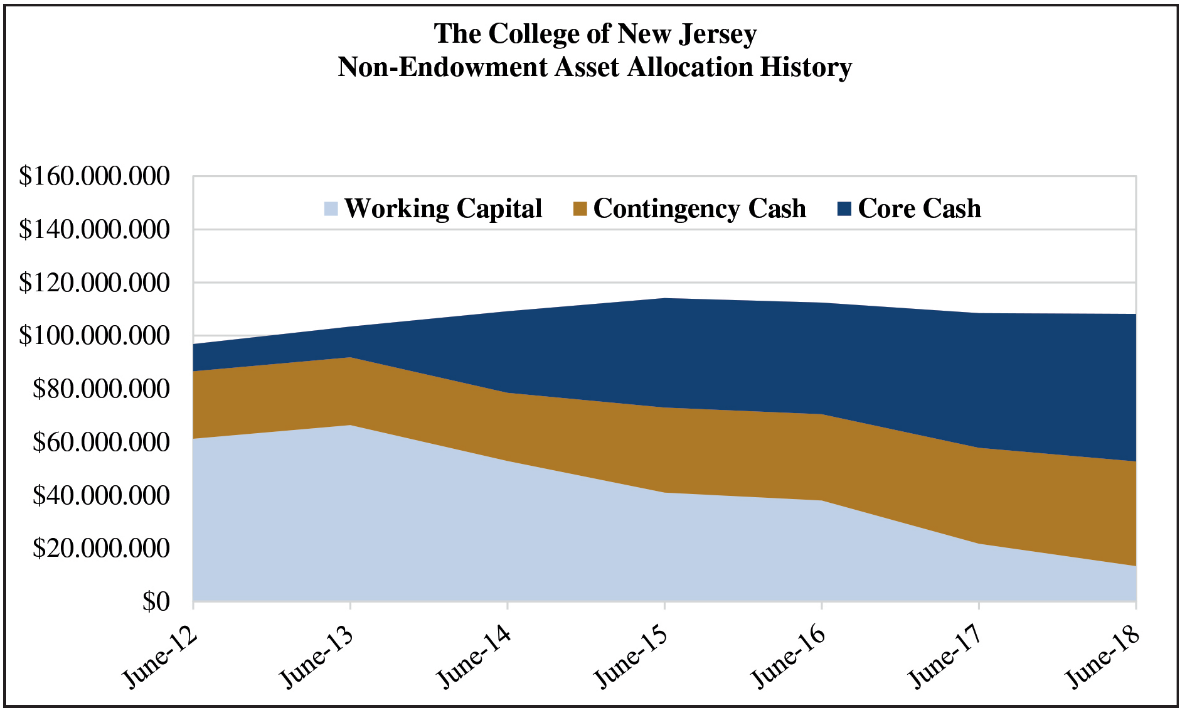
A measure of risk management within the Core Cash portfolio is liquidity risk, or how quickly the exposure to a particular investment can be redeemed and converted to cash. Because the portfolio is invested in mutual funds, the entire portfolio could theoretically be converted to cash within one business day.

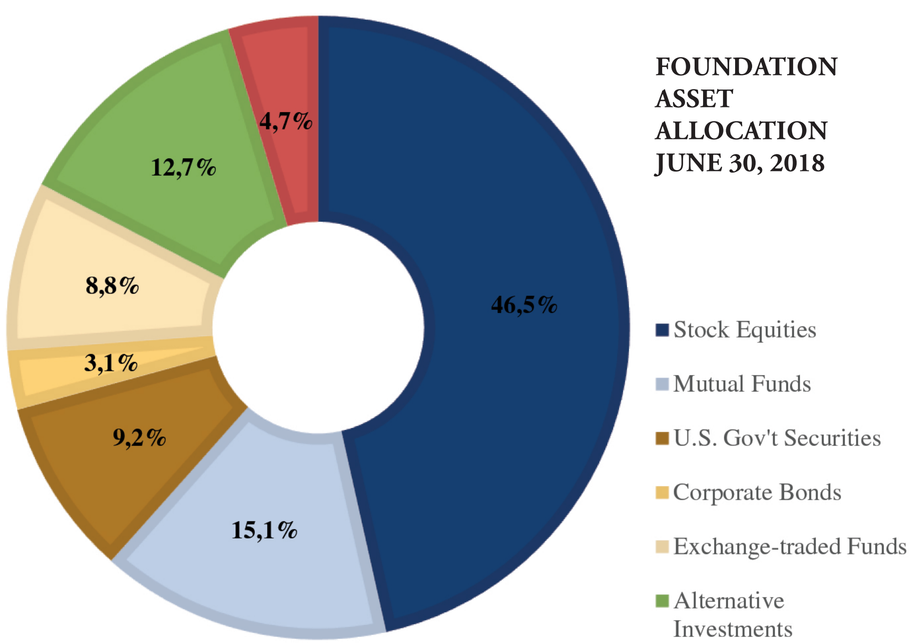
The target allocation of investments have evolved over time to reflect TCNJ's goals and objectives and market expectations. The College conducts a cash flow analysis annually to determine its expected liquidity needs and prudent allocations between the three investment policy components.



Foundation Investment Pool

The Foundation's portfolio is largely weighted towards equity and equity-like investments.

The remainder of the portfolio is invested in U.S. government and corporate fixed income investments. Broad sector allocations for the portfolio have changed slightly over the fiscal year. Allocation to cash and cash equivalents remain stable at approximately 5% of the portfolio.

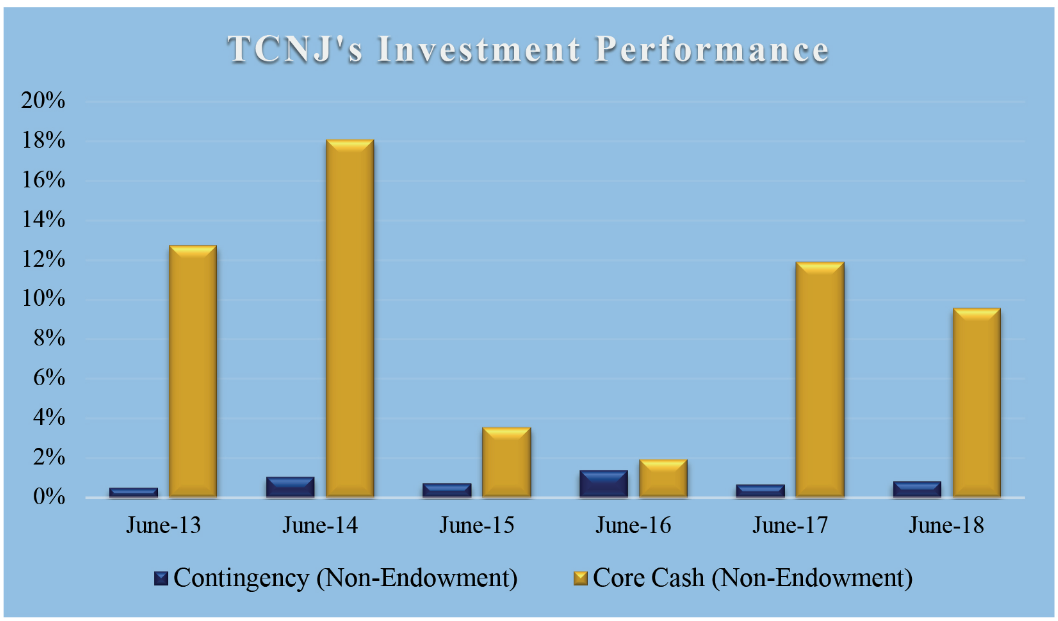


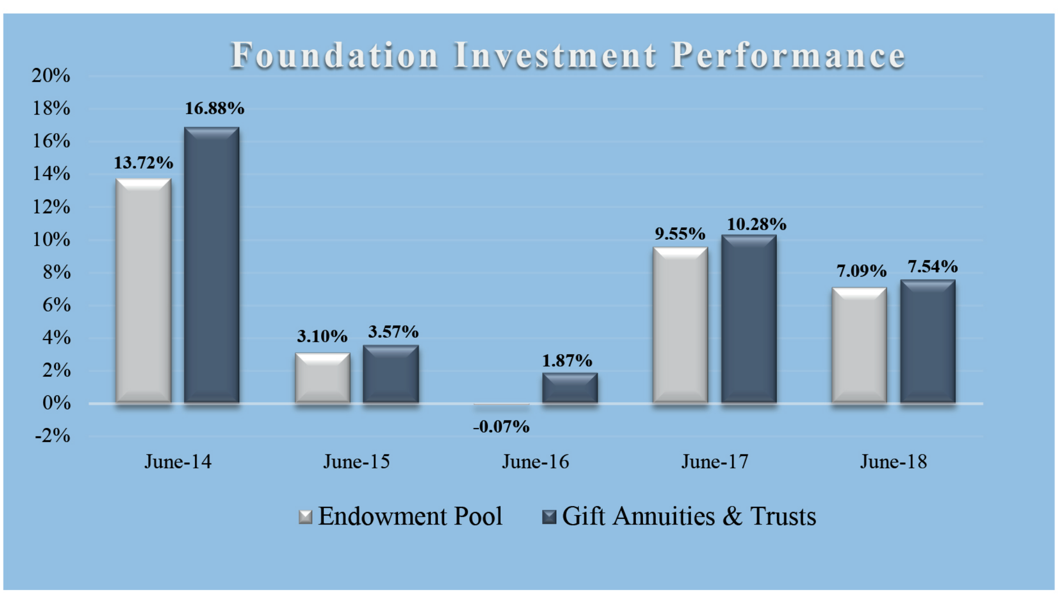
Investment Returns

The 2017-8 fiscal year was characterized by rising interest rates on the short end of the U.S. Treasury yield curve as the Federal Reserve continues its plan to normalize rates, while yields on the longer end fell as market participants became uncertain about inflation and economic growth expectations.

For the fiscal year, the Contingency Cash portfolio, which was hampered by low fixed income yields, returned 0.80%, gross of fees, outperforming its benchmark by 0.32%. The Core Cash portfolio's fiscal year gross returns of 9.56% outperformed its benchmark by 1.81%. Collectively, the Contingency and Core Cash portfolios generated strong absolute returns of 5.90%.

The Foundation's endowment pool performance was strong for the fiscal year, returning 7.09% net of investment manager fees. Relative to the advisor defined style benchmark, the endowment pool slightly underperformed by 0.18%. Conversely, the gift annuity pool returned 7.54% for the fiscal year, slightly above its advisor defined style benchmark of 7.21% for the fiscal year.





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