

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2015 and 2014

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Financial Statements

June 30, 2015 and 2014

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## **Independent Auditors' Report**

### **The Board of Trustees Montclair State University**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our 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 of material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Montclair State University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of a Matter***

As discussed in Note 2 and Note 19 to the financial statements, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – *an amendment of GASB Statement No. 27* and GASB statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an *amendment to GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of employer contributions and schedules of proportionate share of the net position liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 regarding 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.

*PKF O'Connor Davies, LLP*

January 18, 2016

**Montclair State University**  
(A Component Unit of The State of New Jersey)

**Management's Discussion and Analysis**

**Introduction**

This section of the Annual Financial Report for Montclair State University (the University) presents management's discussion and analysis of the University's financial activity during fiscal years ended June 30, 2015 and 2014 and comparative amounts for the year ended June 30, 2013. Certain amounts for 2013 have been restated to conform to GASB Statement No.65 Items Previously Reported as Assets and Liabilities, which (a) properly classifies items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). Since this management discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the University's basic financial statements and footnotes that immediately follow this section.

Montclair State University, the second largest university in New Jersey, offers the advantages of a large university – a broad undergraduate curriculum which fosters critical thinking and life-long learning, a wide variety of applied graduate programs that address the needs of the region, a rapidly expanding focus on professional education and a diverse faculty and student body – combined with a small college's attention to students. The University's faculty is committed to learning through creative teaching informed by highly regarded scholarship and service to the community.

The University was founded as Montclair State Normal School in 1908 with a two-year curriculum. The curriculum was expanded to four years in 1927 when the institution became Montclair State Teachers College. Recognizing the expanding mission of the institution, the teachers college became Montclair State College in 1958. The expanded mission was formally recognized when the State identified the University as a comprehensive institution in 1966. In 1994 the New Jersey Board of Higher Education conferred university status on the University in recognition of the quality and breadth of the institution and the extent of its graduate offerings.

Since its founding, the University has earned a reputation for excellence and innovation. With its strong emphasis on the liberal arts and the sciences, in 1937 it became the first teachers college accredited by the Middle States Association as a liberal arts institution. As evidence of the continuing excellence of its programs and faculty, the University was authorized in 1932 to award the master's degree and in 1998 to award the doctoral degree.

Building on a distinguished 107-year history, Montclair State University is proud to be a leading institution of higher education in New Jersey. The University's six colleges and schools serve over 20,000 undergraduate and graduate students in 300 majors, minors, concentrations and certificate programs. Situated on a beautiful, 250-acre suburban campus located just 14 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

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During the fiscal year the University provided a comprehensive and relevant array of programs distributed among 62 undergraduate and 45 graduate majors (including 7 doctoral programs). The University offers programs in more contemporary and evolving areas such as public relation, athletic training, molecular biology, nutritional science, child advocacy, TV/Digital Media and Sports, Events and Tourism Marketing as well as cross-disciplinary programs in areas such as justice studies, sustainability, public health and environmental management. The University's PhD program in Teacher Education and Teacher Development is one of very few in the nation that explicitly prepares educators of teachers. The PhD in Environmental Management combines interdisciplinary research in the sciences with training in management and policy formation. The PhD in Communication Sciences and Disorders occupies one of the finest clinical and research facilities in the tri-state region.

The Montclair State University Foundation, Inc. (the Foundation) was established as a nonprofit corporation to provide an independent instrument of control of funds, from other than state resources, which support the purpose and mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and state taxes.

Because the Foundation's resources have historically only been used by or for the benefit of the University, the Foundation is considered a component unit and is discreetly presented in separate columns on the face of the University's financial statements in accordance with GASB Statement No. 61, The Financial Reporting Entity: Omnibus. This change is reflected in the attached statements excluding the Statement of Cash Flow.

### **Financial Highlights**

For the year ending June 30, 2015, the University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date which establish standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts. These statements seek to improve accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses. The statements also require the identification and the methods and assumptions that should be used to project benefit payments to their actual present value and attribute that present value to period of employee service. The cumulative effect of implementing GASB Statement No. 68 reduced the University's net position by \$159.4 million and increased pension expense \$8.1 million for the year ending June 30, 2015.

Operating revenues for the year ended June 30, 2015, were \$312.1 million, an increase of \$11.5 million over fiscal year 2014 primarily the result of increased enrollments and tuition rates as well as increases in federal, state, and nongovernmental grants and contracts. Operating revenues for the year ended June 30, 2014, were \$300.6 million, an increase of \$20.3 million over fiscal year 2013 also the result of increased enrollments and tuition rates as well as increases in federal, state, and nongovernmental funding.

Non-operating and other revenues, including capital gifts and grants, for the year ended June 30, 2015 were \$139.2 million, an increase of \$39.5 million from fiscal year 2014. This increase is attributable to increases in investment income, capital gifts and grants and TPAF pension contributions which are recognized as revenue to the extent expended.

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Non-operating and other revenues, including capital gifts and grants, for the year ended June 30, 2014, were \$99.7 million, an increase of \$22.8 million from fiscal year 2013. This increase is also attributable to increases in investment income and capital gifts and grants which are recognized as revenue to the extent expended.

At June 30, 2015, the University's net assets decreased to \$290.9 million from \$391.1 million at June 30, 2014. Fiscal 2015 operating expenses of \$371.4 million increased \$26.1 million over the previous year. Of this increase \$8.1 million was from the inclusion of pension expense to conform to GASB Statement No. 68. Other increases were in residence life and auxiliary expenses, institutional support and instruction. There was a significant increase of \$6.0 million in residence life and auxiliary expenses which was as a result of higher food service and utility costs and pension expense. The increase in institutional support is related to the implementation costs of the OneMontclair initiative, which replaces outdated financial and administrative systems with PeopleSoft for Financial Management, Workday for Human Resources Management, and Banner for Student Information System as well as additional pension expense. Instruction expenses increased due to increased faculty and contractual wage increases and pension expense.

For the year ended June 30, 2014 the largest increases in operating expenses were in operations and maintenance of plant, auxiliary expenses, and instruction. The most significant increase was \$5.8 million which was in operations and maintenance of plant expenses related to the combined heating and cooling plant which was placed in service in fiscal 2014. Auxiliary expenses increased as a result of higher food service costs. Instruction resulted from increased faculty and contractual wage increases.

Fiscal 2013 operating expenses saw the largest increases in instruction, depreciation, and auxiliary expenses. The most significant increase was in depreciation which increased \$6.3 million over 2012. This increase is primarily the result of a full year of depreciation on the buildings and equipment for the Heights. There were also major renovations made to Blanton Residence Hall and Food Court which opened in August 2012. Instructional expense increased approximately \$4.2 million over 2012. This increase is the result of additional faculty as well as contractual wage increases. Auxiliary expenses increased as a result of increased food service costs and software upgrades.

There are currently no other known facts, decisions or conditions that are expected to have a significant effect on the University's financial position (net position) or results of operation (revenues, expenses, and changes in net position).

### **Financial Statements**

The University's basic financial statements present the financial position, the changes in financial position and cash flows 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 financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for governments, including public colleges and universities.

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**Statement of Net Position**

The Statement of Net Position presents the financial position of the University at the end of the fiscal year. Assets and liabilities are classified as current and noncurrent and are shown in order of their relative liquidity. Current assets are generally considered to be convertible to cash within one year. Capital assets are carried at cost and depreciated over their respective useful lives. Deferred outflows of resources are a consumption of net position by the University that is applicable to a future reporting period. Liabilities are based on maturity or when cash is expected to be used to liquidate it. Current liabilities are amounts becoming due and payable within the next year. Deferred inflows is an acquisition of net assets by the University that is applicable to a future reporting period. Net position is the residual interest in the University's assets and deferred outflow, after liabilities and deferred inflow are deducted.

Net position is one indicator of the financial condition of the University, while a change in net position indicates whether the financial condition has improved or deteriorated.

A summary of the University's assets, liabilities and net position (in millions) at June 30, 2015, 2014 and 2013 follows:

	<b>2015</b>	<b>2014</b>	<b>2013 *</b>
Current Assets	\$ 236.7	\$ 290.3	\$ 175.2
Noncurrent assets			
Capital assets, net	857.5	801.6	757.1
Assets held under bond indenture agreements	-	-	2.8
Investments	119.4	79.0	45.4
Other	4.8	5.0	5.5
Total assets	<u>1,218.4</u>	<u>1,175.9</u>	<u>986.0</u>
Deferred Outflows			
Deferred amount on debt refundings	3.3	3.5	2.1
Deferred outflow of pension resources	5.6	-	-
Total deferred outflows	<u>8.9</u>	<u>3.5</u>	<u>2.1</u>
Current Liabilities	82.1	82.7	64.7
Noncurrent liabilities	638.6	492.6	348.3
Total liabilities	<u>720.7</u>	<u>575.3</u>	<u>413.0</u>
Deferred Inflows			
Deferred service concession agreement	205.6	213.0	220.3
Deferred inflow of pension resources	10.1	-	-
Total deferred inflows	<u>215.7</u>	<u>213.0</u>	<u>220.3</u>
Net Assets			
Investment in capital assets. Net	146.7	241.0	177.1
Restricted	136.5	0.4	20.2
Unrestricted	7.7	149.7	157.5
Total Net Assets	<u>\$ 290.9</u>	<u>\$ 391.1</u>	<u>\$ 354.8</u>



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Total current assets decreased \$53.6 million during Fiscal 2015. This was the net result of reductions in the current portion of the investment portfolio and increased drawdowns from assets held under bond indenture agreements to fund capital projects. These reductions were offset by a \$9.2 million increase in cash and cash equivalents and a \$9.8 million increase in net receivables.

The current portion of investments declined \$38.9 million or 71% but is offset by a \$40.3 million or 51% increase in non-current investments. The current portion of assets held under bond indenture agreements declined by \$33.6 million or 19% but is offset by a \$55.9 million or 7% increase in net capital assets. Total receivables of \$28.6 million increased 52% from 2014 mainly in grants and contracts and other receivables. For the year ended June 30, 2014, total current assets increased \$115.1 million above Fiscal 2013.

Total noncurrent assets increased by \$96.0 million during the year ended June 30, 2015 and increased by \$74.8 million during the year ended June 30, 2014. The \$55.9 million increase in capital assets, net for the year ended June 30, 2015 is primarily a result of construction in progress spending of \$64.2 million for the School of Business, the Center for Environmental Life Sciences, and the School of Communication & Media plus other acquisitions of \$7.2 million offset by depreciation expense of \$34.2 million. Adding to this increase was a shift from current investments to noncurrent investments as mentioned above.

During the year ended June 30, 2015, total assets increased by \$42.5 million to \$1,218.4 million primarily from increases in receivables and capital assets. During the year ended June 30, 2014, total assets increased by \$189.9 million to \$1,175.9 million primarily from increases in assets held under bond indenture agreements and capital assets.

Total current liabilities decreased by \$0.6 million during the year ended June 30, 2015. This decrease is the net result of higher employee compensation accruals at year end plus increases in interest payable, unearned tuition, fees and deposits, and current portion of bonds payable offset by decreases in accounts payable for capital projects, accrued expenses and unearned revenue from grantors.

Total current liabilities increased by \$18 million during the year ended June 30, 2014. This increase is the net result of higher employee compensation accruals at year end plus higher capital projects and vendor payables plus an increase in accrued expenses and deferred tuition, fees, and deposits offset by a decrease in the current portion of bonds payable.

Noncurrent liabilities and deferred inflows increased by \$148.7 million during the year ended June 30, 2015 primarily due to the adoption of GASB 68 which resulted in the recording of a net pension liability of \$160.5 million at June 30, 2015 which is offset by a decrease in bonds payable and deferred inflow of resources for the Heights service concession arrangement and pension resources.

During the year ended June 30, 2014 noncurrent liabilities and deferred inflows increased by \$137 million due to the increase in bonds payable offset by the amortization of the deferred inflow for the service concession arrangement for the Heights.

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenue earned and expenses incurred, both operating and non-operating, during the fiscal year. Operating revenues are those revenues received for providing goods and services. Operating expenses are incurred to acquire goods and services in order to carry out the University's mission. Non-operating revenue is revenue earned for which goods and services were not provided, such as state appropriations and interest income.

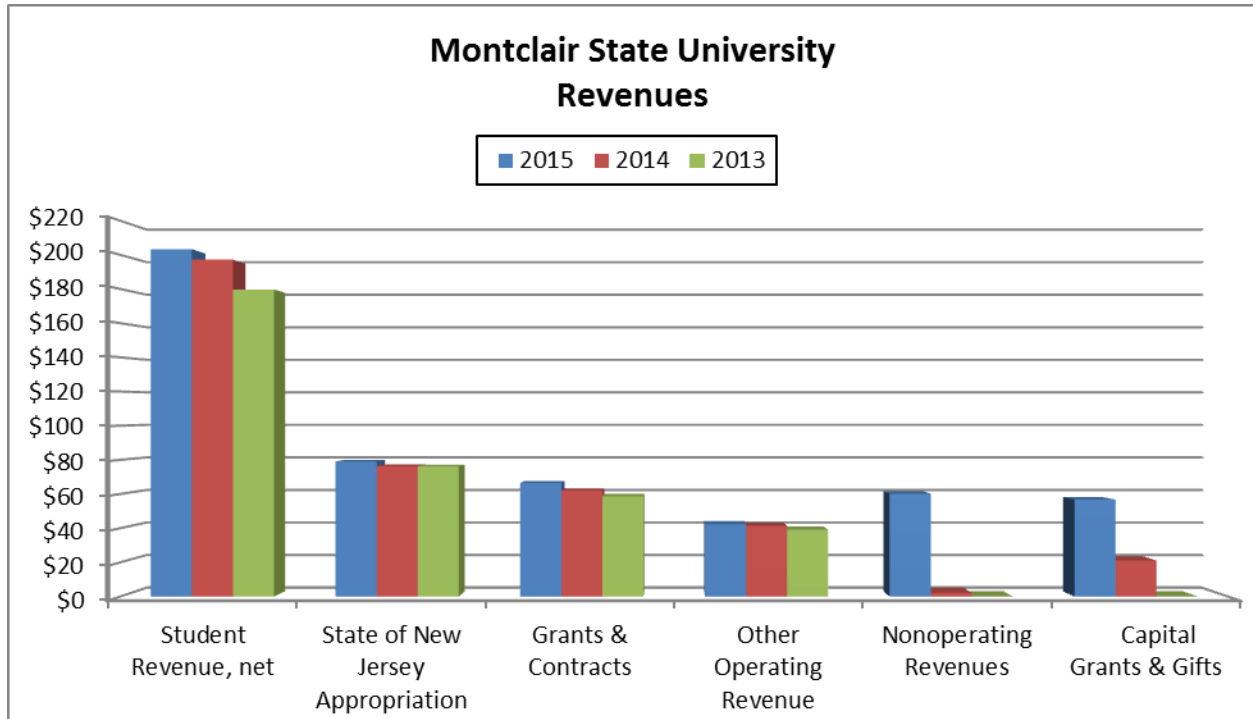
A summary of the University's revenues, expenses, and changes in net position (in millions) for the years ended June 30, 2015, 2014, and 2013 follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues			
Net student revenues	\$ 203.3	\$ 197.2	\$ 179.8
Other	108.8	103.4	100.5
Total operating revenues	<u>312.1</u>	<u>300.6</u>	<u>280.3</u>
Less operating expenses	<u>371.4</u>	<u>345.3</u>	<u>326.7</u>
Operating loss	<u>(59.3)</u>	<u>(44.7)</u>	<u>(46.4)</u>
Non-operating and other revenues			
State appropriations			
General	38.6	38.6	38.6
Fringe benefit	40.4	37.8	37.7
Other	60.2	23.3	0.6
Non-operating revenue	<u>139.2</u>	<u>99.7</u>	<u>76.9</u>
Less non-operating expenses	<u>20.7</u>	<u>18.7</u>	<u>23.9</u>
Net non-operating and other revenues	<u>118.5</u>	<u>81.0</u>	<u>53.0</u>
Increase in net assets	59.2	36.3	6.6
Net assets, beginning of year	391.1	354.8	348.2
Cumulative effect of change in accounting principle	(159.4)	-	-
Net assets, end of year	<u>\$ 290.9</u>	<u>\$ 391.1</u>	<u>\$ 354.8</u>

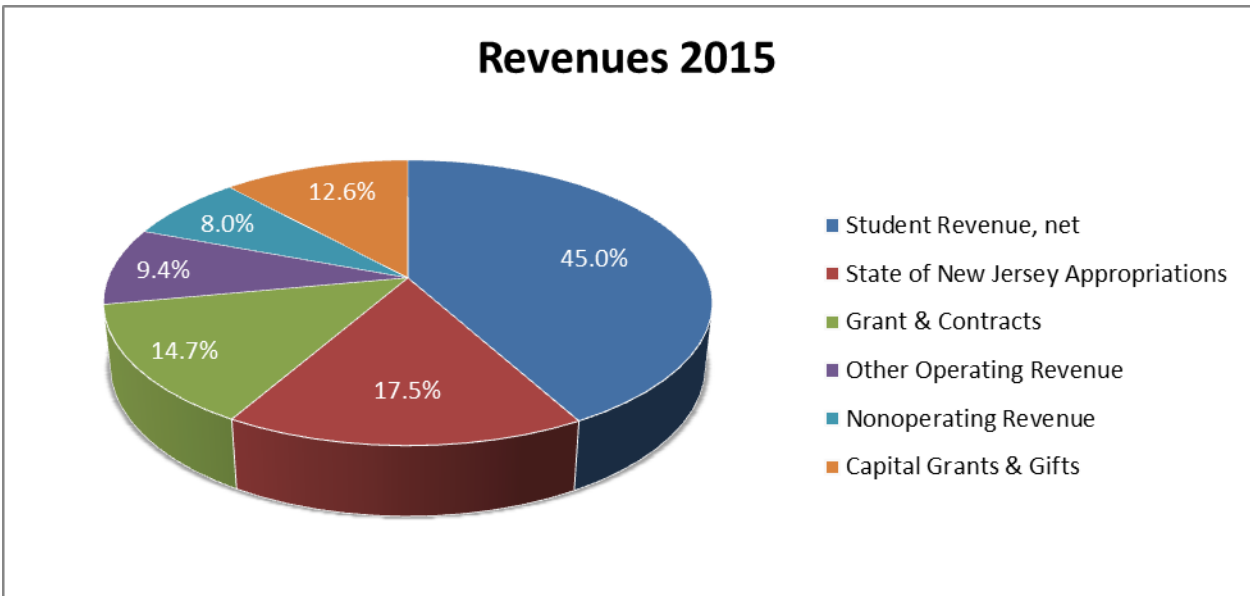
**Revenues**

The University derives its revenues from a variety of sources, the largest source being net student revenues which includes tuition, fees and residence life charges, net of scholarship allowance. The following chart illustrates the components of University revenues for the years ended June 30, 2015 and 2014, and comparative amounts for the year ended June 30, 2013 (amounts in millions).

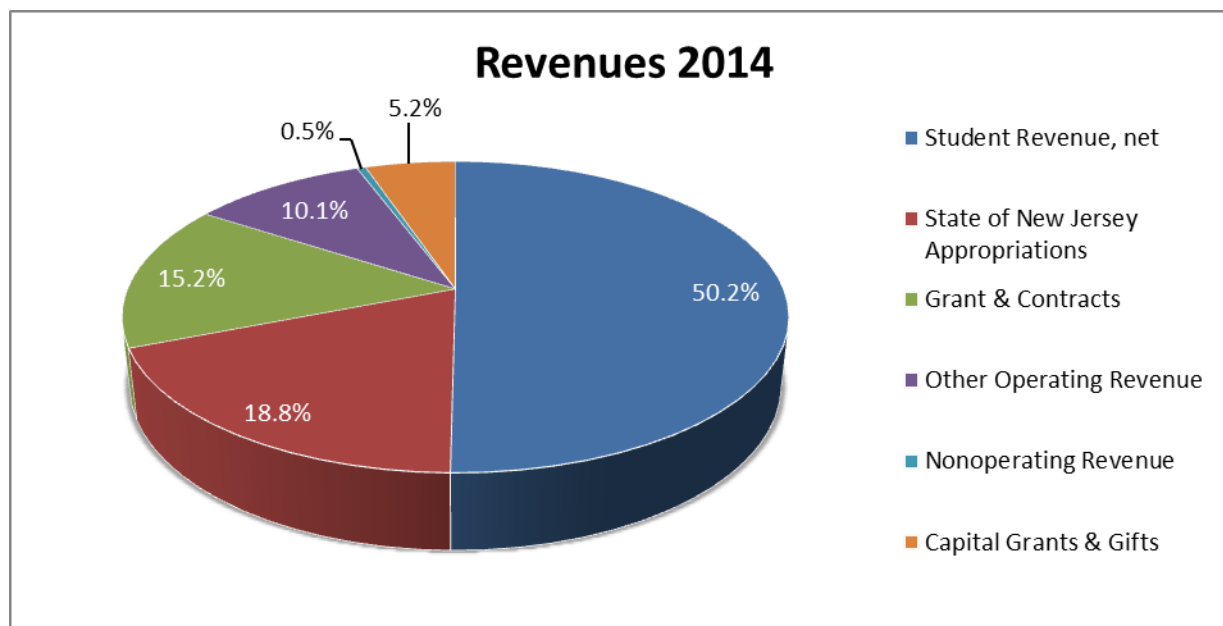
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As State funding declines, there is an increasing burden on tuition and fees. The following charts illustrate the components of University revenues for the years ended 2015 and 2014.



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Student revenue, net of scholarship allowance, increased \$6.1 million or 3.1% in 2015 over 2014. Tuition and fees increased by \$8.5 million or 4.4% over 2014. Newly enrolled undergraduate tuition and fee rates increased 2% for full-time and part-time students. General graduate tuition rates were not increased for returning and nonresident students. For newly enrolled resident graduate students tuition increased by 2%. MBA tuition increased in a range of 2.6% to 2.9%. MFA and doctoral program rates were not increased. Graduate fees were increased by 1.6%. Residence Life- Room and Board increased by \$1.5 million or 3%. Housing rates increased 2% except for The Heights residence where rates increased 3%. There were minor changes to meal plans which increased by \$1.0 million or 5%.

In 2014 student revenue, net of scholarship allowance, increased \$17.4 million or 9.7% over 2013. Tuition and fees increased \$14.7 million or 8.2% over 2013. Undergraduate tuition and fee rates increased 2.4% for full time students. Graduate tuition rates were increased 2% and doctoral program rates were not increased. Graduate fees were increased 2.3%. Residence Life-Room and Board increased \$8.2 million or 20%. Housing rates were increased 1% except for The Heights where rates increased 3%. There were changes to meal plans which increased \$3.2 million or 22%.

The State of New Jersey appropriations continue to be affected by the economic climate in the state. The second largest source of revenue for the University is subject to volatility as evidenced by the changes in funding over the years. In 2015, the general appropriations remained the same as 2014 while the fringe portion of the appropriation increased by \$2.6 million.

For the years ended June 30, 2015, 2014, and 2013, revenues from grants and contracts were \$66.4 million, \$62.0 million and \$58.7 million, respectively. The major grant programs and sponsors at the Federal level include Pell, College Work Study, and Federal Supplemental Educational Opportunity Grants, among others. Major State of New Jersey grant programs include Tuition Aid Grants (TAG), Educational Opportunity Fund (EOF) and Urban Scholarships. The major increases in both 2015 and 2014 are the result of Pell and the State TAG grants.

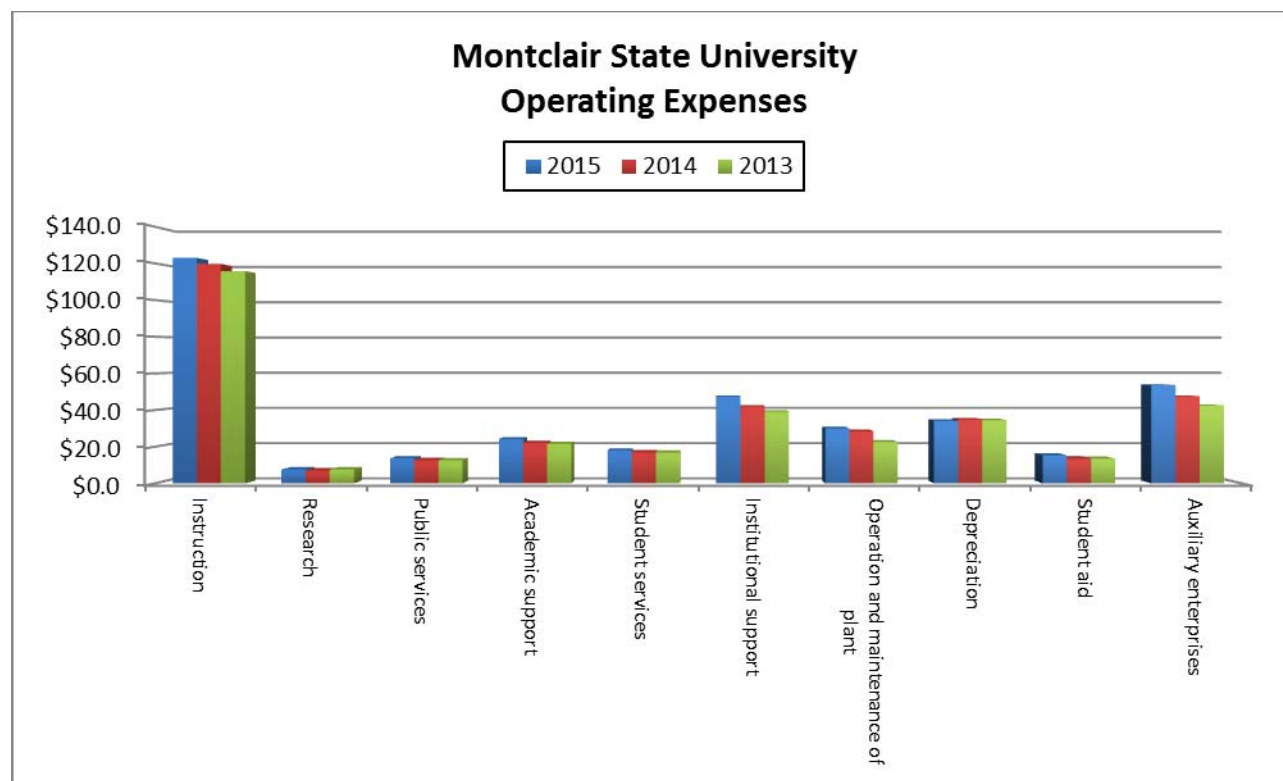
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## Expenses

Operating expenses are those expenses paid by the University to acquire or produce goods and services to fulfill its mission. The University incurred total operating expenses of \$371.4 million and \$345.3 million in 2015 and 2014, respectively.

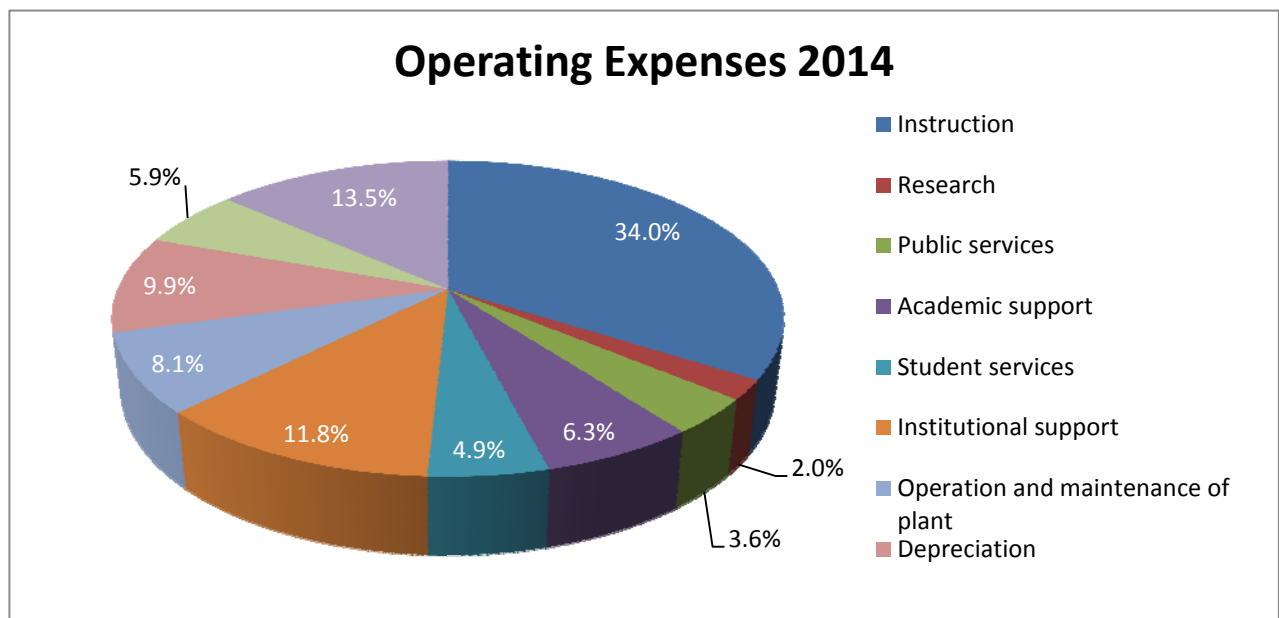
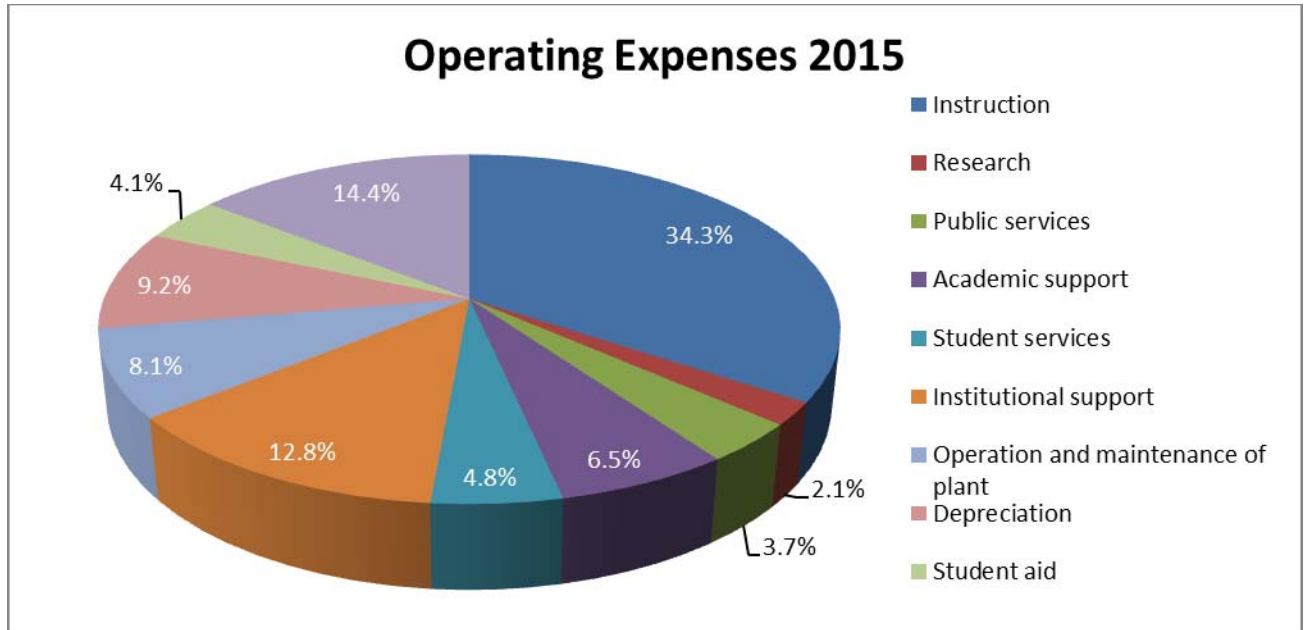
The University's operating expenses by functional classification (in millions) for June 30, 2015, 2014 and 2013 were:

Operating expenses:	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 127.1	\$ 119.7	\$ 115.8
Research	7.8	7.0	7.6
Public services	13.7	12.8	12.6
Academic support	24.2	22.2	21.6
Student services	18.0	17.1	16.8
Institutional support	47.5	42.0	39.2
Operation and maintenance	30.0	28.4	22.6
Depreciation	34.2	34.9	34.5
Student aid	15.3	13.6	13.5
Auxiliary enterprises	53.6	47.6	42.5
Total operating expenses	<u>\$ 371.4</u>	<u>\$ 345.3</u>	<u>\$ 326.7</u>



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The following charts illustrate the distribution of operating expenses for 2015 and 2014.



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Operating Expenses increased \$26.1 million in Fiscal 2015 over Fiscal 2014. The largest increases in operating expenses was the inclusion of pension expense of \$8.1 million to conform to GASB Statement No. 68. The most significant increase was in residence life and auxiliary expenses which increased \$6.0 million primarily due higher utility costs associated with the combined heating and cooling plant that was placed in service during fiscal 2014 as well as increased food service costs. Institutional support increased \$5.6 million due to expenses related to the OneMontclair Initiative and inclusion of pension expense which was previously discussed. Instruction increased by \$7.4 million due to salary increases, additional faculty and pension expense.

Operating Expenses increased \$18.6 million in fiscal 2014 over fiscal 2013. The most significant increase was in operations and maintenance of plant which increased \$5.8 million primarily due to the start-up costs of the combined heating and cooling plant that was placed in service during fiscal 2014. Auxiliary Expenses increased by \$5.1 million which is primarily attributable to higher food service costs. Instruction expenses increased \$3.9 million from wage increases and additional faculty. Institutional support increased \$2.8 million due to expenses related to the OneMontclair Project.

### **Capital Assets and Debt Activities**

The University's investment in capital assets, net of accumulated depreciation, was \$857.5 million and \$801.6 million at June 30, 2015 and 2014, respectively. Accumulated depreciation totaled \$348.2 million and \$316.3 million at June 30, 2015 and 2014 respectively. Depreciation charged to operations totaled \$34.2 million and \$34.9 million in 2015 and 2014, respectively. The increase in capital assets was mainly due to construction of the two new academic buildings and other major renovations to existing buildings on campus.

The majority of construction-in-progress (CIP) for 2015 occurred on the School of Business building, the Center for Environmental and Life Science Building, and the School of Communication and Media building. Additionally there were ongoing renovations and improvements.

During 2014 the NJ Educational Facilities Authority issued \$189.4 million of revenue bonds, Montclair State University Issue Series 2014A, for the purpose of a) refunding all or part of bond series 2002F, 2003E, 2003L, and 2006A and to b) fund the following capital projects: construction of the School of Business; the renovation of College Hall, Partridge Hall, and a facility for programs in art and design and filmmaking; construction of the Center for Environmental Life Sciences facility; the renovation of Morehead Hall for the School of Communications and Media; and the replacement and upgrading of wired and wireless electronic assets.

The University is obligated to pay 25% of the debt service requirement on the New Jersey State 2014 Bond that funds the Higher Education Equipment Leasing Fund Programs 032-10 and 032-11.

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The components of the University's investment in capital assets at June 30 are:

**Investment in Capital Assets  
as of June 30 (in millions)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 37.1	\$ 36.3	\$ 36.3
Construction in progress	174.8	93.6	26.7
Infrastructure	42.5	41.9	41.2
Buildings and Improvements	772.7	772.3	765.9
Equipment	156.4	151.8	147.4
Other capital assets	22.2	22.0	21.8
Total	<u>1,205.7</u>	<u>1,117.9</u>	<u>1,039.3</u>
Accumulated depreciation:			
Infrastructure	17.5	15.9	14.4
Buildings and Improvements	209.9	191.0	171.2
Equipment	106.2	96.1	84.8
Other capital assets	14.6	13.3	11.8
Total	<u>348.2</u>	<u>316.3</u>	<u>282.2</u>
Total capital assets, net	<u><u>\$ 857.5</u></u>	<u><u>\$ 801.6</u></u>	<u><u>\$ 757.1</u></u>

**Economic Factors that could affect the Future**

The major components of the University's operating revenue are changing as State support, as a percentage of the total revenues, continues to decline. The State continues to face economic stress which may affect future appropriations to the University. However, as noted above, State funding represents only 17.5% of total revenue. Reduced appropriations in the future will place an increased burden on tuition and fees to fund the operating costs of the University. The University continues to seek new and enhanced revenue streams and operating efficiencies to maintain its ability to increase total net assets to meet the growth and needs of its students. The University remains committed to its mission of serving the educational needs of New Jersey with programs characterized by academic rigor and currency in the development of knowledge in its applications.



**Montclair State University**  
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Statement of Net Position  
(dollars in thousands)  
June 30, 2015

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 50,819	\$ 7,142	\$ 57,961
Investments	16,087	-	16,087
Assets held under bond indenture agreements	139,667	-	139,667
Receivables			
Students, less allowance for doubtful accounts of \$1,883	1,325	-	1,325
Loans, less allowance for doubtful loans of \$101	442	-	442
Grants and contracts	17,806	-	17,806
State of New Jersey	2,500	-	2,500
Other receivables	6,534	1,871	8,405
Total Receivables	28,607	1,871	30,478
Other current assets	1,569	198	1,767
Total Current Assets	236,749	9,211	245,960
Noncurrent Assets			
Investments	119,364	60,994	180,358
Loans receivable, less allowance for doubtful loans of \$773	3,363	-	3,363
Capital assets, net	857,502	-	857,502
Other noncurrent assets	1,414	6,990	8,404
Total Noncurrent Assets	981,643	67,984	1,049,627
Total Assets	1,218,392	77,195	1,295,587
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from debt refundings	3,303	-	3,303
Deferred outflow of pension resources	5,610	-	5,610
Total Deferred Outflows of Resources	8,913	-	8,913
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	42,138	2,564	44,702
Bonds payable and other long-term debt - current portion	15,514	-	15,514
Unearned tuition, fees, and deposits	14,388	-	14,388
Unearned revenue from grantors	8,934	-	8,934
Assets held on behalf of others	1,179	-	1,179
Total Current Liabilities	82,153	2,564	84,717
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	471,829	-	471,829
Compensated absences - noncurrent portion	2,429	-	2,429
Assets held on behalf of Federal government for loan programs	3,848	-	3,848
Net pension liability	160,488	-	160,488
Total Noncurrent Liabilities	638,594	-	638,594
Total Liabilities	720,747	2,564	723,311
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement	205,616	-	205,616
Deferred inflow of pension resources	10,059	-	10,059
Total Deferred Inflows of Resources	215,675	-	215,675
<b>NET POSITION</b>			
Net investment in capital assets	146,682	-	146,682
Restricted nonexpendable	-	38,429	38,429
Restricted expendable for			
Scholarships	-	1,358	1,358
Loans	473	-	473
Renewal and replacement	115,551	-	115,551
Debt service and debt service reserve	20,496	-	20,496
Other	-	31,347	31,347
Unrestricted	7,681	3,497	11,178
Total Net Position	\$ 290,883	\$ 74,631	\$ 365,514

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Net Position  
(dollars in thousands)  
June 30, 2014

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 41,644	\$ 7,832	\$ 49,476
Investments	54,948	-	54,948
Assets held under bond indenture agreements	173,297	-	173,297
Receivables			
Students, less allowance for doubtful accounts of \$3,372	653	-	653
Loans, less allowance for doubtful loans of \$60	224	-	224
Grants and contracts	8,530	-	8,530
State of New Jersey	2,388	-	2,388
Other receivables	7,016	1,728	8,744
Total Receivables	18,811	1,728	20,539
Other current assets	1,612	108	1,720
Total Current Assets	290,312	9,668	299,980
Noncurrent Assets			
Investments	79,022	60,095	139,117
Loans receivable, less allowance for doubtful loans of \$937	3,472	-	3,472
Capital assets, net	801,584	-	801,584
Other noncurrent assets	1,546	3,570	5,116
Total Noncurrent Assets	885,624	63,665	949,289
Total Assets	1,175,936	73,333	1,249,269
<b>DEFERRED OUTFLOWS</b>			
Deferred amount from debt refundings	3,479	-	3,479
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	48,653	1,880	50,533
Bonds payable and other long-term debt - current portion	9,731	-	9,731
Unearned tuition, fees, and deposits	12,559	-	12,559
Unearned revenue from grantors	10,907	-	10,907
Assets held on behalf of others	879	-	879
Total Current Liabilities	82,729	1,880	84,609
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	486,497	-	486,497
Compensated absences - noncurrent portion	2,250	-	2,250
Assets held on behalf of Federal government for loan programs	3,905	-	3,905
Total Noncurrent Liabilities	492,652	-	492,652
Total Liabilities	575,381	1,880	577,261
<b>DEFERRED INFLOWS</b>			
Deferred service concession arrangement	212,960	-	212,960
<b>NET POSITION</b>			
Net investment in capital assets	240,945	-	240,945
Restricted nonexpendable	-	37,788	37,788
Restricted expendable for			
Scholarships	-	1,361	1,361
Loans	473	-	473
Other	-	26,093	26,093
Unrestricted	149,656	6,211	155,867
Total Net Position	\$ 391,074	\$ 71,453	\$ 462,527

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position  
(dollars in thousands)  
Year Ended June 30, 2015

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>OPERATING REVENUES</b>			
Student Revenues			
Student tuition and fees	\$ 201,979	\$ -	\$ 201,979
Residence life - room and board	51,261	-	51,261
Less scholarship allowance	<u>49,932</u>	<u>-</u>	<u>49,932</u>
Net Student Revenues	203,308	-	203,308
Federal grant and contracts	33,603	-	33,603
State of New Jersey grants and contracts	28,383	-	28,383
Nongovernmental grants and contracts	4,420	-	4,420
Sales and services of educational departments	7,133	-	7,133
Auxiliary enterprises	24,264	-	24,264
Other operating revenues	<u>10,944</u>	<u>10,667</u>	<u>21,611</u>
Total Operating Revenues	<u>312,055</u>	<u>10,667</u>	<u>322,722</u>
<b>OPERATING EXPENSES</b>			
Instruction	127,097	-	127,097
Research	7,768	-	7,768
Public service	13,676	-	13,676
Academic support	24,181	-	24,181
Student services	18,037	-	18,037
Institutional support	47,555	8,155	55,710
Operations and maintenance of plant	29,955	-	29,955
Depreciation	34,178	-	34,178
Student aid	15,345	-	15,345
Residence life and auxiliary enterprises	<u>53,594</u>	<u>-</u>	<u>53,594</u>
Total Operating Expenses	<u>371,386</u>	<u>8,155</u>	<u>379,541</u>
Operating (Loss) Income	<u>(59,331)</u>	<u>2,512</u>	<u>(56,819)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State of New Jersey appropriations	38,613	-	38,613
State of New Jersey paid fringe benefits	40,454	-	40,454
Gifts and non-exchange grants	1,049	-	1,049
Unrealized and realized gains on investment securities	1,389	-	1,389
Investment income, net of investment expenses of \$288	45	666	711
Interest on indebtedness	(19,869)	-	(19,869)
Administrative costs	(359)	-	(359)
Loss on disposal of capital assets	(446)	-	(446)
Other nonoperating revenues	<u>995</u>	<u>-</u>	<u>995</u>
Net Nonoperating Revenues	<u>61,871</u>	<u>666</u>	<u>62,537</u>
Income Before Other Revenues	2,540	3,178	5,718
Capital gifts and grants	<u>56,710</u>	<u>-</u>	<u>56,710</u>
Increase in Net Position	59,250	3,178	62,428
<b>NET POSITION</b>			
Beginning of year	391,074	71,453	462,527
Cumulative effect of change in accounting principle	<u>(159,441)</u>	<u>-</u>	<u>(159,441)</u>
End of year	<u>\$ 290,883</u>	<u>\$ 74,631</u>	<u>\$ 365,514</u>

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position  
(dollars in thousands)  
Year ended June 30, 2014

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>OPERATING REVENUES</b>			
Student Revenues			
Student tuition and fees	\$ 193,510	\$ -	\$ 193,510
Residence life - room and board	49,711	-	49,711
Less scholarship allowance	<u>46,046</u>	<u>-</u>	<u>46,046</u>
Net Student Revenues	197,175	-	197,175
Federal grant and contracts	31,227	-	31,227
State of New Jersey grants and contracts	26,446	-	26,446
Nongovernmental grants and contracts	4,366	-	4,366
Sales and services of educational departments	6,890	-	6,890
Auxiliary enterprises	23,718	-	23,718
Other operating revenues	<u>10,740</u>	<u>6,831</u>	<u>17,571</u>
Total Operating Revenues	<u>300,562</u>	<u>6,831</u>	<u>307,393</u>
<b>OPERATING EXPENSES</b>			
Instruction	119,715	-	119,715
Research	6,999	-	6,999
Public service	12,818	-	12,818
Academic support	22,217	-	22,217
Student services	17,093	-	17,093
Institutional support	41,986	6,280	48,266
Operations and maintenance of plant	28,367	-	28,367
Depreciation	34,924	-	34,924
Student aid	13,646	-	13,646
Residence life and auxiliary enterprises	<u>47,550</u>	<u>-</u>	<u>47,550</u>
Total Operating Expenses	<u>345,315</u>	<u>6,280</u>	<u>351,595</u>
Operating (Loss) Income	<u>(44,753)</u>	<u>551</u>	<u>(44,202)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State of New Jersey appropriations	38,613	-	38,613
State of New Jersey paid fringe benefits	37,776	-	37,776
Gifts and non-exchange grants	512	-	512
Unrealized and realized gains on investment securities	14	-	14
Investment income, net of investment expenses of \$235	1,179	7,023	8,202
Interest on indebtedness	(16,411)	-	(16,411)
Administrative costs	(2,278)	-	(2,278)
Other nonoperating revenues	<u>506</u>	<u>-</u>	<u>506</u>
Net Nonoperating Revenues	<u>59,911</u>	<u>7,023</u>	<u>66,934</u>
Income Before Other Revenues	15,158	7,574	22,732
Capital gifts and grants	<u>21,113</u>	<u>-</u>	<u>21,113</u>
Increase in Net Position	36,271	7,574	43,845
<b>NET POSITION</b>			
Beginning of year	<u>354,803</u>	<u>63,879</u>	<u>418,682</u>
End of year	<u>\$ 391,074</u>	<u>\$ 71,453</u>	<u>\$ 462,527</u>

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows  
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 159,529	\$ 155,265
Grants and contracts	49,125	60,553
Payments for salaries	(174,530)	(166,001)
Payments for fringe benefits	(22,118)	(21,661)
Payments to suppliers	(71,134)	(60,775)
Payments for utilities	(20,302)	(16,709)
Payments for student aid	(15,327)	(13,656)
Loans issued to students	(574)	(719)
Collection of loans from students	588	672
Auxiliary enterprises charges		
Residence life	50,787	49,566
Other	24,264	23,718
Sales and services of educational departments	7,133	6,890
Other receipts	11,669	8,551
Net Cash from Operating Activities	<u>(890)</u>	<u>25,694</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State of New Jersey appropriations	50,691	48,511
Gifts and non-exchange grants	1,049	512
Student organization agency transactions	299	(271)
Other receipts	81	506
Net Cash from Noncapital Financing Activities	<u>52,120</u>	<u>49,258</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital gifts and grants	56,710	21,113
Proceeds from capital debt	6,686	155,442
Principal paid on capital debt	(15,571)	(10,740)
Interest paid on capital debt	(24,243)	(15,290)
Purchases of capital assets	(98,748)	(78,356)
Administrative costs	(499)	(4,883)
Change in deposits held by bond trustees	33,629	(152,849)
Net Cash from Capital Financing Activities	<u>(42,036)</u>	<u>(85,563)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	7,186,661	3,687,474
Purchases of investments	(7,188,534)	(3,687,738)
Interest on investments	1,854	1,497
Net Cash from Investing Activities	<u>(19)</u>	<u>1,233</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,175	(9,378)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	41,644	51,022
End of year	<u>\$ 50,819</u>	<u>\$ 41,644</u>

**MONTCLAIR STATE UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows  
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2015	2014
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (59,331)	\$ (44,753)
Adjustments to reconcile operating loss to net cash used by operating activities		
State of New Jersey paid fringe benefits	28,265	27,817
Depreciation expense	34,178	34,924
Provision for bad debts	(2,346)	(708)
Changes in assets and liabilities :		
Student receivables	1,550	1,521
Loans receivable	14	(48)
Grants receivable	(9,276)	(1,451)
Other receivables	455	(2,103)
Other current assets	44	(10)
Accounts payable and accrued expenses	(2,519)	3,481
Unearned tuition, fees and deposits	1,829	6,845
Unearned revenue from granters	(1,973)	(132)
Compensated absences - noncurrent portion	179	215
Assets held on behalf of Federal government for loan programs	(57)	96
Net pension liability	8,098	-
Net Cash from Operating Activities	<u>\$ (890)</u>	<u>\$ 25,694</u>

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**1. Organization**

Montclair State University (the University) is recognized as a public institution of higher education by the State of New Jersey (the State). With its emphasis on the liberal arts and sciences, the University, in 1937, became one of the first teachers' colleges accredited by the Middle States Association of Colleges and Schools. Responding to enrollment growth in the late forties and fifties with an expanded curriculum and faculty, the campus became Montclair State College in 1958, and a comprehensive, multipurpose institution in 1966. Recognizing the strengths of its academic programs and faculty and the commitment to excellence in instruction and research, the State of New Jersey Board of Higher Education designated Montclair State a teaching university on April 27, 1994.

The University is an instrumentality of the State with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University, which is financially dependent on the State, is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statements No. 35 and 63 establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
  - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently by the University.
  - Expendable* – Net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**2. Summary of Significant Accounting Policies (*continued*)**

***Basis of Presentation (continued)***

- *Unrestricted:* Net assets not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic programs and initiatives and capital programs.

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

***Measurement Focus and Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University 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.

***Use of Estimates***

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

***Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid short-term investments purchased with an original maturity of three months or less.

***Investments***

Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchase and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.



**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**2. Summary of Significant Accounting Policies (continued)**

***Capital Assets***

Capital assets with acquisition costs of at least \$5,000 and useful lives of at least three years are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired under lease agreements are classified as capital leases and are recorded as capital assets.

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

	<u>Useful lives</u>
Buildings	50 years
Building improvements	20 years
Infrastructure	25 years
Land improvements	25 years
Equipment, furniture and vehicles	3 - 10 years

The University owns works of art and other collectibles valued at approximately \$3.3 and \$3.2 million as of June 30, 2015 and 2014. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

***Prepaid Financing Costs***

The University capitalizes prepaid insurance costs incurred in connection with its bond issues and amortizes these costs over the life of the respective obligations. These prepaid costs are included in other noncurrent assets in the accompanying statements of net position. Accumulated amortization amounted to \$1.4 million and \$1.5 million in 2015 and 2014, respectively.

***Assets Held on Behalf of Others***

The University holds cash and cash equivalents as custodian primarily for various student organizations.

***Deferred Outflows and Deferred Inflows of Resources***

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The changes in assumptions, net differences between projected and actual earnings on pension plan investments and changes in proportionate share may be either deferred outflows of resources or deferred inflows of resources. See note 8 for the University's breakdown of these items.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**2. Summary of Significant Accounting Policies (*continued*)**

***Revenue Recognition (continued)***

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid, and are recognized in the period earned. Student tuition and fees collected in advance of the academic year are recorded as unearned tuition and fees in the accompanying financial statements.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey and Federal governments and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as deferred revenue from grantors in the accompanying financial statements.

The University recognizes a deferred inflow of resources related to the acquisition of the Heights residence hall as part of its service concession agreement. The deferred inflow will be amortized into income over the term of the agreement and is included in other operating income in the statement of revenues, expenses and changes in 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 University. The University is fiscally dependent upon these appropriations.

***Classification of Revenue***

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions, such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, and residence life, net of scholarship allowances; sales and services of auxiliary enterprises; and most Federal, State, local and other grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating and capital appropriations from the State, net investment income and gifts and nonexchange grants.

***Tax Status***

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

***Reclassification***

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

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**2. Summary of Significant Accounting Policies (*continued*)**

***Recently Adopted Accounting Standards***

The University has implemented the provisions of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, which (a) properly classifies items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*. The result of implementation of GASB No. 65 is the reduction of beginning net position by \$1.6 million for the year ending June 30, 2014.

***Cumulative Effect of Change in Accounting Principle***

For the year ending June 30, 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date* which establish standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

These statements seek to improve accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses. The statements also require the identification and the methods and assumptions that should be used to project benefit payments to their actual present value and attribute that present value to period of employee service. The result of implementation of GASB Statement No. 68 is the reduction of beginning net position by \$159.4 million for the year ending June 30, 2015.

***Subsequent Events***

Management has reviewed and evaluated all events and transactions from June 30, 2015 through January 18, 2016, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash, assets held under bond indenture agreements and investments.

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury; agencies, and other municipal or political subdivisions of the State; commercial paper; bankers acceptances; revenue obligations of public authorities; debt instruments of banks; collateralized notes and mortgages; certificates of deposit; repurchase agreement; 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 things as minimum capital, dividend paying history, credit history, and other evaluation factors.

Cash, investments and assets held under bond indenture agreements as of June 30, 2015 are classified in the statements of net position as follows (dollars in thousands):

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 50,819	\$ 41,644
Assets held under bond indenture agreements	139,667	173,297
Investments	<u>135,451</u>	<u>133,970</u>
	<u>\$ 325,937</u>	<u>\$ 348,911</u>

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University entered into a tri-party collateral management agreement with the Bank of America and Bank of New York Mellon acting as the custodian. This agreement secures the payment of uninsured deposits to the University. As of June 30, 2015, cash and cash equivalents were held by depositories and amounted to \$20.3 million and \$16.2 million, respectively.

As of June 30, 2015, \$0.4 million was FDIC insured and \$19.9 million was collateralized with securities according to the tri-party agreement. As of June 30, 2014, \$0.6 million was FDIC insured and \$15.7 million was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution, or by trust department or agent but not in the University's name.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

The University participates in the State of New Jersey Cash Management fund wherein amounts contributed by the University are combined with funds from other state institutions into a large scale investment program. The carrying amount and fair value of cash and cash equivalents at June 30, 2015 and 2014 was \$36.5 million and \$27.8 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes. The Cash Management Fund is unrated.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's investment policy requires that any repurchase agreements held in the portfolio be collateralized at least 102% with U.S. Government securities or mortgage-backed securities. The maximum term of these agreements will be 90 days, and the collateral must be marked-to-market daily.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy stipulates that the portfolio shall be managed to have a targeted duration within a band +/- 20% of the Merrill Lynch US 1-3 Year Treasury Index. The final maturity of each security within the portfolio shall not exceed five years, with the exception that for mortgage-backed securities and asset-backed securities, the average life of the security may not exceed five years. As of June 30, 2015, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	Maturities (in years)		
		less than 1	1 - 5	greater than 5
U.S. treasuries	\$ 31,177	\$ -	\$ 31,177	\$ -
Municipals	2,727	-	2,727	-
U.S. agencies	15,212	-	15,212	-
Debt securities	<u>86,335</u>	<u>16,087</u>	<u>66,525</u>	<u>3,723</u>
Total	<u>\$ 135,451</u>	<u>\$ 16,087</u>	<u>\$ 115,641</u>	<u>\$ 3,723</u>

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**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

As of June 30, 2014, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	Maturities (in years)		
		less than 1	1 - 5	greater than 5
Municipals	\$ 4,238	\$ 415	\$ 2,523	\$ 1,300
U.S. agencies	2,299	-	2,299	-
Debt securities	<u>127,433</u>	<u>54,533</u>	<u>70,198</u>	<u>2,702</u>
Total	<u>\$ 133,970</u>	<u>\$ 54,948</u>	<u>\$ 75,020</u>	<u>\$ 4,002</u>

***Interest Rate Risk***

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the Authority). As of June 30, 2015, investments were in U.S. treasuries of \$110.0 million, and money market funds of \$29.7 million. As of June 30, 2014, investments were in U.S. treasuries of \$0.6 million, money market funds of \$172.7 million, all maturing within one year.

***Credit Risk***

Securities must be rated investment grade or better by a nationally recognized credit rating agency at the time of purchase. Split rated credits will be considered to have the lower credit rating. Money market instruments must be rated A-1 or P-1 or better at the time of purchase.

In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the University and provide an evaluation and plan of action. If bonds in the portfolio are downgraded below investment grade, the investment manager(s) may continue to hold up to 2% in aggregate market value of these securities.

Temporary cash balances may be invested in a money market instrument (A-1/P-1 or better, less than 390 days).

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**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

***Credit Risk (continued)***

As of June 30, 2015, \$10.3 million in debt securities were rated AAA, \$29.4 million in debt securities were rated AA, and \$46.6 million were rated A-BAA by Moody's. As of June 30, 2014, \$50.3 million in debt securities were rated AAA/P1, \$29.8 million were rated AA, and \$47.3 million were rated A-BB by Moody's.

***Concentration of Credit Risk***

This is the risk associated with the amount of investments the University has with any one issuer. Except for treasuries, agency debentures, agency pass-throughs, agency REMIC's, and asset-backed securities, no more than 2% of the portfolio shall be invested in securities of a single issuer. Asset-backed securities are limited to 5% per issuer.

Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and cash equivalents and U.S. government obligations. Assets held under bond indenture agreements are maintained for the following (dollars in thousands):

	<u>2015</u>	<u>2014</u>
Project and construction fund	\$ 115,552	\$ 146,698
Debt service fund for principal and interest	20,495	15,741
Rental pledge	-	1
Capitalized interest	<u>3,620</u>	<u>10,857</u>
Assets Held Under Bond Indenture Agreements	139,667	173,297
Less current portion	<u>139,667</u>	<u>173,297</u>
Noncurrent Assets Held Under Bond Indenture Agreements	<u>\$ -</u>	<u>\$ -</u>

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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2015 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	\$ 41,958	\$ 587	\$ -	\$ 42,545
Buildings and improvements	772,345	1,510	1,128	772,727
Equipment	151,763	6,211	1,609	156,365
Other	21,960	217	-	22,177
Total Depreciable Assets	<u>988,026</u>	<u>8,525</u>	<u>2,737</u>	<u>993,814</u>
Less accumulated depreciation on:				
Infrastructure	15,938	1,534	-	17,472
Buildings and improvements	190,998	19,583	679	209,902
Equipment	96,144	11,632	1,609	106,167
Other	13,215	1,429	-	14,644
Total Accumulated Depreciation	<u>316,295</u>	<u>34,178</u>	<u>2,288</u>	<u>348,185</u>
Depreciable Assets, Net	<u>671,731</u>	<u>(25,653)</u>	<u>449</u>	<u>645,629</u>
Nondepreciable assets:				
Land	36,267	834	-	37,101
Construction in progress	93,586	89,021	7,835	174,772
Total Nondepreciable Assets	<u>129,853</u>	<u>89,855</u>	<u>7,835</u>	<u>211,873</u>
Total Capital Assets, Net	<u>\$ 801,584</u>	<u>\$ 64,202</u>	<u>\$ 8,284</u>	<u>\$ 857,502</u>



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**4. Capital Assets (continued)**

Capital asset activity for the year ended June 30, 2014 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	\$ 41,227	\$ 731	\$ -	\$ 41,958
Buildings and improvements	765,873	6,472	-	772,345
Equipment	147,414	5,155	806	151,763
Other	<u>21,800</u>	<u>160</u>	<u>-</u>	<u>21,960</u>
Total Depreciable Assets	<u>976,314</u>	<u>12,518</u>	<u>806</u>	<u>988,026</u>
Less accumulated depreciation on:				
Infrastructure	14,430	1,508	-	15,938
Buildings and improvements	171,200	19,798	-	190,998
Equipment	84,754	12,196	806	96,144
Other	<u>11,793</u>	<u>1,422</u>	<u>-</u>	<u>13,215</u>
Total Accumulated Depreciation	<u>282,177</u>	<u>34,924</u>	<u>806</u>	<u>316,295</u>
Depreciable Assets, Net	<u>694,137</u>	<u>(22,406)</u>	<u>-</u>	<u>671,731</u>
Nondepreciable assets:				
Land	36,267	-	-	36,267
Construction in progress	<u>26,669</u>	<u>78,041</u>	<u>11,124</u>	<u>93,586</u>
Total Nondepreciable Assets	<u>62,936</u>	<u>78,041</u>	<u>11,124</u>	<u>129,853</u>
Total Capital Assets, Net	<u>\$ 757,073</u>	<u>\$ 55,635</u>	<u>\$ 11,124</u>	<u>\$ 801,584</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2015 approximated \$131.7 million and are expected to be funded from unrestricted resources, State of New Jersey grants and contracts and NJEFA bonds. The University capitalized interest expense of \$1.5 million during 2015.

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**5. Accounts Payable and Accrued Expenses**

As of June 30, 2015 and 2014, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2015	2014
Vendors	\$ 10,836	\$ 13,158
Capital projects	1,949	9,862
Employees	13,186	11,964
Interest payable	10,836	8,605
Compensated absences	5,331	5,064
	<u>\$ 42,138</u>	<u>\$ 48,653</u>

**6. Bonds Payable and Other Long-Term Debt**

***Bonds Payable***

The University is obligated under various revenue bonds issued by the Authority to finance various construction, renovations, and capital acquisitions. These bonds are general obligations of the University. The following bonds payable of the Authority related to the University were outstanding as of June 30, 2015 and 2014 (dollars in thousands):

	Interest rates	2015	2014
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2002 F Revenue Bonds, due serially to 2016	3.875 - 5.20%	\$ 2,500	\$ 4,900
Series 2003 E Revenue Bonds, due serially to 2033	3.875 - 5.20	10,100	10,950
Series 2006 A Revenue Bonds, due serially to 2037	4.00 - 4.50	73,630	75,735
Series 2006 J Revenue Bonds, due serially to 2035	4.00 - 5.25	152,100	152,860
Series 2007 A Revenue Bonds, due serially to 2022	5.25	4,125	4,600
Series 2008 J Revenue Bonds, due serially to 2039	3.00 - 5.25	25,345	25,925
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	<u>189,365</u>	<u>189,365</u>
Bonds payable		457,165	464,335
Plus: Bond premium		20,724	21,671
Less: Bond discount		<u>(349)</u>	<u>(365)</u>
Total bonds payable		<u>\$ 477,540</u>	<u>\$ 485,641</u>

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**6. Bonds Payable and Other Long-Term Debt (continued)**

***Other Long-Term Debt***

The following other long-term debt was outstanding as of June 30, 2015 and 2014 (dollars in thousands):

	<u>Interest rates</u>	<u>2015</u>	<u>2014</u>
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25	\$ 45	\$ 86
Series 2005 A Higher Education Capital Improvement Fund, due serially to 2020	5.00	2,139	2,439
Series 2006 A Higher Education Capital Improvement Fund, due serially to 2022	4.00 - 4.50	3,219	3,234
Dormitory Safety Trust Fund Bonds, due serially to 2016	4.50 - 5.00	75	147
Note payable for land purchase, due serially to 2019	4.75 - 5.00	1,176	1,294
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	720	795
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	465	509
2014 Higher Education Equipment Leasing Fund Program 032-10	5.00	141	152
2014 Higher Education Equipment Leasing Fund Program 032-11	5.00	141	152
Obligations under capital leases, due in equal monthly installments through 2017	1.14 - 4.53	<u>1,682</u>	<u>1,779</u>
Total other long-term debt		<u>\$ 9,803</u>	<u>\$ 10,587</u>

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**6. Bonds Payable and Other Long-Term Debt (continued)**

***Future Principal and Interest Payments***

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2015 (dollars in thousands):

	<u>Principal</u>	<u>Interest and fees</u>
Year ending June 30:		
2016	\$ 14,749	\$ 21,802
2017	9,183	21,315
2018	13,879	20,768
2019	12,729	20,199
2020	<u>13,662</u>	<u>19,594</u>
2016 - 2020 Subtotal	64,202	103,678
2020 - 2024	77,857	86,929
2025 - 2029	92,880	67,409
2030 - 2034	107,965	43,095
2035 - 2039	71,380	22,737
2040 - 2044	<u>52,684</u>	<u>7,015</u>
	<u>\$ 466,968</u>	<u>\$ 330,863</u>

**7. Summary of Changes in Noncurrent Liabilities**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2015 (dollars in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable and other long-term debt	\$ 496,228	\$ 6,686	\$ (15,571)	\$ 487,343	\$ 15,514
Compensated absences (see note 11)	7,314	992	(546)	7,760	5,331
Assets held on behalf of Federal government for loan programs	<u>3,905</u>	<u>-</u>	<u>(57)</u>	<u>3,848</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 507,447</u>	<u>\$ 7,678</u>	<u>\$ (16,174)</u>	<u>\$ 498,951</u>	<u>\$ 20,845</u>

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**7. Summary of Changes in Noncurrent Liabilities (continued)**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2014 (dollars in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable and other					
long-term debt	\$ 353,355	\$155,443	\$ (12,570)	\$496,228	\$ 9,731
Compensated absences (see note 11)	6,927	720	(333)	7,314	5,064
Assets held on behalf of Federal government for loan programs	<u>3,809</u>	<u>96</u>	<u>-</u>	<u>3,905</u>	<u>-</u>
 Total Noncurrent Liabilities	 <u>\$ 364,091</u>	 <u>\$156,259</u>	 <u>\$ (12,903)</u>	 <u>\$507,447</u>	 <u>\$14,795</u>

**8. Retirement Plans**

University employees participate in three major retirement plans: Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company, and VALIC. PERS and PFRS are cost-sharing, multiple-employer plans administered by the State of New Jersey. The ABP is administered by separate boards of trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A 43:15A to provide coverage, including postretirement healthcare, to substantially all full-time employees of the State of New Jersey public agencies, provided the employee is not a member of another State-administered retirement system.

PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and state firemen appointed after June 30, 1994.

ABP presently makes contributions to the Hartford, ING Life Insurance and Annuity Company, TIAA/CREF, Variable Annuity Life Insurance Company (VALIC), Metropolitan Life Insurance Company and AXA Equitable. ABP alternatives are administered by separate boards of trustees.

In addition to the three plans referred to above, certain faculty members of the University participate in Teachers' Pension and Annuity Fund (TPAF), which is a State of New Jersey cost-sharing, multiple employer defined benefit plan with a special-funding situation. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including postretirement healthcare, to substantially all full-time public school employees in the State of New Jersey. The plan's eligibility requirements are similar to PERS' requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS.

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**8. Retirement Plans *(continued)***

***Public Employees' Retirement System***

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

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

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

***Contributions***

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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**8. Retirement Plans (*continued*)**

PERS members are required to contribute 6.92% and 6.78%, respectively, of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State of New Jersey contributes to PERS on behalf of the University. Employers were not required to contribute in 2015 or 2014 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Contribution recognized by the plan from the University for the year ending June 30, 2015 totaled \$1,241.

***Net Pension Liability***

At June 30, 2015 the University reported a liability in the amount of \$145.6 million for its proportionate share of the net pension liability.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.01%
Salary increases:	
2012-2021	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

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

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**8. Retirement Plans *(continued)***

***Discount Rate***

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the University as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
University's proportionate share of the net pension liability	<u>\$ 171,970</u>	<u>\$ 145,599</u>	<u>\$ 123,484</u>



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**8. Retirement Plans (*continued*)**

***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 Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

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**8. Retirement Plans *(continued)***

For the year ended June 30, 2015, the University recognized pension expense in the amount of \$7.5 million. At June 30, 2015 the University reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	3,211	-
Net differences between projected and actual earnings on pension plan investments	-	4,419
Changes in proportion and differences between University contributions and proportionate share of contributions	-	5,272
University contributions subsequent to the measurement date	<u>1,125</u>	<u>-</u>
	<u>\$ 4,336</u>	<u>\$ 9,691</u>

University contributions subsequent to the measurement date reported as deferred outflows of resources related to PERS resulting from accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources as deferred inflows of resources will be recognized in pension expense as follows (dollars in thousands):

Year Ended June 30,	Net Deferred Outflow/Inflow
2015	\$ (2,760)
2016	(2,760)
2017	(2,760)
2018	(2,760)
2019	3,166
Thereafter	1,394

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**8. Retirement Plans *(continued)***

***Components of Net Pension Liability***

The components of the net pension liability of the participating employers for PERS as of June 30, 2014 are as follows (dollars in thousands):

	<u>State</u>
Total pension liability	\$ 28,777,950
Plan fiduciary net position	<u>8,650,846</u>
Net Pension Liability	<u>\$ 20,127,104</u>
Plan fiduciary net position as a percentage of the total pension liability	30.06%
	<u>University</u>
Net pension liability	\$ 20,127,104
Allocation percentage	<u>0.72337175%</u>
University's Proportionate Share of the Net Pension Liability	<u>\$ 145,594</u>

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**8. Retirement Plans (*continued*)**

***Police and Firemen's Retirement System***

***Plan Description***

The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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.

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, as defined, 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.

***Contributions***

The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2014 and 2013, the State contributed an amount less than the actuarially determined amount.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans *(continued)***

***Contributions (continued)***

PFRS members are required to contribute 6.92% and 6.87% respectively, of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State of New Jersey contributes to PFRS on behalf of the University. Employers were not required to contribute in 2015 or 2014 due to legislation enacted in 1997 by the State of New Jersey which fully funded previously existing unfunded accrued liabilities of PFRS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Contributions recognized by the plan from the University for the year ending June 30, 2015 totaled \$.296 million.

***Net Pension Liability***

At June 30, 2015, the University reported a liability of \$14.9 million for its proportionate share at the net pension liability.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.01%
Salary increases:	
2012-2021	3.95 - 8.62% based on age
Thereafter	4.95 - 9.62% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans (continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The following presents the net pension liability of the University as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands).

	At 1% Decrease (5.32%)	At Current Discount Rate (6.32%)	At 1% Increase (7.32%)
University's proportionate share of the net pension liability	\$ 18,007	\$ 14,894	\$ 12,331

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans *(continued)***

***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 Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans (continued)**

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

For the year ended June 30, 2015, the University recognized pension expense in the amount of \$1,247. At June 30, 2015 the University reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	303	-
Net differences between projected and actual earnings on pension plan investments	-	368
Changes in proportion and differences between University contributions and proportionate share of contributions	410	-
University contributions subsequent to the measurement date	<u>561</u>	<u>-</u>
	<u>\$ 1,274</u>	<u>\$ 368</u>

University contributions subsequent to the measurement date reported as deferred outflows of resources related to PFRS resulting from accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources as deferred inflows of resources will be recognized in pension expense as follows (dollars in thousands):

Year Ended June 30,	Net Deferred Outflow/Inflow
2015	\$ 177
2016	177
2017	177
2018	177
2019	(310)
Thereafter	(53)



**Montclair State University**  
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Notes to Financial Statements  
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**8. Retirement Plans (continued)**

***Components of Net Pension Liability***

The components of the net pension liability of the participating employers for PFRS as of June 30, 2014 are as follows (dollars in thousands):

	<u>State</u>
Total pension liability	\$ 5,440,972
Plan fiduciary net position	<u>1,887,921</u>
Net Pension Liability	<u>\$ 3,553,051</u>
Plan fiduciary net position as a percentage of the total pension liability	34.70%
	<u>University</u>
Net pension liability	\$ 3,553,051
Allocation percentage	<u>.419159597%</u>
University's Proportionate Share of the Net Pension Liability	<u>\$ 14,894</u>

***Teachers' Pension and Annuity Fund***

***Plan Description***

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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Notes to Financial Statements  
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**8. Retirement Plans (*continued*)**

***Plan Description (continued)***

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 member upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

***Contributions***

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization on the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

Contributions recognized by the plan from the University totaled \$135,215 for the year ending June 30, 2015.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans (*continued*)**

***Net Pension Liability***

At June 30, 2015, the University's proportionate share of the net present liability was \$17 million.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans (continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the University as of June 30, 2014 calculating using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	At 1% Decrease (3.68%)	At Current Discount Rate (4.68%)	At 1% Increase (5.68%)
Net Pension Liability	\$ 64,280,400	\$ 53,446,745	\$ 44,434,555
Allocation Percentage	<u>0.03183113%</u>	<u>0.03183113%</u>	<u>0.03183113%</u>
University's proportionate share of the net pension liability	<u>\$ 20,461</u>	<u>\$ 17,012</u>	<u>\$ 14,144</u>

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans *(continued)***

***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 Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**8. Retirement Plans *(continued)***

***Components of Net Pension Liability***

The components of the net pension liability of the participating employers for TPAF as of June 30, 2014 are as follows:

	<u>State</u>
Total pension liability	\$ 81,095,320
Plan fiduciary net position	<u>27,282,252</u>
Net Pension Liability	<u><u>\$ 53,813,068</u></u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%
	<u>University</u>
Net pension liability	\$ 53,446,745
Allocation percentage	<u>.0318312%</u>
University's Proportionate Share of the Net Pension Liability	<u><u>\$ 17,012</u></u>

**Montclair State University**  
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Notes to Financial Statements  
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**8. Retirement Plans (*continued*)**

As employees of the State of New Jersey, University employees receive certain postretirement benefits other than pensions. In accordance with GASB Statement No. 45, the State of New Jersey will be recording the liability for these other postemployment benefits for all its employees on its financial statements. Accordingly the liability for these obligations is not included in financial statements of the University.

***Alternate Benefit Program (ABP) Information***

ABP provides the choice of six investment carriers, which are privately operated, defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5% of salary, and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8% of salary. During the years ended June 30, 2015 and 2014, ABP received employee contributions of approximately \$5.7 million and \$5.4 million, respectively, and employer contributions of approximately \$9.2 million and \$8.6 million, respectively, which were based on participating employee salaries of \$114.5 million and \$108.2 million, respectively. Employer contributions to ABP are paid by the State of New Jersey and are shown in the accompanying financial statements as appropriations revenue and as expenses.

***Defined Contribution Retirement Program (DCRP)***

DCRP has one investment carrier, Prudential, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The University assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%.

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**8. Retirement Plans *(continued)***

During the years ended June 30, 2015 and 2014 Prudential received employer and employee contributions as follows:

	2015	2014
Employer contributions	\$ 53,950	\$ 44,052
Employee contributions	62,163	78,687
Basis for contributions:		
Participant employee salaries	\$1,130,241	\$1,430,664

**9. Contingent Liabilities**

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

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

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of University employees. For the years ended June 30, 2015 and 2014, such benefits amounted to approximately \$40.5 million and \$37.8 million, respectively, and are included in appropriations revenue and expenses in the accompanying financial statements.

**11. Compensated Absences**

The University recorded a liability for compensated absences in the amount of \$7.8 million and \$7.3 million as of June 30, 2015 and 2014, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2015 and 2014, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2015 and 2014, the University paid approximately \$192 thousand and \$116 thousand, respectively, in sick leave payments for employees who retired.



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Notes to Financial Statements  
June 30, 2015 and 2014

**12. Service Concession Arrangement for Student Residence Hall Facility**

During fiscal 2012, construction was completed on the Heights student residence hall facility pursuant to an agreement entered into with Provident Group-Montclair Properties, LLC (Provident) under which Provident agreed to design, finance, build and operate the residence hall facility for a term up to thirty two years. Provident will be entitled to all housing revenues during the term of the agreement. At the end of the term, the residence hall facility and its operations will be transferred to the University. The University has reported the dormitory as a capital asset and related deferred inflow of resources with a carrying amount of \$235 million. For the years ending June 30, 2015 and 2014, the University has reported a deferred inflow of resources in the amount of \$7.3 million in the Statement of Revenues, Expenses and Changes in Net Position. The capital asset is being depreciated in accordance with the University's capitalization policies and totaled \$8.7 million for the years ending June 30, 2015 and 2014, respectively.

**13. Rental Revenue Under Operating Lease**

The University as lessor, has noncancelable operating leases which expire through 2043. The following is a schedule of minimum future lease amounts (dollars in thousands) to be received as of June 30:

2016	\$ 1,271
2017	1,262
2018	1,251
2019	1,036
2020	1,023
Thereafter	42,696

**14. Lease Commitments**

The University entered into operating leases in 2012 to rent dining and office space which expire through May 2041.

Future minimum lease payments (dollars in thousands) required under these leases are as follows:

2016	\$ 2,327
2017	2,332
2018	1,861
2019	1,102
2020	879
Thereafter	18,482

Total expense for the year ending June 30, 2015 was \$858,733.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2015 and 2014

**15. Risk Management**

The University is exposed to various risks of loss. The University participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence, with a per occurrence limit of \$1,000,000,000. Coverage for theft of money and securities provides for the actual loss in excess of \$25,000 with a per loss limit of \$5,000,000.

**16. Student Financial Assistance Program**

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

**17. Montclair State University Foundation, Inc.**

Montclair State University Foundation, Inc. (the Foundation) is a nonstock corporation organized as a not-for-profit entity under the provisions of Title 15 of the New Jersey statutes. The Foundation was established for the benefit of the University to aid in obtaining additional resources to meet the needs of the University. The Foundation strives to raise funds from subscriptions, gifts, bequests and other devises and uses such funds as appropriately determined by its board of trustees. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under an independent board of trustees. Because the Foundation's resources can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University. For the years ended June 30, 2015 and 2014, total gifts given to the University from the Foundation amounted to \$4.6 million and \$5.0 million, respectively. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

**18. Commitments**

The University entered into a thirty year contract to permit third parties to install, operate and maintain a heating and cooling facility on certain University properties. In exchange, the University will purchase all electricity, chilled water and steam generated by the facility at a set price. Minimum lease payments on this lease are estimated to be \$15.6 million through 2044.

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Notes to Financial Statements  
June 30, 2015 and 2014

**19 Adoption of Accounting Pronouncement**

Effective in the fiscal year ended 30, 2015, the University implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The implementation of the Statements required a reinstatement of prior year net position.

	<u>Amount</u>
Total net position as previously reported as of June 30, 2014	\$ 391,074
Restatement to beginning of year net position as of July 1, 2014	<u>159,441</u>
Total net position as of July 1, 2014	<u>\$ 231,633</u>

\* \* \* \* \*

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

# REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

## Schedules of Employer Contributions

For the Year Ended June 30, 2015

(dollars in thousands)

	PERS	PFRS
Contractually Required Contribution	\$ 1,125,651	\$ 561,488
Contributions in relation to the Contractually Required Contribution	1,125,651	561,488
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2015)	32,362	2,315
Contributions as a percentage of Employee Covered Payroll	3.48%	24.26%

## Schedules of Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2015

(dollars in thousands)

	PERS	PFRS
University Proportionate Share of the Net Pension Liability - State Group	0.72%	0.42%
University Proportionate Share of the Net Pension Liability - Total Plan	0.12%	0.03%
University Proportionate Share of the Net Pension Liability	145,594	14,894
University Employee Covered Payroll (measurement date June 30, 2014)	32,816	2,178
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered Payroll	443.67%	683.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.06%	34.70%