

Basic Financial Statements and
Management's Discussion and
Analysis and Report of Independent
Certified Public Accountants

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

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Montclair State University

Report on the financial statements**Opinions**

We have audited the financial statements of the business-type activities of Montclair State University (the "University"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, Montclair State University Foundation, which represents 100% of the assets and revenues of the discretely presented component unit as of June 30, 2023 and for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditor.

Basis for opinions

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other matter

The financial statements of the University as of and for the year ended June 30, 2022 were audited by other auditors, who expressed unmodified opinions on those financial statements in their report dated February 17, 2023.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of university contributions, and the schedules of the proportionate share of the total other postemployment benefits (OPEB) liability on pages 94 and 95, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The consolidating statement of net position, consolidating statement of revenues, expenses, and changes in net position, and consolidating statement of cash flows on pages 89, 90 and 91, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Iselin, New Jersey
February 8, 2024

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

The objective of Management's Discussion and Analysis (MD&A) is to help readers of the Montclair State University financial statements better understand the financial position and operating activities of the University, as of and for the year ended June 30, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. Management prepared this discussion, and it should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2023, 2022, and 2021) in this discussion refer to the fiscal years (FY) ended June 30.

Montclair State University's financial report communicates financial information for Montclair State University, Bloomfield College of Montclair State University, and its foundation, Montclair State University Foundation, through three primary financial statements and notes to the financial statements - the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The Montclair State University Foundation financial statements are presented discretely from Montclair State University and Bloomfield College of Montclair State University. The MD&A discusses the business-type activities of Montclair State University and Bloomfield College of Montclair State University and does not include the Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Montclair State University and Bloomfield College of Montclair State University

Montclair State University (Montclair), established in 1908, has been a leading institution of higher education in New Jersey and is committed to serving the educational needs of the State. Its programs are characterized by academic rigor and advancement in the development of knowledge and its applications. As a result of this commitment, Montclair established a sole member not-for-profit entity named Bloomfield College of Montclair State University (Bloomfield) on March 2, 2023. The purpose of this entity was to be the surviving entity in a merger with Bloomfield College, a private not-for-profit 501(c)(3) organization. The merger between Bloomfield and Bloomfield College was made possible by legislation codified at L.2023, c.65, and was successfully completed on June 30, 2023, marking a significant milestone in their collaborative journey. Bloomfield is recognized as a public entity by the NJ Office of the Secretary of Higher Education and is governed by a Board of four directors. In accordance with governmental accounting standards, the University's financial data for 2023 includes Bloomfield.

Bloomfield College, founded in 1868, was New Jersey's only institution of higher education designated by the United States Department of Education as a Predominantly Black, Hispanic-serving, and minority serving institution. Bloomfield College served a diverse population and prepared students for success in a multicultural and global society. While the entity referred to as Bloomfield College is no longer in existence following the merger, Bloomfield College of Montclair State University will continue to operate and serve these same communities.

Situated on a 264-acre suburban campus, Montclair and Bloomfield (collectively, the University) delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment. Montclair is designated as a Research Doctoral University by the Carnegie Classification of Institutions of Higher Education and classified by the New Jersey Secretary of Higher Education as a doctoral degree-granting institution. The University has ten degree-granting colleges and schools that serve more than 22,000 undergraduate and graduate students. The University has more than 300 doctoral, master's, and baccalaureate level programs.

The U.S. News & World Report 2023-2024 ranked the University No.7 in the nation and No.1 in New Jersey in social mobility out of 435 national universities. The University ranked No.11 for graduation rate performance. The University moved up 19 places, coming in at No.163 out of 435 universities nationwide, the highest ranking ever and reached No.88 among the nation's top public universities on this closely watched list of the best colleges in America.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

The Wall Street Journal/College Pulse Best Colleges in the U.S. ranked the University No.4 in New Jersey, No.104 overall out of 400 institutions and No.37 out of 204 public institutions.

Financial Highlights

New Accounting Standard

The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2022. This statement establishes a single approach to accounting for and reporting subscription-based information technology arrangements (SBITAs) based on the principle that SBITAs are contracts that convey control of the right to use underlying information technology software and accompanying assets. Under this statement, a government is required to recognize a subscription liability and a right-to-use subscription asset. Limited exceptions to the single-approach guidance are provided for short-term SBITAs, defined as lasting a maximum of twelve months at inception, including any options to extend, regardless of their probability of being exercised. Except for fiscal 2021 results of operations, the prior periods presented in the MD&A as well as the basic financial statements and notes have been restated for comparison purposes. The University recognized right-of-use subscription assets, net in the amount of \$23.5 million and \$7.2 million as of June 30, 2023 and 2022, respectively, included within capital assets, net. The University recognized a subscription liability of \$23.7 million and \$7.2 million as of June 30, 2023 and 2022, respectively. Certain prior year amounts related to the GASB 96 adoption have been reclassified to conform with the current year comparative presentation. As a result, there was a \$20 thousand decrease in the overall net position as restated for fiscal 2022.

Pandemic related Financial Assistance

Starting with fiscal year 2020 through fiscal year 2023, the University was awarded a total of \$114.1 million in funding pursuant to CARES, the *Coronavirus Response and Relief Supplemental Appropriations Act* ("CRRSAA"), and the *American Rescue Plan Act of 2021* ("ARP") as part of the Higher Education Emergency Relief Funds ("HEERF") portion of the legislations; \$47.7 million of this amount was designated for student emergency aid, \$59.5 million for institutional support, and \$6.9 million was funding provided as a Minority Serving Institutions ("MSI"). The MSI funds were also used for emergency aid to students.

During fiscal 2023, the University expended \$17.7 million of HEERF funds; \$1.9 million was disbursed to students as emergency grants, \$15.8 million was expended as institutional support. Amounts expended as institutional support included \$6.2 million to partially reimburse the University for certain pandemic response related expenditures and lost revenues, to fund student programs designed to support success in transitioning from online to in-person learning and upgrading campus wi-fi and network access. The remaining HEERF funds of \$1.2 million were expensed by October 31, 2023.

Starting with fiscal 2021 the University was also awarded additional CARES funds through various programs administered by the State of New Jersey. The University was awarded \$8.0 million from the Governor's Emergency Education Relief fund ("GEERF") portion of CARES. The University expended \$6.6 million in fiscal 2021, \$319 thousand in fiscal 2022 and \$673 thousand in fiscal 2023. The GEERF funds were used to partially reimburse the University for pandemic response expenditures and to combat food insecurity among students. The remaining amount of GEERF funds of \$419 thousand were expensed by September 30, 2023.

In fiscal 2021, the University was awarded a total \$19.8 million from the Coronavirus Relief Fund for Higher Education (CRF). The CRF funds were utilized in fiscal 2021 and were used to partially reimburse the University for pandemic response expenditures.

Montclair State University
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

In summary, the University was awarded \$141.9 million of Pandemic related financial assistance funds over the last four fiscal years ending June 30, 2023, approximately \$1.6 million remain available for future use and to be expended by June 30, 2024.

New Partnerships

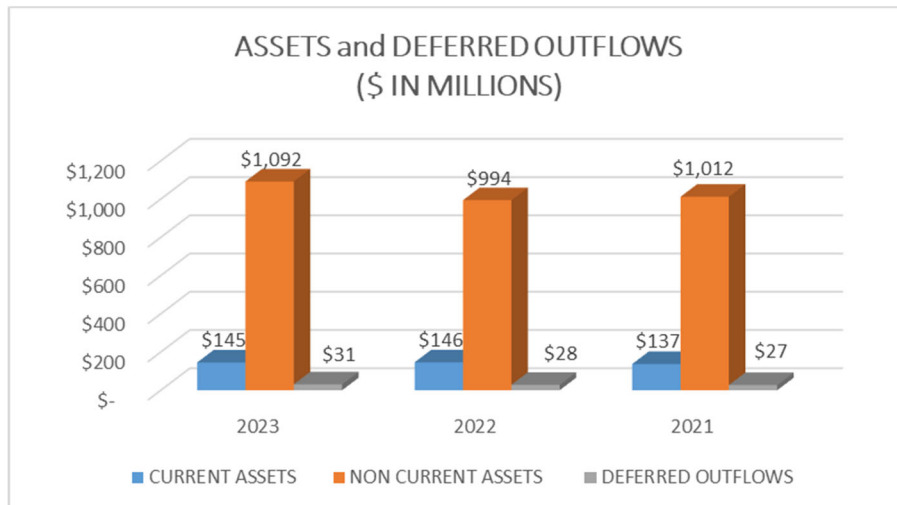
As a result of the merger, Montclair offered employment opportunities to 87% of Bloomfield's faculty and staff, most of whom will be continuing as members of the College community. President Marcheta P. Evans will continue to provide leadership as Chancellor of Bloomfield, and a key member of the University leadership team under Montclair president, Jonathan Koppell. Bloomfield's important mission will continue, and its students will be able to complete their education without interruption while benefiting from Montclair's lower tuition and fees and the support of the second largest public research university in New Jersey.

The merger now enters the integration phase, during which a distinctive educational experience will be designed for the students of Bloomfield. Over the next academic year, the future of all academic programs will be considered. During that time, the University will continue to offer courses required for Bloomfield College students to complete their existing majors and programs and will honor the majors of all currently enrolled students.

Montclair has partnered with INTO University Partnerships in an effort to expand its offerings of life-changing educational opportunities to students around the world, a global education partnering organization. The international student recruitment collaboration aims to enhance the University's global reach and provide opportunities for international students. Beginning in January 2024, the partnership will create new opportunities for aspiring students around the world. INTO will commence recruitment immediately through its extensive network of education agents worldwide.

THE UNIVERSITY'S FINANCIAL POSITION

The University's composition of assets and deferred outflows as of June 30, 2023, 2022, 2021 is as follows:



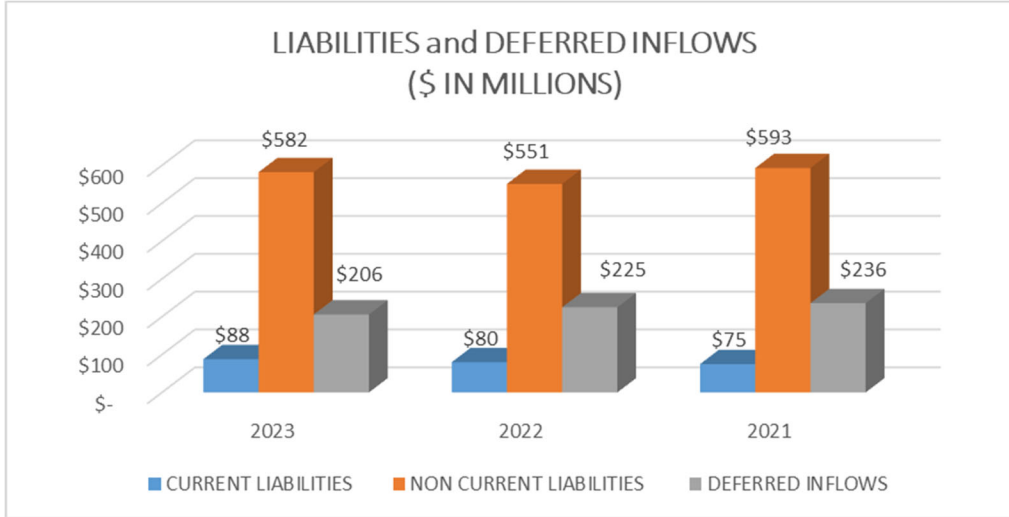
Deferred outflows represent the consumption of net assets applicable to future reporting periods.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

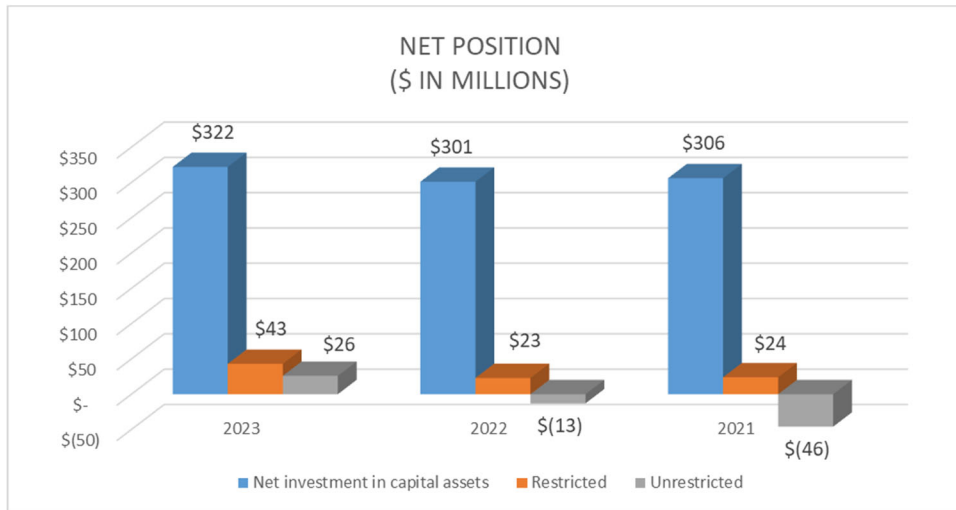
June 30, 2023 and 2022

The University's composition of liabilities and deferred inflows as of June 30, 2023, 2022, 2021 is as follows:



Deferred inflows represent the acquisition of net assets that are applicable to a future reporting period, for example pension, unearned revenue and advance collections.

The statement of net position presents the financial position of the University at the end of each year. The sum of assets and deferred outflows, less the sum of liabilities and deferred inflows, is the organization's net position.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

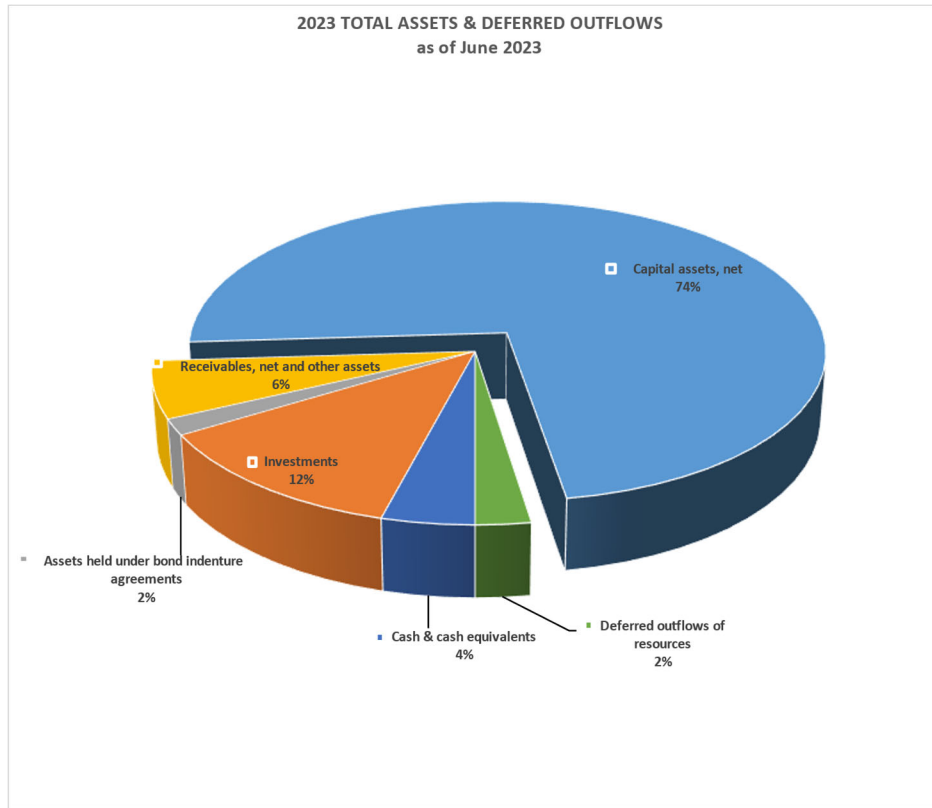
The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2023, 2022 and 2021 are as follows (dollars in thousands):

	2023	2022 (Restated)	2021
Assets			
Cash & cash equivalents (including restricted)	\$ 52,516	\$ 69,149	\$ 66,899
Investments	154,948	96,828	78,817
Assets held under bond indenture agreements	21,417	21,563	23,232
Accounts & loans receivable, net	41,736	33,071	34,301
Rent receivables	28,442	26,001	25,706
Capital assets, net	932,142	890,175	926,234
Other assets	5,626	3,529	2,646
Total assets	1,236,827	1,140,316	1,157,835
Deferred outflows of resources	31,312	28,375	27,287
Liabilities			
Bonds payable & other debt	383,969	367,709	383,547
Lease payable	21,971	23,700	27,593
Subscription payable	23,707	7,172	9,237
Accounts payable & accrued expenses	48,586	45,705	38,008
Net pension liability	174,695	170,948	187,893
Unearned tuition and grant revenues	10,918	11,530	11,506
Other liabilities	6,849	5,081	7,134
Total liabilities	670,695	631,845	664,918
Deferred inflows of resources	205,999	225,443	235,508
Net position			
Net investment in capital assets	322,233	301,414	306,334
Restricted nonexpendable	13,578	-	-
Restricted expendable	29,201	23,186	24,598
Unrestricted net position (deficit)	26,433	(13,197)	(46,236)
Total net position	\$ 391,445	\$ 311,403	\$ 284,696

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022



University's assets and deferred outflows

The University's total assets and deferred outflows of resources increased to \$1.268 billion in 2023, from \$1.169 billion in 2022 and \$1.185 billion in 2021.

Total assets increased \$96.5 million in 2023 of which \$92.9 million was attributed to the merger with Bloomfield. Deferred outflows increased \$2.9 million in 2023 due to changes in the University's net pension liability.

Cash & cash equivalents

The University maintains cash balances sufficient to meet operating liquidity, fund capital investments, and support the financial profile of the University. In managing cash and cash equivalents, the University aims to generate earnings on those funds while managing risk and maintaining compliance with board approved investment guidelines. University cash and cash equivalents are held primarily in its operating bank account and in the State of New Jersey Cash Management Fund. The balance held in the State of New Jersey Cash Management Fund as of June 30, 2023 and 2022 was \$4.0 million and \$32.6 million, respectively. The average monthly balance held in Montclair's operating bank account decreased to \$79.8 million in 2023 from \$100.4 million in 2022.

Cash and cash equivalents also include a portion of the University's investment funds which are held in custody by PNC Institutional Asset Management (PNC) and managed by Pacific Investment Management Company, LLC (PIMCO). The cash and cash equivalents balance held in this account was \$5.7 million and \$1.0 million as of June 30, 2023 and 2022, respectively. Total cash and cash equivalents as of June 30, 2023 was \$16.6 million lower than as of June 30, 2022.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

During fiscal 2021, Montclair signed an agreement with JP Morgan Chase Bank, N.A. (JPM) to move its banking services from Bank of America to JPM. After the fiscal 2021-year end, Montclair began the integration and transition to JPM for banking transactions and completed a significant portion of this process during fiscal 2022 with the completion in August 2022. Montclair entered into a collateral pledge and security agreement with JPM for funds held at the Federal Reserve Bank to reduce the risk of loss in the event of a bank failure as required by NJ State law. Under this arrangement, deposits exceeding federally insured amounts are collateralized.

Investments

Additions to University investments primarily reflect additions to reserve funds or temporary investment of excess operating cash, which are invested in a fixed income portfolio managed by PIMCO in accordance with the investment policy statement established by the Board of Trustees. The overall objective of the investment portfolio is to provide current income while preserving capital and liquidity. The investment policy permits purchases of fixed income instruments including US obligations, money market instruments, repurchase agreements, commercial paper, certificates of deposit, corporate bonds, and floating rate securities without interest rate caps that meet the approved criteria for quality, diversification, liquidity, and maturity. Investments as of June 30, 2023 were \$58 million higher than as of June 30, 2022 of which \$16.1 million is attributable to merger with Bloomfield and remaining as transfers of excess operating cash.

Assets Held Under Bond Indenture Agreements

The University has historically funded a significant portion of major capital improvements with public bonds issued through the New Jersey Educational Facilities Authority (the "Authority"), whose mission is to help college and university clients obtain low-cost financing for the development of their facilities. Generally, the change in assets held is attributable to reimbursement drawdowns, new refundings (if any), and the effect of changes in the market value of unspent invested proceeds. Assets held under bond indenture agreements decreased \$146 thousand in 2023 reflecting drawdowns of previously issued bond proceeds.

Accounts, Loans and Rent Receivables, net

Receivables primarily include amounts due from students, state and federal government contracts and grants, private grants and contracts, and a variety of billings ranging from clinical services, fee for service arrangements, auxiliary enterprise contracts and lease agreements. Receivables fluctuate based on the timing of collections. Student accounts which are past due twelve months, are reserved for at 50% and those past due twenty-four months are reserved at 100%. All other receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Accounts, loan and rent receivables, net as of June 30, 2023, were \$11.2 million higher than as of June 30, 2022 due to timing of collections and financial aid drawdowns.

The Perkins loans receivable balance was \$1.1 million as of June 30, 2023 and \$1.5 million as of June 20, 2022. Per federal regulations, Perkins loans are no longer being awarded and disbursed. The Federal Perkins Loan Program expired on September 30, 2017 and no new disbursements were permitted after June 30, 2018. The Perkins loan program provided subsidized loans to both graduate and undergraduate students with exceptional financial needs. It is a Title IV, campus-based loan program, funded with University and federal dollars, with the University acting as lender. Heartland Campus Solutions ECSI services this loan on behalf of the University and determines the reserves against the loan receivable.

Capital Assets, net

Montclair's capital spending during 2023 decreased due to completion of Campus wide improvements for Montclair's infrastructure and technology equipment. Capital spending includes subscription-based

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

information technology agreements, construction and renovation of academic buildings, research laboratories, libraries, student services, housing facilities, clinical facilities, parking structures and other improvements to the campus infrastructure. Capital assets, net as of June 30, 2023, were \$42 million higher than as of June 30, 2022 of which \$60.4 million is attributable to merger with Bloomfield offset by \$18.5 million net decrease in Montclair's assets.

Renovations completed during fiscal 2023 included:

- Campus wide improvements were made to improve Montclair's network infrastructure and technology equipment as hybrid work and learning models have strained existing infrastructure. Various projects included Campus Wi-Fi upgrades, IT computer equipment replacements, leased hardware, and Aspire network line card upgrades to update infrastructure equipment.
- Dining Services POS hardware and software were replaced to strengthen PCI compliance and maintain support for incoming new software.
- Various repairs were completed in Life Hall which houses Dance Theatre, Fashion Studies, L. Howard Fox Studio Theater, and Memorial Auditorium.
- A new physics laboratory was constructed in Richardson Hall for an incoming faculty member.

Construction in progress during fiscal 2023 included:

- The Village consists of four residential buildings that provides housing for approximately 850 upper class students and graduate residents. Water damage is being repaired and mitigated to prevent future occurrences.
- Center for Environmental Life Sciences (CELS) houses many of the Earth and Environmental sciences as well as research institutes addressing such issues. HVAC improvements are being made to achieve AAALAC accreditation for research expansion involving new species of animals.
- The Student Center provides a community of services. It provides a common area where students, faculty, staff and visitors can come together for social interaction and begin to develop a spirit of cooperation and learning through common understanding. Elevators are being renovated to maintain functionality in this crucial space.

Renovations completed during fiscal 2022 included:

- University Hall Exterior Patch & Paint – University Hall is Montclair's largest academic building on campus, constructed in 2006. Various renovations completed included exterior repairs, stucco façade restoration, and overall enhancements to improve the building's visual appearance and thermal envelope. The project addressed significant staining, discoloration, failed control joints, water infiltration, and biological growth to maintain the building's longevity.
- Calcia Hall - Calcia Hall houses Montclair's various studios related to the Arts. Various enhancements were made to the Hall including building improvements in shared studio spaces, new office furniture and lab equipment, and upgrades to audiovisual equipment.

Other Assets

Other assets include prepaid expenses of \$3.8 million related to software licenses, \$1.4 million in long-term receivables and \$419 thousand in deposits.

Montclair State University
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

The University's Liabilities and Deferred Inflows

The University's total liabilities and deferred inflows of resources increased to \$876.7 million in 2023, from \$857.3 million in 2022 and \$900.4 million in 2021.

Total liabilities increased \$38.9 million in 2023 of which \$33.4 million was attributed to merger with Bloomfield. Deferred inflows of resources decreased \$19.4 million in 2023 due to changes in University's deferred inflow of pension resources.

Bonds Payable and Other Debt

University debt is used to partially finance the addition of new capital assets. Amounts outstanding at the end of 2023, 2022 and 2021 were \$384 million, \$367.7 million, and \$383.5 million, respectively.

The table below shows the components of the \$16.3 million increase in 2023, \$15.8 million decrease in 2022 and \$14.9 million decrease in 2021. The University's debt increased \$16.3 million in 2023 due to \$32.5 million additional debt attributed to merger with Bloomfield offset by \$16.2 million in reductions (dollars in thousands):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 367,709	\$ 383,547	\$ 398,423
Additions to outstanding debt	<u>32,512</u>	<u>-</u>	<u>-</u>
Scheduled principal payments	<u>(15,600)</u>	<u>(15,204)</u>	<u>(14,116)</u>
Amortization of bond premium/discount - net	(652)	(634)	(760)
Net increase (decrease) in outstanding debt	<u>16,260</u>	<u>(15,838)</u>	<u>(14,876)</u>
Ending Balance	<u>\$ 383,969</u>	<u>\$ 367,709</u>	<u>\$ 383,547</u>

As of June 30, 2023, the University had outstanding indebtedness in the form of annual rentals it assumed under certain leases and agreements with the NJEFA of \$338 million.

The University is obligated to service debt with principal totaling \$2.2 million of which \$392 thousand relates to Bloomfield, under several state programs that support capital improvements, environmental infrastructure, and education-related technologies.

The University is obligated to Bloomfield's \$26.2 million in private placement tax except bond agreement with the NJEFA and Bloomfield's bank that funded a conversion of one of Bloomfield's buildings into a student's dormitory building.

The University is obligated to Bloomfield's \$4.8 million in commercial mortgage loans of which \$2.5 million relates to refinance of previous loan, and \$2.3 million relates to refinance of construction loan used to convert Bloomfield's building into resident housing facility.

The University is obligated to \$18.4 million in lease principal payments primarily consisting of office and space, dining space, and IT equipment.

Montclair State University
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

The University is obligated to \$18.5 million in software subscription principal payments related to numerous cloud-based ERP systems, data management tools, and educational software that assist the campus community.

The composition of the University's long-term debt as of June 30, 2023, 2022, and 2021 follows (dollars in thousands):

	2023	2022 (Restated)	2021
NJEFA Revenue Bonds	\$ 337,855	\$ 350,665	\$ 364,580
Private Placement Bond	26,234	-	-
Higher Education Capital Improvement Fund	2,218	2,933	4,002
NJ Environmental Infrastructure Trust	-	176	356
Higher Education Equipment Leasing Fund	-	42	80
Program Commercial Mortgage Loan	4,814	-	-
	<u>\$ 371,121</u>	<u>\$ 353,816</u>	<u>\$ 369,018</u>
Leases	<u>\$ 18,368</u>	<u>\$ 20,171</u>	<u>\$ 23,700</u>
Subscriptions	<u>\$ 18,475</u>	<u>\$ 3,572</u>	<u>\$ 5,093</u>

Fitch Ratings remained unchanged in 2023 as 'A+' rating on the University's outstanding revenue bonds with a stable rating outlook.

Net Pension Liability

In accordance with *Government Accounting Standards Board* (GASB) 68, beginning in 2015 the University recorded on its financial statements its proportionate share of the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits. The State of New Jersey contributes to the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS). Historically, the State of New Jersey has directly covered pension contributions on behalf of the University and there are no current changes to this legislation. The University's share of the net pension liability was \$174.7 million, \$170.9 million and \$187.9 million in 2023, 2022 and 2021, respectively. The liability as of June 30, 2023, which reflects the present value of projected future payments to those already retired and those who will retire with benefits due. The increase in the accumulated net pension liability for 2023 was driven primarily by changes in assumptions and changes in proportionate share. The actuarial valuation for 2023 is based on a measurement date as of June 30, 2022.

For the measurement date years 2022, 2021 and 2020, the portfolio's total investment rate of return was 7% respectively.

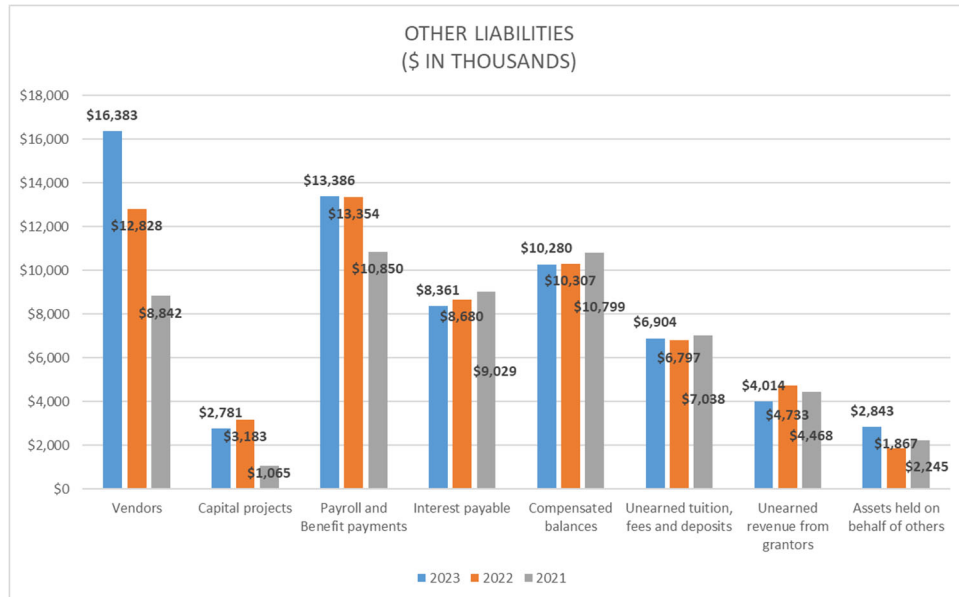
Other Liabilities

Liabilities, other than those related to pensions and debt, consist of accounts payable and accrued expenses (due to vendors, capital projects, payroll and benefit payments and interest), compensated balances, unearned income, and assets held on behalf of others.

Montclair State University
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022



Deferred Inflows of Resources

Deferred inflows of resources are acquisitions of net assets that are applicable to a future reporting period. The deferred component is the recognition of inflows as revenues in relevant future periods. Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refundings and certain changes in net pension liability.

Deferred inflows of resources decreased by \$19.4 million in 2023, \$10.1 million in 2022 and \$15.4 million in 2021. The \$19.4 million decrease in 2023 is due primarily to a \$7.3 million decline in deferred service concession revenue and \$14.6 million decrease in deferred inflow from pension resources associated with changes in actuarial assumptions and the University's proportion of the state-wide payroll. The University's share decreased from .694% in 2022 to .672% (PERS) in 2023 and increased from .512% in 2022 to .562% (PFRS) in 2023. These reductions are offset by a \$2.9 million increase in deferred inflow from leases.

Net Position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was \$391.4 million, \$311.4 million, and \$284.7 million in 2023, 2022, and 2021, respectively.

Net position is reported in the following categories: net investment in capital assets; restricted - nonexpendable; restricted - expendable; and unrestricted.

Net Investment in Capital Assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance acquisitions, construction or improvement of these capital assets. The amounts as of June 30 were \$322.2 million, \$301.4 million and \$306.3 million for 2023, 2022 and 2021, respectively. The University continues to invest in physical facilities to maintain campus infrastructure and to meet new and evolving programmatic needs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

Restricted - nonexpendable

Restricted – nonexpendable net position is subject to externally imposed stipulations that must be maintained permanently by the University. The amount as of June 30, 2023 was \$13.6 million and is comprised of endowments and restricted cash equivalents related to Bloomfield.

Restricted - expendable

Restricted - expendable net position is subject to externally imposed restrictions governing the use of certain assets. A portion of the net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital grants, trustee-held investments; or other third-party receipts. The amounts as of June 30 were \$29.2 million, \$23.2 million and \$24.6 million for 2023, 2022 and 2021, respectively. The \$6 million increase in 2023 in restricted expendable funds is due principally to an increase in assets held for donor designated purposes of which \$5 million is due to the merger with Bloomfield. The \$1.4 million decrease in 2022 in restricted expendable funds is due principally to the change in assets held under bond indenture, which reflects reimbursements for capital expenditures.

Unrestricted

Under generally accepted accounting principles, net position components not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position was positive in 2023 and negative in 2022 and 2021. Positive results in 2023 are due primarily to increases in grant and contract revenues and state appropriations which resulted in positive unrestricted net position of \$26.4 million of which \$11.1 million related to merger with Bloomfield. Negative results in 2022 of \$13.2 million were due primarily to the recording of the non-cash obligations for pension benefits that were in excess of University's reserves. However, as shown in the adjusted statement excluding the effect of the non-cash pension obligation, the unrestricted net position was \$202.7 million in 2023, \$177 million in 2022 and \$159 million in 2021.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with the GASB requirements, certain significant revenues relied upon and budgeted for operational support of the core instructional mission of the University are required to be recorded as non-operating revenues, including state appropriations, financial assistance, private gifts and investment income. A summarized

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

comparison of the operating results for 2023, 2022 and 2021, arranged in a format that matches the revenue and expense supporting the core activities of the University follows (dollars in thousands):

	2023	2022 (Restated)	2021
Revenues			
Student revenues, net	\$ 234,784	\$ 214,523	\$ 200,885
State appropriations (general & fringe)*	128,711	104,784	88,140
Federal Pell Grants*	48,095	38,713	37,670
Pandemic related Financial Assistance*	18,198	62,653	48,396
State paid other post employment health benefits*	(8,934)	4,271	7,584
Grants and contracts	86,797	69,193	53,009
Educational activities	6,353	6,296	4,579
Auxiliary enterprises	19,736	20,237	14,758
Private gifts*	6,748	3,886	6,301
Investment income*	6,335	803	753
Recognition of deferred service concession revenue	7,343	7,343	7,346
Other revenues**	13,735	8,851	6,681
Revenues supporting core activities	567,901	541,553	476,102
Expenses			
Salaries and benefits	325,569	275,038	250,273
Services and Fees	67,114	48,627	41,597
Financial Aid excluding Pandemic related Assistance	30,835	27,573	21,262
Pandemic related Financial Assistance - Student Aid	2,268	41,330	12,163
Pension benefits	270	(204)	9,238
Postemployment health benefits	(8,934)	4,271	7,584
Utilities	20,691	19,072	18,876
Supplies and materials	11,946	9,781	7,315
Depreciation and amortization	61,242	59,057	56,237
Interest expense*	18,131	17,230	14,030
Other expenses**	14,745	9,763	6,694
Expenses associated with core activities	543,877	511,538	445,269
Income from core activities	24,024	30,015	30,833
Other nonoperating activities			
Net depreciation in fair value	(2,692)	(3,561)	(468)
Income before other changes in net position	21,332	26,454	30,365
Other changes in net position			
Capital gifts and grants, net	514	253	308
Increase in net position	21,846	26,707	30,673
Gain on governmental combination	58,196	-	-
Loss on disposal of discontinued operations	-	-	(19)
Net position			
Beginning of year, as previously reported	311,403	284,696	254,043
End of year	\$ 391,445	\$ 311,403	\$ 284,696

* Represents nonoperating revenues or expenses.

** Other revenues consist of less than 36% of nonoperating revenues and other expenses consist of less than 2% of nonoperating expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

The following represents an illustration of net position and unrestricted net position adjusted for the effects of the GASB 68 pension pronouncement* (dollars in thousands):

	2023	2022 (Restated)	2021
Net position from the financial statements			
Net investment in capital assets	\$ 322,233	\$ 301,414	\$ 306,334
Restricted	42,779	23,186	24,598
Unrestricted (deficit)	26,433	(13,197)	(46,236)
Total net position - financial statements	<u>\$ 391,445</u>	<u>\$ 311,403</u>	<u>\$ 284,696</u>
Adjustment of unrestricted deficit above			
Unrestricted surplus (deficit) as restated	26,433	(13,197)	(46,236)
GASB 68 pension adjustment:			
Net pension liability	174,695	170,948	187,893
Deferred outflow of resources	(25,449)	(22,222)	(25,599)
Deferred inflow of resources	27,005	41,616	43,172
Total unrestricted net position (as adjusted)	<u>\$ 202,684</u>	<u>\$ 177,145</u>	<u>\$ 159,230</u>
Total net position (as adjusted)	<u>\$ 567,696</u>	<u>\$ 501,745</u>	<u>\$ 490,162</u>

* Since GASB 75 has no effect on Net Position, it is excluded from the restatement.

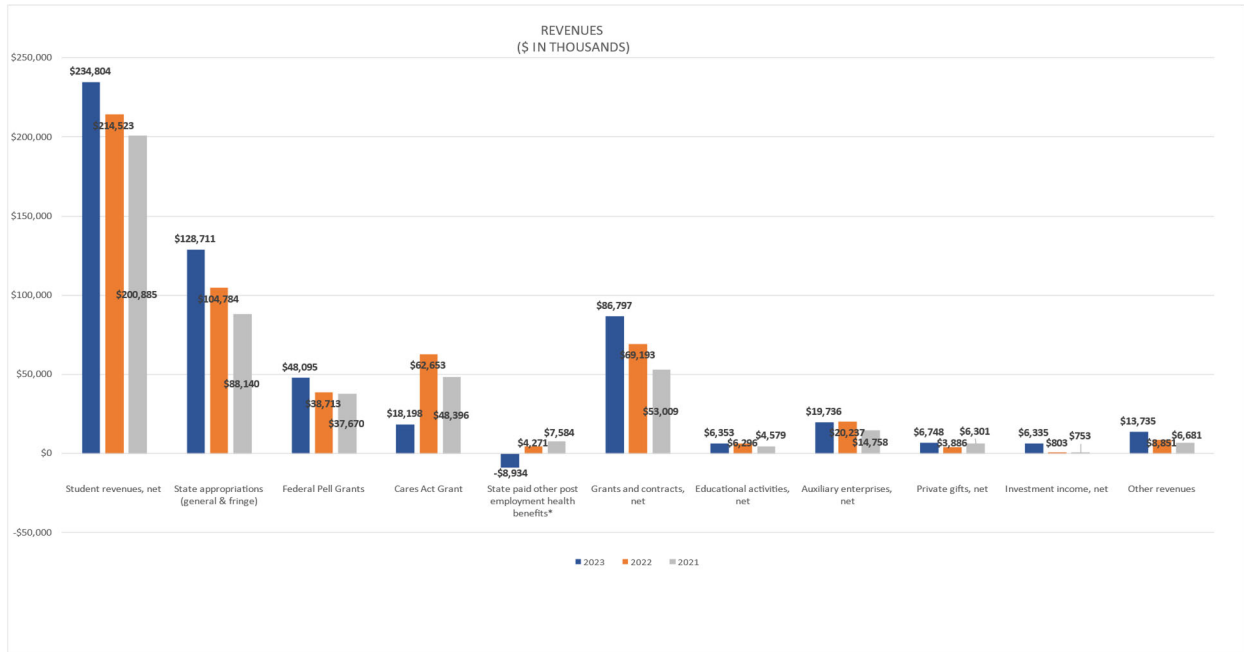
Revenues Supporting Core Activities

Revenues supporting the University's core activities, including those classified on the financial statements as non-operating revenues, were \$568 million, \$542 million, and \$476 million in 2023, 2022 and 2021, respectively. These diversified sources of revenue increased by \$26.4 million in 2023 and increased by \$65.5 million in 2022. The increase in 2023 is primarily attributable to \$41.3 million in revenues from Bloomfield offset by \$15 million decrease in Montclair's revenues primarily due to significant decrease in pandemic related financial assistance offset by increases in grant and contract revenue, and state appropriations. The increase in 2022 relates to student revenues, pandemic related financial assistance and increase in state appropriations and grant and contract revenue.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022



The State of New Jersey's appropriations in conjunction with student tuition and fees are core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the University is one source of funding which can be unrestricted (to provide administrators with the flexibility to address immediate needs) or designated to support a specific college, program or other University initiative. Other significant revenues derive from educational activities and auxiliary enterprises such as student housing, food service operations and parking.

CATEGORIES OF BOTH OPERATING AND NON-OPERATING REVENUE THAT SUPPORTED THE UNIVERSITY'S CORE ACTIVITIES IN 2023 ARE AS FOLLOWS:

Student Revenues, net

Student revenues are the largest component of operating revenues and are comprised of three main sources: tuition, fees, and room and board. Student revenues, net of scholarship allowances and bad debt expense, were \$234.8 million, \$214.5 million, and \$200.9 million in 2023, 2022 and 2021, respectively. Student tuition and fees were \$309.2 million, \$256.8 million, and \$250.8 million in 2023, 2022 and 2021, respectively. In fiscal 2023, \$32 million in additional student tuition and fees resulted from merger with Bloomfield and \$20.4 million attributed to Montclair's enrollment increase of 4.8% for academic year 2022-2023 and an average 4.6% increase in tuition and fee rates. In fiscal 2022, there was an average 2.7% increase in tuition and fee rates and relatively flat enrollment for academic year 2021-22.

Room and board revenue were \$54.4 million, \$43.7 million, and \$26.2 million in 2023, 2022 and 2021, respectively, reflecting an increase in occupancy and meal counts and rate increases of 2% for room fees and 1.1% - 3.2% rate increase for board fees and \$5 million increase relating to Bloomfield. Bad debt expense/(recovery) totaled \$1.1 million, \$(446) thousand, and \$2.3 million in 2023, 2022 and 2021, respectively.

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June 30, 2023 and 2022

The University places a high priority on scholarship assistance as part of its commitment to student access and affordability. Scholarship allowances, or financial aid, is the difference between the stated charge for tuition and fees and the amounts paid by students and third parties on behalf of the student, which are reported as offsets to revenue. These amounts totaled \$128.9 million in 2023 of which \$19.4 million relates to Bloomfield, \$85.9 million in 2022, and \$76.1 million in 2021. Scholarships and fellowships are awarded to students and reported as an offset to their tuition and fees and room and board charges, and financial aid is based on the availability of funds.

State Appropriations

Appropriations from the State of New Jersey totaled \$128.7 million of which \$13 million related to Bloomfield in 2023, \$104.8 million in 2022 and \$88.1 million in 2021. The total includes both the general operating appropriation and fringe benefit reimbursements. Approximately \$72.4 million in Montclair general operating was received in 2023 exceeding the \$63.3 received in 2022. Montclair's \$72.4 million includes \$14.8 million in Outcomes Based Appropriation (OBA) and \$2.2 million as additional fringe support. In fiscal 2022, the \$63.3 million included \$10.1 million in OBA. The OBA is an additional funding source provided from the State starting in fiscal 2020 for each senior public institution of higher education aimed at advancing equity and improving student outcomes. An increase in fringe benefit costs and changes in the State's fringe reimbursement rate increased reimbursements to \$43.3 million in 2023 from \$41.5 million in 2022.

State Paid Other Postemployment Health Benefits

In 2023, the University recognized (\$8.9) million of revenue and expense from the State of New Jersey attributable to post employment health benefits, in accordance with GASB 75. This was a decrease of \$13.2 million compared to 2022 due to changes in census, claims, and premiums experience. The State is legally obligated to provide the funds required for such benefits and as such, these transactions have no effect on the University's net position.

Grants and Contracts

Revenues from grants and contracts were \$86.8 million of which \$4.4 million related to Bloomfield in 2023, \$69.2 million, and \$53.0 million in 2022 and 2021, respectively. The State's Tuition Aid Grant (TAG) increased by \$8.8 million in 2023 compared to the previous year, due to the increase in the average award amount of approximately \$1 thousand per recipient as a result of the University being a public research university. In fiscal 2023, the University had a total of 351 awards of which 298 are sponsored external research grants, including 80 awards received by faculty, 16 financial aid grants and 37 contracts.

Faculty awards totaled \$20 million in external sponsored projects funding, with awards coming from the National Science Foundation, the National Oceanic & Atmospheric Administration, the US Department of Housing and Urban Development, the U.S. Department of Education, and the State of New Jersey. Several private sponsors also provided the University with funding which includes but is not limited to John Templeton Foundation, Spencer Foundation and the Grant Foundation. External fund spending increased by approximately 25% over last year's total of \$4.9 million. Among the larger grants received in fiscal 2023 was a \$1 million, two-year grant from the Dodge Foundation to help launch a community school and to coordinate the identification of other community priorities for the One Square Mile in Paterson, NJ. A \$1 million, 3-year grant received from Arizona State University via John Templeton Foundation to develop and conduct an evaluation of the Principled Innovation Framework.

In October 2021, the Department of Health and Human Services approved the University's request for new rates for its facilities & administrative (F&A) and fringe benefit costs. The accepted rates allow the University to use an on-campus rate of 46% and an off-campus rate of 14.7% of modified total direct cost for the period between July 1, 2021 through June 30, 2025. These rates are applied in proposals and awards

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

funded by externally sponsored grants and contracts. The F&A revenue was \$2.3 million, \$1.5 million, and \$1.4 million in 2023, 2022 and 2021 respectively. The fringe benefit rate charged to grants is based on position type and is 28.10% for full time employees and 14.80% adjuncts and post docs. Fringe benefits recovered in 2023, 2022 and 2021 were \$2.0 million, \$1.7 million and \$1 million respectively.

Educational Activities and Auxiliary Enterprises

Revenue from educational activities and programs is generated primarily by the Benjamin Samuels Children's Center, the Benjamin Samuels Early Intervention program, and the Center for Research and Evaluation on Education and Human Services (CREEHS). These revenues increased slightly by \$57 thousand in 2023 after increasing \$1.7 million in 2022 due to the pandemic restrictions easing following a \$1.0 million loss related to pandemic in 2021.

Auxiliary enterprises include housing, food service, parking, the bookstore, student center activities, and certain athletic programs. Revenue from auxiliary enterprises, net of allowances, decreased \$501 thousand due to decrease in food service revenues changes in dining providers compared to an increase of \$5.5 million in 2022 due to the pandemic easing following a \$4.6 million loss related to pandemic in 2021.

Expenses Associated With Core Activities

Expenses associated with the University's core activities, including those classified as non-operating expenses, were \$544 million, \$512 million, and \$445 million, in 2023, 2022 and 2021, respectively.

Overall, expenses excluding depreciation and interest, totaled \$464 million in 2023, representing an increase of \$29 million of which \$35 million is attributed to Bloomfield offset by \$6 million decrease or less than 1.4% attributed to Montclair. Montclair's decrease was comprised of significant decrease in pandemic related financial assistance of \$36 million and decrease in post-employment benefits of \$13.2 million. This was offset by a \$27.5 million increase in salaries and benefits, a \$9.9 million increase in services and fees primarily due to an increase in professional consulting & legal fees of \$3 million and food & dining services of \$3 million, a \$1.6 million increase in utilities, a \$1.3 million increase in supplies & materials and other expenses increased \$2 million primarily due to an increase in travel related expenses.

During 2022, expenses excluding depreciation and interest, totaled \$435 million, representing an increase of \$60 million or 16%. The increase in expenses was the result of the restoration of extensive cost mitigation measures made during the pandemic: a \$25 million increase in salaries and benefits, a \$7 million increase in services and fees primarily due to an increase in food & dining services of \$5 million, a \$2 million increase in suppliers and materials and other expenses increased \$3 million primarily due to an increase in travel related expenses. This was offset by a decrease in pension benefits of \$9 million and decrease in post-employment benefits of \$3.3 million.

CATEGORIES OF BOTH OPERATING AND NON-OPERATING EXPENSES RELATED TO THE UNIVERSITY'S CORE ACTIVITIES IN 2023 ARE AS FOLLOWS:

Salaries and Benefits

Approximately 60% of the University's 2023 expenses are related to payroll costs and employee benefits (including pension expense). There was an average of 5,854 employees in Montclair in fiscal 2023, as compared to 5,275 in fiscal 2022, an increase of 11%.

In 2023, salary and benefits increased by \$50.5 million of which \$23 million related to Bloomfield salaries and benefits and \$27.5 million or 10% related to Montclair. The increases were attributed to support academic and student-centered programs. Montclair's total payroll increased from \$226.4 million in 2022

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June 30, 2023 and 2022

to \$245.8 million or 9% in 2023, while fringe benefits costs increased from \$48.7 million to \$56.7 million or 16% in 2023 due to increases in health insurance costs.

In 2022, salary and benefits increased by \$24.7 million or 10%, due to the restoration of extensive cost mitigation measures made during the start of the pandemic in March 2020 which included hiring freezes and employee furloughs; the total payroll increased from \$200.8 million in 2021 to \$226.4 or 13% in 2022, while fringe benefits costs decreased from \$49.4 million to \$48.7 million or 1.4% during the same period due to decreases in compensated absences expense as the pandemic restrictions lessened.

In 2023, pension expenses increased by \$484 thousand or 241% mainly from changes in actuarial assumptions.

In 2022, pension expenses decreased by \$9.4 million or 102%, mainly from changes in mortality assumptions and change in plan provision. The mortality assumption changed to the Society of Actuaries (SOA) Scale MP-2021 mortality improvement scale upon direction from the Division of Pensions and Benefits. The change in plan provision related to Chapter 140, P.L. 2021 reopening the Worker's Compensation Judges (WCJ) Part of PERS and transferred over WCJs from the Defined Contribution Retirement Plan (DCRP) and regular part of PERS into the WCJ Part of PERS.

The University's pension expenses are summarized below (dollars in thousands):

	2023	2022	2021
PERS	\$ (1,617)	\$ (1,561)	\$ 7,132
PFRS	1,900	1,360	2,041
	<u>283</u>	<u>(201)</u>	<u>9,173</u>
TPAF	58	48	199
Alternate Benefit Program (ABP)	13,712	12,291	11,313
Defined Contribution Retirement Program (DCRP)	<u>20</u>	<u>37</u>	<u>23</u>
Total	<u>\$ 14,073</u>	<u>\$ 12,175</u>	<u>\$ 20,708</u>

State-sponsored other postemployment benefits expenses totaled (\$8.9) million and \$4.3 million in 2023 and 2022, respectively, which was offset by an equivalent amount of revenue from the state.

Other Expenses

Other expenses include travel, rent, lease and grant subrecipients expenses totaled \$14.8 million in fiscal 2023 and \$9.8 million fiscal 2022. The \$5 million increase is attributed to \$3 million in Bloomfield other expenses and \$2 million increase in Montclair expenses related to travel.

Operating Results

Operating losses were \$161.5 million of which \$16.5 million related to Bloomfield in 2023, \$168.9 million in 2022, and \$144.8 million in 2021. Operating losses were offset by non-operating revenue that support core operating activities of the University. These include state appropriations, Pell grants, pandemic related financial assistance, gifts and non-exchange grants, state paid other postemployment health benefits, investment income including unrealized and realized gains(loss) and other non-operating revenue, which

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June 30, 2023 and 2022

totalled \$241 million of which \$76 million related to Bloomfield in 2023, \$195.3 million in 2022, and \$175.2 million in 2021. Total revenues supporting core activities exceeded total expenses associated with core activities by \$24.0 million, \$30.0 million, and \$30.8 million for the period ending June 30, 2023, 2022 and 2021, respectively. The decrease in income from core activities in 2023 is primarily attributable to decrease in revenue received from pandemic related financial assistance. The increase in income from core activities in 2022 and 2021 was primarily attributable to revenue received from pandemic related financial assistance and state appropriations. The 2023 expenses associated with core activities increased from the 2022 expenses by \$32.3 million of which \$40.8 million related to Bloomfield offset by \$8.5 million decrease related to Montclair. Montclair's net decrease consisted of a \$35.8 million reduction in pandemic related financial assistance, \$13.2 million decrease in postemployment health benefits expense, and a \$1.9 million decrease in the depreciation expense. These decreases in expenses were offset by \$27.5 million increase in salaries and benefits, a \$9.9 million increase in services and fees, a \$1.6 million increase utilities, a \$1.3 million increase in supplies and materials and \$2 million increase in other expenses.

OUTLOOK FOR FISCAL 2024

With the start of his Presidency at Montclair State University in August 2021, Dr. Jonathan Koppell made clear his belief that public universities play a fundamental role in advancing society. His goal since taking office has been to begin building upon Montclair State's deep commitment to serving the public interest in "bold", imaginative ways that contribute to the prosperity, health and well-being of New Jersey and the nation." In one such effort, Montclair State University, serving as an anchor institution, is partnering with Paterson, New Jersey's numerous backbone organizations, nonprofits, and residents to shape a modern vision for the city, built on equitable outcomes in health, education, and economic opportunity. The commencement of this cross-sector collaboration, which the University is calling the One Square Mile Initiative, is being generously supported through a \$1 million grant from the Geraldine R. Dodge Foundation.

Through the implementation of One Square Mile, a place-based, hyper-local partnership initiative, the University will serve as a systems-integrator that invests in human capital and coordinates existing community activity within a concentrated geography. One Square Mile will be Montclair State's first deliberate and focused attempt to deepen its engagement in Paterson, New Jersey, one of the most important historic communities in the state and one that boasts a vibrant cultural and industrial history.

Adjacent to and in concert with the One Square Mile Project, the University's Office of Community Engagement and Partnerships is working closely with BAW Development, one of the lead developers of the Hinchliffe Stadium Neighborhood Restoration Project. A longtime community hub, the stadium project aims to create a synergistic focal point that drives economic development in the region and Montclair State University is taking a leading role in development of a museum and educational component.

In 2023, the Office of Community Engagement and Partnerships officially launched uCAN, which will serve as an incubator for collaborative initiatives that intentionally apply institutional capital and other resources to improve community well-being and confront complex challenges, through sustained, mutually beneficial partnerships with neighboring communities. Since January, uCAN has taken the lead on the One Square Mile Project. In addition to establishing a university-assisted community school at Eastside High School in Paterson, uCAN has recently awarded \$139,415 to four community- and faith-based organizations in Paterson and is assisting with various community partnerships including Friends of the Howe House in Montclair, Newark and Montclair YMCAs, Montclair Fund for Educational Excellence, and multiple community-based organizations supporting the University's Harm Reduction initiative in Paterson.

The University is strongly committed to making the University educational opportunity as accessible as possible while maintaining the financial security of the institution in the new expense environment. In fiscal year 2024, the University increased tuition and fees at a higher rate after a modest increase in 2023 and

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June 30, 2023 and 2022

2022. Despite the increase in tuition and fees for academic year 2023-2024, Montclair undergraduate tuition and fees remain below the average amount of New Jersey's senior public colleges and universities. Increases in tuition and fees are expected to be offset for students with financial need by increases in state TAG, federal Pell aid programs, and institutional financial aid. Institutional financial aid will increase by 16.2% over fiscal year 2023 in fulfilling the University's commitment to affordability.

In Fall 2023, the University launched several new undergraduate and graduate programs, including: Master of Science programs in Digital Marketing Analytics and Human Resource Analytics, new Bachelor degrees in Business Analytics (BS), Recording Arts and Production (BA), and Animation and Visual Effects (BFA); combined Bachelor of Arts programs in Medical Humanities or Psychology with a Master of Public Health (MPH), and undergraduate certificate programs in Spanish Language Journalism, and Harm Reduction Approaches for Substance Abuse. A minor in Neuroscience is also scheduled to launch beginning Spring 2024. Several new academic degrees are in development and planned for Fall 2024.

General state appropriations for the fiscal year 2024 are expected to remain consistent with the prior year at a total of \$55.5 million. Outcome Based Allocation funding for fiscal year 2024 is expected to increase to \$17.9 million from \$6.6 million in the prior fiscal year.

Operating expenses for fiscal year 2024 are expected to increase from fiscal year 2023 to reflect the University's priorities which include supporting academic and professional success for a diverse student body, maintaining affordability, expanding research and innovation, increasing community partnerships and public services, expanding Montclair Unbound, which will offer programs that give students the ability to learn how, when and where it works best for them; and funding employee salary and inflationary cost increases.

For the Fall 2023 semester, the University welcomed 4,100 students to campus as part of the Class of 2027. It is the largest incoming class in the University's 115-year history, a feat accomplished for the third consecutive year under President Jonathan Koppell. Total University enrollment is closing in on approximately 22,000 students, which is the largest student body in school history.

Members of the Class of 2027 represent 33 states and 35 countries up from 39 states and 21 countries in 2022 – and more than 44% are the first in their families to attend college. Some 44% of the incoming class identifies as Hispanic, further bolstering Montclair's status as New Jersey's largest Hispanic-Serving Institution and more than 24% of the incoming class identified as Black. The class also boasts a 3.4 cumulative high school GPA for the third consecutive year.

On July 10, 2023 the Office of Secretary of Higher Education offered the University a New Jersey Higher Education Capital Facilities Grant. The University was awarded \$9.2 million grant from the Higher Education Technology Infrastructure (HETI) Program for the campus Wi-Fi and firewall upgrade, and \$59.9 million grant from CIF program for the expansion of STEM facilities and the renovation of the Teaching and Learning Commons. The award will be funded from four revolving State-backed bond programs that support institutions of higher education and more specifically, students. The Programs are: the Higher Education Capital Improvement Fund (CIF), the Higher Education Facilities Trust Fund (HEFT), the Higher Education Technology Infrastructure (HETI) Fund, and the Higher Education Equipment Leasing Fund (ELF). The purpose of the Programs is for institutions of higher education to re-imagine spaces to better serve the 21st century students.

The University remains committed to providing the facilities and resources required to meet its educational, research and public service goals, while maintaining long-term financial sustainability. Support for the University's future capital plans is expected to continue to be provided from a combination of sources including the state of New Jersey, external financing, gifts and other sources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2023 and 2022

As mentioned earlier within the Management Discussion and Analysis, on June 30, 2023, Bloomfield College merged with the sub-entity of Montclair named Bloomfield College of Montclair State University. The fiscal year 2024 priorities for Bloomfield are operational integration into the broader University, determining the longer-term strategy and market position of Bloomfield distinct from the Montclair campus, and stabilizing the financial performance. Work is underway on integrating the parallel administrative, academic, and student service functions across the two campuses. This will create positive financial opportunities in economies of scale and in better deploying under-used assets such as vacant student housing on the Bloomfield campus. Academic Affairs will determine the strategy for the market position of Bloomfield relative to both Montclair and other institutions with the goal of defining a unique Bloomfield educational experience and program mix. This distinct Bloomfield value proposition will be the key to the enrollment growth necessary for longer term financial stability. Fall enrollment is expected to be steady from this past spring and provide a baseline for future growth as enrollment management begins recruiting for both campuses.

Additional information concerning the University's financial reports may be found on the website of Montclair State University at www.montclair.edu.

Additional information concerning state budget matters and the state's financial condition may be found on the website of the New Jersey Department of Treasury at www.state.nj.us/treasury.

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

STATEMENT OF NET POSITION
June 30, 2023
(dollars in thousands)

	Business-Type Activities Montclair State University and Bloomfield College of Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 49,236	\$ 2,123	\$ 51,359
Investments	22,741	-	22,741
Assets held under bond indenture agreements	21,417	-	21,417
Restricted cash equivalents	3,280	-	3,280
Receivables:			
Students, less allowance for doubtful accounts of \$3,387	13,616	-	13,616
Loans, less allowance for doubtful loans of \$111	480	-	480
Rent	2,757	-	2,757
Gifts, grants and contracts	12,474	-	12,474
State of New Jersey	3,731	-	3,731
Other receivables	11,041	3,745	14,786
Other current assets	4,226	69	4,295
Total current assets	<u>144,999</u>	<u>5,937</u>	<u>150,936</u>
Noncurrent assets			
Investments	132,207	106,460	238,667
Loans receivable, less allowance for doubtful loans of \$125	394	-	394
Rent receivable	25,685	-	25,685
Capital assets, net	932,142	-	932,142
Other noncurrent assets	1,400	6,605	8,005
Total noncurrent assets	<u>1,091,828</u>	<u>113,065</u>	<u>1,204,893</u>
Total assets	<u>1,236,827</u>	<u>119,002</u>	<u>1,355,829</u>
Deferred outflows of resources			
Deferred amount from debt refundings	1,196	-	1,196
Deferred outflow of capital purchase	4,667	-	4,667
Deferred outflow of pension resources	25,449	-	25,449
Total deferred outflows of resources	<u>31,312</u>	<u>-</u>	<u>31,312</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	48,586	3,719	52,305
Bonds payable and other long-term debt	17,016	-	17,016
Lease liability	3,603	-	3,603
Subscription liability	5,232	-	5,232
Unearned tuition, fees, and deposits	6,904	-	6,904
Unearned revenue from grantors	4,014	-	4,014
Assets held on behalf of others	2,843	-	2,843
Total current liabilities	<u>88,198</u>	<u>3,719</u>	<u>91,917</u>
Noncurrent liabilities			
Bonds payable and other long-term debt	366,953	-	366,953
Lease liability	18,368	-	18,368
Subscription liability	18,475	-	18,475
Compensated absences	2,605	-	2,605
Net pension liability	174,695	-	174,695
Other long term liability	1,401	-	1,401
Total noncurrent liabilities	<u>582,497</u>	<u>-</u>	<u>582,497</u>
Total liabilities	<u>670,695</u>	<u>3,719</u>	<u>674,414</u>
Deferred inflows of resources			
Deferred service concession arrangement	146,869	-	146,869
Deferred inflow of pension resources	27,005	-	27,005
Deferred amount from debt refundings	5,572	-	5,572
Deferred inflow amount from leases	26,553	-	26,553
Total deferred inflows of resources	<u>205,999</u>	<u>-</u>	<u>205,999</u>
Net position			
Net investment in capital assets	322,233	-	322,233
Restricted nonexpendable	13,578	54,950	68,528
Restricted expendable for:			
Scholarships	3,551	2,139	5,690
Loans	911	-	911
Donor designated purpose	1,796	-	1,796
Renewal and replacement	36	-	36
Debt service and debt service reserve	21,381	-	21,381
Other	1,526	44,437	45,963
Unrestricted	26,433	13,758	40,191
Total net position	<u>\$ 391,445</u>	<u>\$ 115,284</u>	<u>\$ 506,729</u>

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

STATEMENT OF NET POSITION
June 30, 2022
(dollars in thousands)

	Business-Type Activities Montclair State University (Restated)	Component Unit Montclair State University Foundation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 69,149	\$ 4,109	\$ 73,258
Investments	16,253	-	16,253
Assets held under bond indenture agreements	21,563	-	21,563
Receivables:			
Students, less allowance for doubtful accounts of \$2,246	9,619	-	9,619
Loans, less allowance for doubtful loans of \$114	704	-	704
Lease	3,180	-	3,180
Gifts, grants and contracts	7,806	-	7,806
State of New Jersey	5,009	-	5,009
Other receivables	9,351	7,581	16,932
Other current assets	3,529	117	3,646
Total current assets	<u>146,163</u>	<u>11,807</u>	<u>157,970</u>
Noncurrent assets			
Investments	80,575	97,393	177,968
Loans receivable, less allowance for doubtful loans of \$179	582	-	582
Lease receivable	22,821	-	22,821
Capital assets, net	890,175	-	890,175
Other noncurrent assets	-	361	361
Total noncurrent assets	<u>994,153</u>	<u>97,754</u>	<u>1,091,907</u>
Total assets	<u>1,140,316</u>	<u>109,561</u>	<u>1,249,877</u>
Deferred outflows of resources			
Deferred amount from debt refundings	1,398	-	1,398
Deferred outflow of capital purchase	4,755	-	4,755
Deferred outflow of pension resources	22,222	-	22,222
Total deferred outflows of resources	<u>28,375</u>	<u>-</u>	<u>28,375</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	45,705	4,798	50,503
Bonds payable and other long-term debt	14,133	-	14,133
Lease liability	3,529	-	3,529
Subscription liability	3,600	-	3,600
Unearned tuition, fees, and deposits	6,797	-	6,797
Unearned revenue from grantors	4,733	-	4,733
Assets held on behalf of others	1,867	-	1,867
Total current liabilities	<u>80,364</u>	<u>4,798</u>	<u>85,162</u>
Noncurrent liabilities			
Bonds payable and other long-term debt	353,576	-	353,576
Lease liability	20,171	-	20,171
Subscription liability	3,572	-	3,572
Compensated absences	2,647	-	2,647
Assets held on behalf of Federal government for loan programs	481	-	481
Net pension liability	170,948	-	170,948
Other long term liability	86	-	86
Total noncurrent liabilities	<u>551,481</u>	<u>-</u>	<u>551,481</u>
Total liabilities	<u>631,845</u>	<u>4,798</u>	<u>636,643</u>
Deferred inflows of resources			
Deferred service concession arrangement	154,212	-	154,212
Deferred inflow of pension resources	41,616	-	41,616
Deferred amount from debt refundings	6,004	-	6,004
Deferred inflow from pandemic related financial assistance	4	-	4
Deferred inflow amount from leases	23,607	-	23,607
Total deferred inflows of resources	<u>225,443</u>	<u>-</u>	<u>225,443</u>
Net position			
Net investment in capital assets	301,414	-	301,414
Restricted nonexpendable	-	53,810	53,810
Restricted expendable for:			
Scholarships	-	2,347	2,347
Loans	869	-	869
Donor designated purpose	755	-	755
Renewal and replacement	72	-	72
Debt service and debt service reserve	21,490	-	21,490
Other	-	39,048	39,048
Unrestricted	(13,197)	9,558	(3,639)
Total net position	<u>\$ 311,403</u>	<u>\$ 104,763</u>	<u>\$ 416,166</u>

Montclair State University
(A Component Unit of the State of New Jersey)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2023
(dollars in thousands)

	Business-Type Activities Montclair State University and Bloomfield College of Montclair State University	Component Unit Montclair State University Foundation	Total
Operating revenues			
Student revenues			
Student tuition and fees	\$ 309,186	\$ -	\$ 309,186
Residence life - room and board	54,449	-	54,449
Less: scholarship allowance	128,851	-	128,851
Net student revenues	234,784	-	234,784
Federal grant and contracts	21,581	-	21,581
State of New Jersey grants and contracts	59,853	-	59,853
Nongovernmental grants and contracts	5,363	-	5,363
Sales and services of educational departments	6,353	-	6,353
Auxiliary enterprises	19,736	-	19,736
Other operating revenues	16,391	14,005	30,396
Total operating revenues	364,061	14,005	378,066
Operating expenses			
Instruction	145,147	-	145,147
Research	28,870	-	28,870
Public service	19,187	-	19,187
Academic support	42,707	-	42,707
Student services	28,824	-	28,824
Institutional support	75,628	12,570	88,198
Operations and maintenance of plant	37,728	-	37,728
Depreciation and amortization	61,242	-	61,242
Student aid	26,785	-	26,785
Residence life and auxiliary enterprises	59,469	-	59,469
Total operating expenses	525,587	12,570	538,157
Operating (loss) income	(161,526)	1,435	(160,091)
Nonoperating revenues (expenses)			
State of New Jersey appropriations	85,421	-	85,421
State of New Jersey paid fringe benefits	43,290	-	43,290
Pell grants	48,095	-	48,095
Pandemic related financial assistance	18,198	-	18,198
State paid other postemployment health benefits	(8,934)	-	(8,934)
Gifts and non-exchange grants	6,748	-	6,748
Gain on government combination	58,196	-	58,196
Unrealized and realized losses on investment securities	(2,692)	-	(2,692)
Investment income, net of investment expenses of \$316	6,334	9,086	15,420
Interest on indebtedness	(18,131)	-	(18,131)
Administrative costs	(161)	-	(161)
Other nonoperating revenues	4,690	-	4,690
Net nonoperating revenues	241,054	9,086	250,140
Income before other revenues	79,528	10,521	90,049
Capital gifts and grants	514	-	514
INCREASE IN NET POSITION	80,042	10,521	90,563
Net position			
Beginning of year	311,403	104,763	416,166
End of year	\$ 391,445	\$ 115,284	\$ 506,729

Montclair State University
(A Component Unit of the State of New Jersey)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2022
(dollars in thousands)

	Business-Type Activities Montclair State University (Restated)	Component Unit Montclair State University Foundation	Total
Operating revenues			
Student revenues			
Student tuition and fees	\$ 256,768	\$ -	\$ 256,768
Residence life - room and board	43,725	-	43,725
Less scholarship allowance	85,970	-	85,970
Net student revenues	214,523	-	214,523
Federal grant and contracts	16,240	-	16,240
State of New Jersey grants and contracts	49,240	-	49,240
Nongovernmental grants and contracts	3,714	-	3,714
Sales and services of educational departments	6,296	-	6,296
Auxiliary enterprises	20,237	-	20,237
Other operating revenues	15,026	11,994	27,020
Total operating revenues	325,276	11,994	337,270
Operating expenses			
Instruction	140,219	-	140,219
Research	19,667	-	19,667
Public service	17,567	-	17,567
Academic support	35,582	-	35,582
Student services	20,159	-	20,159
Institutional support	52,209	10,459	62,668
Operations and maintenance of plant	33,666	-	33,666
Depreciation and amortization	59,058	-	59,058
Student aid	62,950	-	62,950
Residence life and auxiliary enterprises	53,066	-	53,066
Total operating expense	494,143	10,459	504,602
Operating (loss) income	(168,867)	1,535	(167,332)
Nonoperating revenues (expenses)			
State of New Jersey appropriations	63,301	-	63,301
State of New Jersey paid fringe benefits	41,483	-	41,483
Pell grants	38,713	-	38,713
Pandemic related financial assistance	62,653	-	62,653
State paid other postemployment health benefits	4,271	-	4,271
Gifts and non-exchange grants	3,886	-	3,886
Unrealized and realized losses on investment securities	(3,561)	-	(3,561)
Investment income, net of investment expenses of \$184	803	(5,623)	(4,820)
Interest on indebtedness	(17,231)	-	(17,231)
Administrative costs	(166)	-	(166)
Gain on disposal of capital assets	9	-	9
Other nonoperating revenues	1,160	-	1,160
Net nonoperating revenues	195,321	(5,623)	189,698
Income before other revenues	26,454	(4,088)	22,366
Capital gifts and grants	253	-	253
INCREASE (DECREASE) IN NET POSITION	26,707	(4,088)	22,619
Net position			
Beginning of year	284,696	108,851	393,547
End of year	<u>\$ 311,403</u>	<u>\$ 104,763</u>	<u>\$ 416,166</u>

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

STATEMENT OF CASH FLOWS

June 30, 2023
(dollars in thousands)

	Business-Type Activities Montclair State University and Bloomfield College of Montclair State University
Cash flows from operating activities:	
Student tuition and fees	\$ 170,880
Grants and contracts	88,270
Payments for salaries	(263,697)
Payments for fringe benefits	(35,794)
Payments to suppliers	(97,168)
Payments for utilities	(23,209)
Payments for student aid	(28,114)
Loans issued to students	69
Collection of loans from students	346
Auxiliary enterprises charges:	
Residence life	52,929
Other	19,714
Sales and services of educational departments	6,353
Other receipts	13,999
Net cash used in operating activities	<u>(95,422)</u>
Cash flows from noncapital financing activities:	
State of New Jersey appropriations	90,443
Pell grants	48,202
Pandemic related Financial Assistance	18,194
Gifts and non-exchange grants	8,008
Student organization agency transactions	977
Other receipts	4,690
Net cash from noncapital financing activities	<u>170,514</u>
Cash flows from capital financing activities:	
Capital gifts and grants	514
Principal paid on capital debt	(15,675)
Interest paid on capital debt	(19,498)
Purchases of capital assets	(31,435)
Administrative costs	41
Change in deposits held by bond trustees	145
Net cash used in capital financing activities	<u>(65,908)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	6,662,607
Proceeds from government combination	14,162
Purchases of investments	(6,711,246)
Interest on investments	8,660
Net cash used in investing activities	<u>(25,817)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>(16,633)</u>
Cash and cash equivalents and restricted cash:	
Beginning of year	<u>69,149</u>
End of year	<u><u>\$ 52,516</u></u>

Montclair State University
(A Component Unit of the State of New Jersey)
STATEMENT OF CASH FLOWS - CONTINUED
June 30, 2023
(dollars in thousands)

	Business-Type Activities Montclair State University and Bloomfield College of Montclair State University
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (161,526)
Adjustments to reconcile operating loss to net cash used in operating activities:	
State of New Jersey paid fringe benefits	39,546
State paid other postemployment health benefits	(8,934)
Depreciation and amortization expense	61,242
Provision for bad debts	457
Net unrealized and unrealized losses (gains) on investments	(1,704)
Changes in assets and liabilities:	
Student receivables	(4,192)
Loans receivables	416
Lease receivables	505
Grants receivables	(3,623)
Other receivables	(2,225)
Other current assets	(194)
Accounts payable and accrued expenses	1,077
Unearned tuition, fees and deposits	(490)
Unearned revenue from grantors	(719)
Compensated absences - noncurrent portion	(42)
Accrued retirement benefit obligation	(444)
Assets held on behalf of Federal government for loan programs	(481)
Net pension liability	(14,091)
	<hr/>
Net cash used in operating activities	\$ <u>(95,422)</u>

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

STATEMENT OF CASH FLOWS

June 30, 2022
(dollars in thousands)

	Business-Type Activities Montclair State University (Restated)
Cash flows from operating activities:	
Student tuition and fees	\$ 174,818
Grants and contracts	69,745
Payments for salaries	(223,880)
Payments for fringe benefits	(30,343)
Payments to suppliers	(70,687)
Payments for utilities	(19,072)
Payments for student aid	(62,951)
Loans issued to students	64
Collection of loans from students	476
Auxiliary enterprises charges:	
Residence life	43,316
Other	20,237
Sales and services of educational departments	6,296
Other receipts	10,819
Net cash used in operating activities	<u>(81,162)</u>
Cash flows from noncapital financing activities:	
State of New Jersey appropriations	70,039
Pell grants	38,713
Pandemic related Financial Assistance	62,655
Gifts and non-exchange grants	3,886
Student organization agency transactions	(378)
Other receipts	1,160
Net cash from noncapital financing activities	<u>176,075</u>
Cash flows from capital financing activities:	
Capital gifts and grants	253
Principal paid on capital debt	(19,731)
Interest paid on capital debt	(18,012)
Purchases of capital assets	(36,151)
Gain on disposal of capital assets	9
Administrative costs	124
Change in deposits held by bond trustees	1,669
Net cash used in capital financing activities	<u>(71,839)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	3,144,030
Purchases of investments	(3,169,163)
Interest on investments	4,309
Net cash used in investing activities	<u>(20,824)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,250</u>
Cash and cash equivalents:	
Beginning of year	66,899
End of year	<u><u>\$ 69,149</u></u>

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

STATEMENT OF CASH FLOWS - CONTINUED

June 30, 2022
(dollars in thousands)

	Business-Type Activities Montclair State University (Restated)
	<hr/>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (168,867)
Adjustments to reconcile operating loss to net cash used by operating activities	
State of New Jersey paid fringe benefits	33,723
State paid other postemployment health benefits	4,271
Depreciation and amortization expense	59,057
Provision for bad debts	(2,800)
Changes in assets and liabilities:	
Student receivables	6,652
Loans receivables	540
Lease receivables	(1,030)
Grants receivables	924
Other receivables	(3,009)
Other current assets	(883)
Accounts payable and accrued expenses	5,928
Unearned tuition, fees and deposits	(241)
Unearned revenue from grantors	265
Compensated absences - noncurrent portion	70
Assets held on behalf of Federal government for loan programs	(638)
Net pension liability	(15,124)
	<hr/>
Net cash used in operating activities	<u><u>\$ (81,162)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION

Montclair State University (Montclair), established in 1908, has been a leading institution of higher education in New Jersey and is committed to serving the educational needs of the State of New Jersey (the State). Its programs are characterized by academic rigor and advancement in the development of knowledge and its applications. As a result of this commitment, Montclair established a sole member not-for-profit entity named Bloomfield College of Montclair State University (Bloomfield) on March 2, 2023. The purpose of this entity was to be the surviving entity in a merger with Bloomfield College, a private not-for-profit 501(c)(3) organization. The merger between Bloomfield and Bloomfield College was made possible by legislation codified at L.2023, c.65, and was successfully completed on June 30, 2023, marking a significant milestone in their collaborative journey. Bloomfield is recognized as a public entity by the NJ Office of the Secretary of Higher Education and is governed by a Board of four directors.

Bloomfield College, founded in 1868, was New Jersey's only institution of higher education designated by the United States Department of Education as a Predominantly Black, Hispanic-serving, and minority serving institution. Bloomfield College served a diverse population and prepared students for success in a multicultural and global society. While the entity referred to as Bloomfield College is no longer in existence following the merger, Bloomfield College of Montclair State University will continue to operate and serve these same communities.

Situated on a 264-acre suburban campus, Montclair and Bloomfield (collectively, the University) delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment. Montclair is designated as a Research Doctoral University by the Carnegie Classification of Institutions of Higher Education and classified by the New Jersey Secretary of Higher Education as a doctoral degree-granting institution. The University has ten degree-granting colleges and schools that serve more than 22,000 undergraduate and graduate students. The University has more than 300 doctoral, master's, and baccalaureate level programs.

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 devices 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. As 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. Accordingly, the Foundation's statement of net position and statement of revenues, expenses and changes in net position are included in the University's financial statements using a discrete presentation. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

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 a component unit of the State for financial reporting purposes.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting policies of the University conform to accounting principles generally accepted in the United States of America (U.S. GAAP) 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 Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* 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.
- *Unrestricted*: Net position not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the 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 the financial statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banking institutions and highly liquid short-term investment securities held in the State of New Jersey Cash Management Fund (CMF) and other investment accounts, 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.

Assets Held Under Bond Indenture Agreements

Assets held under bond indenture agreements are recorded in the financial statements at fair value, which is based on quoted market price and consist of money market funds.

Restricted Cash Equivalents

In March 2023, the Department of Education (DOE) determined that Bloomfield College failed to meet the financial responsibility standards set by the DOE. Bloomfield College was allowed to continue to participate in the Title IV, HEA programs by choosing to supply the DOE a Provisional Certification Alternative in the amount of \$3.1 million. This amount represents 25% of the Title IV, HEA program funds received by Bloomfield College during its most recently completed fiscal year. Bloomfield College obtained a secured letter of credit from Provident Bank in the amount of \$3.1 million, which is secured by a money market account totaling \$3.3 million as of June 30, 2023, and is included as restricted cash equivalents in the accompanying statement of net position. As a result of the merger, restricted cash and secured letter of credit is disclosed by Bloomfield.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statements of financial position that sum to the same such totals shown in the statements of cash flows:

	2023	2022
Cash and cash equivalents	\$ 49,236	\$ 69,149
Restricted cash equivalents	3,280	-
Total cash, cash equivalents and restricted cash equivalents	<u>\$ 52,516</u>	<u>\$ 69,149</u>

Receivables

Student receivables consist of tuition and fees charged to current and former students. State of New Jersey receivables, grants and contracts receivables are amounts due from federal and state governments in connection with reimbursement of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources. Loans receivables consist of funds loaned to students under federal loan programs. Leases receivables consist of the present value of leases receipts expected during the lease term. Other receivables consist of employee receivables and a variety of billings ranging from clinical services, fee for service arrangements, and auxiliary enterprise contracts.

Receivables are reported at net realizable value. Student Receivables which are past due twelve months are reserved for at 50% and those past due twenty-four months are reserved at 100%. Grants and Contracts

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Receivables, Leases Receivables and Other Receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful grants and contracts leases and other receivables is estimated based upon management's evaluation and periodic review of individual accounts.

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 right of use assets and are recorded as capital assets.

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

	<u>Useful Lives</u>
Buildings	50 years
Building improvements	20 years
Right of use buildings	4 - 22 years
Infrastructure	25 years
Land improvements	10 - 25 years
Equipment and vehicles	3 - 10 years
Right of use equipment	2 - 4 years
Furniture and fixtures	10 years
Leasehold improvements	5 years
Software and licenses	3 years
Subscription agreements	2 - 10 years

The University owns works of art and other collectibles valued at approximately \$3.9 million as of June 30, 2023 and June 30, 2022. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

Assets Held on Behalf of Others

The University holds cash and cash equivalents as custodian for the benefit of students or student organizations. A majority of the assets held on behalf of others relate to Red Hawk dollars. The Red Hawk dollars program is a prepaid debit account allowing the University community to purchase goods or services on campus or off campus where red hawk dollars are accepted. Funds carry over semester to semester, year to year, up until withdrawal or graduation, and remaining funds over \$5 are refunded. Amounts related to the Red Hawk dollars program amounted to \$1.3 million and \$1.2 million as of June 30, 2023 and 2022, respectively.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets that is applicable to a future reporting period.

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

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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 11 for the University's breakdown of these items.

Deferred outflows and inflows of resources include gains and losses resulting from the refinancing of debt, which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

Deferred outflows of resources also include capital investment fund repayments funded by contractor.

Deferred inflows relate to service concession agreements and rent receivables. Deferred inflows from rent relate to the rent receivable and amounts are deferred and amortized to lease revenue in a systematic and rational manner over the term of the lease.

Leases

The University is a lessor for noncancelable leases of buildings, sites, and land. The University recognizes a rent receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the University initially measures the rent receivable at the present value of payments expected to be received during the lease term. Subsequently, the rent receivable is reduced by the principal portion of payments received. The deferred inflow of resources is initially measured as the initial amount of the rent receivable, adjusted for payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments to lessor accounting:

Discount Rate	The University uses the lessee's estimated borrowing rate as the discount rate to discount the expected lease receipts to present value. The estimated borrowing rate is determined by assessing the credit worthiness of the lessee based on their Moody's rating on public debt. A credit spread is determined based on such rating along with comparables, market factors and other factors starting with the U.S. Treasury rate. For lessees without a Moody's rating, a non-investment grade (Ba1/Ba2) is used to develop the credit spread.
Lease Term	The lease term includes the non-cancellable period of the lease.
Lease Payments	Cash receipts included in the measurement of the rent receivable are composed of fixed payments from the lessee and any payment renewal option that the University is reasonably certain to exercise.

The University is a lessee for noncancelable leases of buildings and equipment. The University recognizes a lease liability and an intangible right-to-use lease asset, included within capital assets, net, in the accompanying statements of net position. At commencement of a lease, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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Key estimates and judgements to lessee accounting include:

Discount Rate	The University uses the lessor's implicit interest rate as the discount rate to discount the expected lease payments to the present value. When the interest rate is not provided, the University uses its estimated incremental borrowing rate as the discount rate for leases.
Lease Term	The lease term includes the non-cancellable period of the lease.
Lease Payments	Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the University is reasonably certain to exercise.

Operating leases with a term of 12 months or less are not recorded on the statement of net position and are expensed. Right-of-use-assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the right-of-use asset and is included in depreciation and amortization expense in the statement of revenues, expenses, and changes in net position. The interest expense related to leases is recognized using the effective interest method based on the discount rate determined at lease commencement and is included within interest on indebtedness in the statement of revenues, expenses and changes in net position.

The University monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the rent receivable and deferred inflows of resources where the University is a lessor and lease assets and liability where the University is a lessee if certain changes occur that are expected to significantly affect the amount of the rent receivable or lease liability.

Subscription Based Information Technology Arrangements (SBITAs)

The University is a party to noncancelable subscription-based information technology agreements that convey the right to use a vendor's IT software. The University recognizes a subscription liability and an intangible right-to-use subscription asset, included within capital assets, net, in the accompanying statements of net position. At commencement of the agreement, the University initially measures the agreement liability at the present value of payments expected to be made during the agreement term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for the payments made at or before the commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life which corresponds to the agreement term.

Key estimates and judgements to subscription accounting include:

Discount Rate	The University uses its estimated incremental borrowing rate as the discount rate to discount expected subscription payments to the present value.
Subscription Term	The subscription term is the period during which the University has a noncancelable right to use the vendor's IT software alone or in combination with the underlying IT assets.
Subscription Payments	Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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Subscription agreements with a term of 12 months or less are not recorded on the statement of net position and are expensed. Subscription assets are amortized on a straight-line basis over the subscription term and is included in depreciation and amortization expense in the statement of revenues, expenses, and changes in net position. The interest expense related to subscriptions is recognized using the effective interest method based on the discount rate determined at subscription commencement and is included within interest on indebtedness in the statement of revenues, expenses and changes in net position.

The University monitors changes in circumstances that would require a remeasurement of its agreements and will remeasure subscription assets and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, and bad debt expense (recovery) of \$1.1 million and \$(446) thousand for the years ended June 30, 2023 and 2022, respectively. Other payments made directly to students are presented as student aid and are recognized in the period earned. Student tuition, fees, and deposits collected in advance of the academic year are recorded as unearned tuition, fees, and deposits in the accompanying financial statements, and totaled \$6.9 million and \$6.8 million as of June 30, 2023 and June 30, 2022, respectively. Unearned revenue includes summer session activity for July and August which will be recognized as revenue in the following fiscal year. Unearned summer revenue totaled \$1.4 million as of June 30, 2023 and \$3.2 million as of June 30, 2022, respectively.

Grants and contracts revenue consists mainly of funding received from Federal and State governments, and other nongovernmental sources 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 unearned revenue from grantors in the accompanying financial statements and totaled \$4.0 million and \$4.7 million as of June 30, 2023 and June 30, 2022, respectively.

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 is 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. See Note 16 - Service Concession Arrangement for Student Residence Hall Facility for more details.

Revenue from State appropriations is recognized in the fiscal year during which the State appropriates the funds to the University. The University is fiscally dependent upon these appropriations.

Scholarship Allowance

Scholarship allowances are the difference between the stated charge for tuition and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship allowance.

Classification of Revenue and Expense

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

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contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions and financial assistance, such as operating and capital appropriations from the State, Pell grants, Pandemic related financial assistance, and net investment income and gifts and non-exchange grants.

Interest expense is reported as a non-operating activity.

Tax Status

Montclair is exempt from Federal income taxes under Section 115 of the Internal Revenue Code. Its unrelated activities are subject to taxation under Section 512. Any required provision for UBIT is recorded in the financial statement and reported on Montclair's Federal Form 990-T. Bloomfield is exempt from Federal income taxes under the Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for Federal income taxes. Bloomfield is subject to the accounting standard for uncertain tax positions and has determined that no liabilities are required to be recorded for uncertain tax positions. Bloomfield is subject to file Federal Form 990. The Foundation is subject to the accounting standard for uncertain tax positions and has determined that no liabilities are required to be recorded for uncertain tax positions. The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2019.

Accounting Pronouncements

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, in March 2020, effective for the University's fiscal year beginning July 1, 2022. The primary objective of this statement is to improve financial reporting regarding public-private and public-public partnerships (PPPs). A PPP is an arrangement in which a government entity contracts with an operator to provide public services by conveying control of the right to use a non-financial asset, such as infrastructure or land. PPPs are accounted for using the same basic principles established in GASB No. 87, *Leases*, where the underlying PPP asset is reported, a receivable is recorded at present value, and deferred inflow of resources are recognized. Management has determined no impact of the Statement on the financial statements.

The GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has determined no impact of the Statement on the financial statements.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

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The GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

Reclassification

Certain prior year amounts related to GASB 96 adoption and other amounts were reclassified to conform with the current year presentation.

Restatement

In fiscal year 2023, the University adopted GASB 96 *Subscription based information technology arrangements* with retrospective application. As a result, the following restatements were made to the University's financial statements (dollars in thousands):

	As Previously Reported	Adjustment	Restated
For the year ended June 20, 2022			
Total operating expenses	\$ 494,176	\$ (33)	\$ 494,143
Operating loss	(168,900)	33	(168,867)
Interest expense	17,178	53	17,231
Nonoperating income	195,374	(53)	195,321
Increase in net position	26,727	(20)	26,707
As of June 30, 2022			
Capital assets, net	\$ 883,023	\$ 7,152	\$ 890,175
Subscription liability	-	7,172	7,172
Net investments in capital assets	301,434	(20)	301,414
Total net position	311,423	(20)	311,403

Subsequent Events

The University has reviewed and evaluated all events and transactions from June 30, 2023 through February 8, 2024, the date that the financial statements are available to be issued. Except as disclosed in Note 24, the University is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been disclosed in the accompanying financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS, INVESTMENTS, AND ASSETS HELD UNDER BOND INDENTURE AGREEMENTS

The University has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash and cash equivalents, assets held under bond indenture agreements and investments.

Statutes of the State 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;

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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 statutes and regulations based on such things as minimum capital, dividend paying history, credit history, and other evaluation factors.

Custodial Credit Risk

The University is exposed to custodial credit risk, which is the risk that in the event of a bank or counterparty failure, the University may not be able to recover deposits or the value of its investments held by such parties. To protect bank deposits that are in excess of Federal Deposit Insurance Corporation coverage limits, the University entered into collateral management agreements with JP Morgan and Bank of America. The agreements secure the uninsured portion of deposits held at JP Morgan and Bank of America. As of June 30, 2023 and 2022, cash and cash equivalents were held by depositories and amounted to \$29.8 million and \$40.1 million, respectively.

As of June 30, 2023 and 2022, \$250,000 was FDIC insured at each bank and \$29.5 million and \$39.6 million, respectively, was collateralized with securities according to the agreements.

The University participates in the CMF 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, 2023 and 2022 was \$4.0 million and \$32.6 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes. The Fund is unrated.

For funds held in the University's investment account, the 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 Bank of America Merrill Lynch AAA rated U.S. Treasuries/Agencies 1-3 Year Index. The final maturity of each security within the portfolio shall not exceed seven years, with the exception that for U.S. Treasury securities where the final maturity shall not exceed 7.1 years.

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As of June 30, 2023, the University had the following investments and maturities (dollars in thousands):

Investment Type	2023 Maturities (in years)			
	Fair Value	Less than 1	1-5	Greater than 5
U.S. Treasury Bonds	\$ 93,286	\$ -	\$ 92,644	\$ 642
Agency Bonds	11,044	3	10,958	83
Municipal Bonds	95	-	5	90
Corporate Bonds	26,841	5,170	20,072	1,599
Mortgage Securities	690	20	111	559
Asset Based Securities	10,960	-	10,960	-
Mutual Funds:				
US equities	5,371	5,371	-	-
International equities	3,449	3,449	-	-
Money market funds	1,722	1,722	-	-
Other fixed income securities	1,490	1,490	-	-
Total	<u>\$ 154,948</u>	<u>\$ 17,225</u>	<u>\$ 134,750</u>	<u>\$ 2,973</u>

As of June 30, 2022, the University had the following investments and maturities (dollars in thousands):

Investment Type	2022 Maturities (in years)			
	Fair Value	Less than 1	1-5	Greater than 5
U.S. Treasury Bonds	\$ 64,574	\$ -	\$ 64,574	\$ -
Municipal Bonds	500	-	-	500
Corporate Bonds	28,220	9,595	18,625	-
Asset Based Securities	536	-	536	-
Other fixed income securities	2,998	-	2,998	-
Total	<u>\$ 96,828</u>	<u>\$ 9,595</u>	<u>\$ 86,733</u>	<u>\$ 500</u>

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 (NJEFA or the Authority). As of June 30, 2023 and June 30, 2022, investments were in money market funds of \$21.4 million and \$21.6 million, respectively, all maturing within one year.

Credit Risk

Securities must be rated A- 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 the A- threshold and remain investment grade, the investment manager(s) may continue to hold up to 5% of the portfolio in these securities.

Temporary cash balances may be invested in a money market instruments (A-1/P-1 or better).

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The following table summarizes Moody's and related Standard & Poor's agency ratings and of the University's investments at fair value as of June 30, 2023 and 2022 (in thousands):

Investment Type	Moody's Rating	S&P Rating	2023	2022
U.S. Treasury Bonds	AAA	AAA	\$ 89,387	\$ 41,548
U.S. Treasury Bonds	AA1	AA+	4,678	23,026
Agency Bonds	AAA	AAA	10,850	-
Municipal Bonds	A3	A-	-	500
Corporate Bonds	AAA	AAA	-	1,499
Corporate Bonds	AA2	AA	1,352	2,084
Corporate Bonds	AA3	AA-	448	460
Corporate Bonds	A1	A+	9,126	7,364
Corporate Bonds	A2	A	9,722	9,364
Corporate Bonds	A3	A-	4,887	7,449
Corporate Bonds	BAA2	BBB	1,504	-
Asset Backed Securities	AAA	AAA	10,960	535
Other fixed income securities	AA2	AA	1,490	-
Other fixed income securities	AA3	AA-	-	1,506
Other fixed income securities	A1	A+	-	1,493
Not rated			10,544	-
			<u>\$ 154,948</u>	<u>\$ 96,828</u>

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 real estate mortgage investment conduits, 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 money market funds.

Assets held under bond indenture agreements are maintained for the following (dollars in thousands):

	2023	2022
Project and construction fund	\$ 35	\$ 70
Debt service fund for principal and interest	21,381	21,490
Rental pledge	1	3
Assets held under bond indenture agreements	<u>\$ 21,417</u>	<u>\$ 21,563</u>

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Fair Value Measurement

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

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

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

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

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

- U.S. treasuries and agencies are valued at quoted price reported on the active market.
- Municipal bonds, corporate bonds, mortgage securities, asset backed securities and other fixed income securities are valued using prices based on bid evaluations or quoted prices in an inactive market.
- Money market funds are recorded at the quoted price which approximates fair value.

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As of June 30, 2023 and 2022 the University's investments and assets held under bond indenture are summarized in the following table by their fair value hierarchy (dollars in thousands):

Type	Total	2023		
		Level 1	Level 2	Level 3
Investments				
U.S. Treasuries	\$ 93,301	\$ 93,301	\$ -	\$ -
Agency bonds	11,008	11,008	-	-
Corporate bonds	26,837	3,131	23,706	-
Mortgage securities	629	629	-	-
Asset backed securities	11,020	60	10,960	-
Mutual funds				
US equities	5,371	5,371	-	-
International equities	3,449	3,449	-	-
Money market funds	1,722	1,722	-	-
Other fixed income securities	1,611	121	1,490	-
Total investments	<u>\$ 154,948</u>	<u>\$ 118,792</u>	<u>\$ 36,156</u>	<u>\$ -</u>
Assets held under bond indenture				
Money market funds	\$ 21,417	\$ 21,417	\$ -	\$ -
Total assets held under bond indenture	<u>\$ 21,417</u>	<u>\$ 21,417</u>	<u>\$ -</u>	<u>\$ -</u>
Type	Total	2022		
		Level 1	Level 2	Level 3
Investments				
U.S. treasuries	\$ 64,574	\$ 64,574	\$ -	\$ -
Municipal bonds	500	-	500	-
Corporate bonds	28,220	-	28,220	-
Asset backed securities	536	-	536	-
Other fixed income securities	2,998	-	2,998	-
Total investments	<u>\$ 96,828</u>	<u>\$ 64,574</u>	<u>\$ 32,254</u>	<u>\$ -</u>
Assets held under bond indenture				
Money market funds	\$ 21,563	\$ 21,563	\$ -	\$ -
Total assets held under bond indenture	<u>\$ 21,563</u>	<u>\$ 21,563</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 4 - RENT RECEIVABLE

Rent receivable and related deferred inflows of resources totaled \$28.4 million and \$26.6 million, respectively, at June 30, 2023, and \$26.0 million and \$23.6 million, respectively, at June 30, 2022. In 2023, the University reported rent revenue of \$791 thousand and interest revenue of \$980 thousand. The rent revenue and interest revenue were \$800 thousand and \$966 thousand, respectively, in 2022.

The receivable balances for each lease as of June 30, 2023 and 2022 were as follows (dollars in thousands):

Description	2023			
	Receivable	Deferred Inflows of Resources	Rent Revenue	Interest Revenue
Cell Towers	\$ 7,296	\$ 7,290	\$ 135	\$ 202
CHCP Plant	2,645	2,645	92	107
Heights Ground Lease	17,912	16,040	408	641
Ice Arena Space	515	515	85	24
Yogi Berra Stadium	-	-	15	2
35 Clove Road Lot	74	63	56	4
	<u>\$ 28,442</u>	<u>\$ 26,553</u>	<u>\$ 791</u>	<u>\$ 980</u>
Description	2022			
	Receivable	Deferred Inflows of Resources	Rent Revenue	Interest Revenue
Cell Towers	\$ 3,697	\$ 3,687	\$ 128	\$ 151
CHCP Plant	2,738	2,738	81	111
Heights Ground Lease	18,821	16,447	372	656
Ice Arena Space	602	601	79	28
Yogi Berra Stadium	23	15	86	14
35 Clove Road Lot	120	120	54	6
	<u>\$ 26,001</u>	<u>\$ 23,608</u>	<u>\$ 800</u>	<u>\$ 966</u>

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Description	Lease Agreement Terms
Cell Towers	The University entered into four lease agreements with various telecommunications companies for the right of use of the cell towers for periods ranging from three to ten years with annual increases of 3%. The agreements include one to five renewal options for an additional three to five year periods which have been accounted for. Based on the agreements, the University receives monthly payments through February 2053.
CHCP Plant	On May 16, 2012, the University entered into a lease agreement for the right of use of the Combined Heating, Cooling, and Power (CHCP) Plant for a thirty-year period. The agreement has one renewal option for an additional five year period which has not been included as it is not reasonably certain that it will be exercised. Based on the agreement, the University receives monthly payments through April 2042.
Heights Ground Lease	On June 1, 2010, the University entered into a lease agreement commencing on December 1, 2011 for the right of use of the Student Housing & Dining Facility for a forty-year period. The agreement does not have a renewal option. Based on the agreement, the University receives monthly payments through June 2042.
Ice Arena Space	The University entered into lease agreements for the right of use of the ice arena space for periods ranging from five to ten years. The agreements have a renewal option of an additional five years and annual increases of up to 3% which the university anticipates renewing. Based on the agreements, the University receives monthly payments through December 2028.
Yogi Berra Stadium	In July 2017, the University entered into a multi-year lease agreement beginning November 1, 2017 and ending on October 2025 for the right of use of the stadium space. Based on the agreement, the University receives monthly payments. The lease agreement was terminated on September 1, 2022.
35 Clove Road Lot	In April 2016, the University extended the term of the lease agreement for a five-year period beginning on August 1, 2019, for the right of use of the lot. Based on the agreement, the University receives monthly payments through July 2024. There are no additional options to extend the lease term beyond July 2024.

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Future minimum receipts on the University's rent receivables as of June 30, 2023 are as follows (dollars in thousands):

<u>Years ending June 30:</u>	
2024	\$ 2,757
2025	881
2026	946
2027	1,000
2028	<u>1,057</u>
2024 - 2028 subtotal	6,641
2029-2033	6,107
2034-2038	8,078
2039-2043	5,997
2044-2048	739
2049-2053	<u>880</u>
	<u>\$ 28,442</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is comprised of the following (dollars in thousands):

	2023			
	Beginning Balance	Additions and Other Increases	Dispositions and Other Decreases	Ending Balance
Capital assets being depreciated/amortized:				
Infrastructure	\$ 46,965	\$ 5	\$ -	\$ 46,970
Buildings and improvements	1,109,660	106,405	-	1,216,065
Right of use leased buildings	28,355	586	-	28,941
Equipment	284,446	33,453	-	317,899
Right of use leased equipment	1,197	4,380	-	5,577
Subscription agreements	11,401	21,938	-	33,339
Other	37,193	828	-	38,021
Total capital assets being depreciated/amortized	1,519,217	167,595	-	1,686,812
Less: accumulated depreciation/amortization on:				
Infrastructure	29,043	1,723	-	30,766
Buildings and improvements	386,629	75,497	-	462,126
Right of use leased buildings	6,010	3,591	-	9,601
Equipment	232,691	31,925	-	264,616
Right of use leased equipment	862	2,801	-	3,663
Subscription agreements	4,248	5,602	-	9,850
Other	26,163	741	-	26,904
Total accumulated depreciation/amortization	685,646	121,880	-	807,526
Depreciable/amortizable assets, net	833,571	45,715	-	879,286
Nondepreciable assets:				
Land	37,821	3,327	-	41,148
Construction in progress	18,783	14,756	(21,831)	11,708
Total nondepreciable assets	56,604	18,083	(21,831)	52,856
Total capital assets, net	\$ 890,175	\$ 63,798	\$ (21,831)	\$ 932,142

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June 30, 2023 and 2022

Capital asset activity for the year ended June 30, 2022 is comprised of the following (dollars in thousands):

	2022 (Restated)			
	Beginning Balance	Additions and Other Increases	Dispositions and Other Decreases	Ending Balance
Capital assets being depreciated/amortized:				
Infrastructure	\$ 46,456	\$ 509	\$ -	\$ 46,965
Buildings and improvements	1,096,585	13,075	-	1,109,660
Right of use leased buildings	28,355	-	-	28,355
Equipment	277,879	6,673	(106)	284,446
Right of use leased equipment	1,197	-	-	1,197
Subscription agreements	-	11,401	-	11,401
Other	36,529	664	-	37,193
Total capital assets being depreciated/amortized	1,487,001	32,322	(106)	1,519,217
Less: accumulated depreciation/amortization on:				
Infrastructure	27,330	1,713	-	29,043
Buildings and improvements	357,522	29,107	-	386,629
Right of use leased buildings	3,005	3,005	-	6,010
Equipment	213,778	19,019	(106)	232,691
Right of use leased equipment	431	431	-	862
Subscription agreements	-	4,248	-	4,248
Other	24,629	1,534	-	26,163
Total accumulated depreciation/amortization	626,695	59,057	(106)	685,646
Depreciable/amortizable assets, net	860,306	(26,735)	-	833,571
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	18,870	21,288	(21,375)	18,783
Total nondepreciable assets	56,691	21,288	(21,375)	56,605
Total capital assets, net	\$ 916,997	\$ (5,447)	\$ (21,375)	\$ 890,175

Estimated costs to complete the projects classified as construction in progress as of June 30, 2023 and 2022 approximated \$43.3 million and \$30.2 million, respectively, and are expected to be funded from unrestricted resources, State grants and contracts and NJEFA bonds.

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June 30, 2023 and 2022

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2023 and 2022, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2023	2022
Vendors	\$ 16,383	\$ 12,828
Capital projects	2,781	3,183
Employees	13,386	13,354
Interest payable	8,361	8,680
Compensated absences	7,675	7,660
	<u>\$ 48,586</u>	<u>\$ 45,705</u>

NOTE 7 - BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds Payable

The Board of Trustees of the University, the New Jersey Board of Higher Education and the Authority have entered into various agreements whereby, although legal title remains with the State, the University is given use of buildings, improvements and equipment through enabling legislation and the University agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. 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, 2023 and 2022 (dollars in thousands):

	Interest Rates %	2023	2022
New Jersey Educational Facilities Authority			
Revenue Bonds:			
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	\$ 160,000	\$ 165,125
Series 2015 D Revenue Bonds, due serially to 2036	3.75 - 5.00	66,685	69,520
Series 2016 B Revenue Bonds, due serially to 2038	3.00 - 5.00	111,170	116,020
Private Placement Bond, due May 1, 2043	3.76 - 6.56	26,234	-
Bonds payable		364,089	350,665
Plus: Bond premium		12,848	13,893
Total bonds payable		<u>\$ 376,937</u>	<u>\$ 364,558</u>

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June 30, 2023 and 2022

Other Long-Term Debt

The following other long-term debt was outstanding as of June 30, 2023 and 2022 (dollars in thousands):

	<u>Interest Rates %</u>	<u>2023</u>	<u>2022</u>
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25	\$ -	\$ 45
Series 2016 A Higher Education Capital Improvement Fund, due serially to 2022	2.25 - 2.51	-	971
Series 2016 B Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.50	1,827	1,917
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	-	105
New Jersey Environmental Infrastructure due serially to 2022	3.00 - 5.25	-	71
2014 Higher Education Equipment Leasing Fund Program 032-10 due 2023	5.00	-	21
2014 Higher Education Equipment Leasing Fund Program 032-11 due 2023	5.00	-	21
Commercial Mortgage Loan due December 31, 2023	5.50	2,297	-
Commercial Mortgage Loan due January 1, 2036	5.88	2,517	-
Higher Education Capital Improvement Fund due serially to 2037	3.00 - 5.00	391	-
		<u>\$ 7,032</u>	<u>\$ 3,151</u>
Total other long-term debt			

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, 2023 (dollars in thousands):

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest and Fees</u>
2024	\$ 17,016	\$ 18,210
2025	16,207	17,410
2026	16,995	16,575
2027	17,881	15,697
2028	18,735	14,649
	<u>86,834</u>	<u>82,541</u>
2024 - 2028 Subtotal		
2029 – 2033	111,140	57,726
2034 – 2038	86,213	33,083
2039 – 2043	71,526	14,579
2044 – 2045	28,256	722
	<u>\$ 383,969</u>	<u>\$ 188,651</u>

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June 30, 2023 and 2022

JP Morgan Chase Bank \$20 Million Revolving Line of Credit

The University had a \$20 million revolving line of credit with JP Morgan Chase Bank that expired on May 26, 2023. Borrowings under the line of credit bear interest at the Secured Overnight Financing Rate (SOFR) or the CB Floating Rate. As of June 30, 2023, there were no borrowings under this line of credit. After the expiration, a new line of credit of \$20 million was issued on September 29, 2023, with an interest rate of SOFR plus 80 basis points if the credit is used, and 15 basis points if the credit remains unused.

NOTE 8 - SUMMARY OF CHANGES IN NONCURRENT LIABILITIES

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2023 and 2022 (dollars in thousands):

	2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Bonds payable and other long-term debt	\$ 367,709	\$ 32,512	\$ (16,252)	\$ 383,969	\$ 17,016
Leases	23,700	1,209	(2,938)	21,971	3,603
Subscriptions	7,172	21,938	(5,403)	23,707	5,232
Compensated absences	10,307	-	(27)	10,280	7,675
Assets held on behalf of Federal government for loan programs	481	-	(481)	-	-
Net pension liability	170,948	3,747	-	174,695	-
Other long-term liability	143	1,401	(143)	1,401	-
Total noncurrent liabilities	\$ 580,460	\$ 60,807	\$ (25,244)	\$ 616,023	\$ 33,526
	2022 (Restated)				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Bonds payable and other long-term debt	\$ 383,547	\$ -	\$ (15,838)	\$ 367,709	\$ 14,133
Leases	27,593	-	(3,893)	23,700	3,529
Subscriptions	11,401	-	(4,229)	7,172	3,600
Compensated absences	10,799	-	(492)	10,307	7,660
Assets held on behalf of Federal government for loan programs	1,119	-	(638)	481	-
Net pension liability	187,893	-	(16,945)	170,948	-
Other long-term liability	1,682	-	(1,539)	143	57
Total noncurrent liabilities	\$ 624,034	\$ -	\$ (43,574)	\$ 580,460	\$ 28,979

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June 30, 2023 and 2022

NOTE 9 - LONG TERM LIABILITIES - LEASES

Leases payable as of June 30, 2023 and 2022 are comprised of the following individual agreements (dollars in thousands):

2023						
Description	Contract Date	Remaining Lease Term (Years)	Interest Rate %	Original Amount	Ending Balance	Current Portion
Audiology Clinic Office Space	10/1/2009	1.25	0.70	\$ 4,014	\$ 1,193	\$ 954
Administrative Office Space	12/18/2015	4 - 6	0.92 - 1.08	9,921	5,965	1,401
Heights Dining	5/31/2011	19	2.43	14,420	12,772	577
IT Servers	3/31/2019	0.20 - 3.75	0.70 - 2.10	771	234	167
Copiers	1/1/2023	4.5	2.96	933	846	178
Laptops	4/1/2017	0.2 - 1.25	1.14 - 4.53	2,835	141	140
Laundry Equipment	7/1/2022	3.7 - 4.00	2.30 - 2.49	998	820	186
					<u>\$ 21,971</u>	<u>\$ 3,603</u>

2022						
Description	Contract Date	Remaining Lease Term (Years)	Interest Rate %	Original Amount	Ending Balance	Current Portion
Audiology Clinic Office Space	10/1/2009	2.25	0.70	\$ 4,014	\$ 2,140	\$ 947
Administrative Office Space	12/18/2015	5 - 7	0.92 - 1.08	9,921	7,327	1,362
Heights Dining	5/31/2011	20	2.43	14,420	13,333	560
IT Storage	8/15/2017	0.1	0.62	269	11	11
IT Servers	3/31/2019	1.7	0.70	542	248	149
Copiers	1/1/2018	0.5	0.65	385	68	68
Laptops	4/1/2017	0.1 - 2.25	1.14 - 4.53	2,835	573	432
					<u>\$ 23,700</u>	<u>\$ 3,529</u>

The University has lease arrangements for real estate office space, dining facilities, network equipment including servers and storage, and office equipment including copiers and laptops. Leases have remaining lease terms ranging from 0.2 years to 19 years, some of which include options to extend the leases term for up to 10 years, and some of which include options to terminate the leases. Real estate office space leases include additional payments for maintenance expenses and taxes which are considered as variable payments and not included in the measurement of lease liability. For the majority of leases the University concluded it is not reasonably certain to exercise the options to extend the lease or terminate the lease. Therefore, as of the lease commencement date, the lease terms generally do not include these options. The University includes options to extend the lease when it is reasonably certain that it will exercise that option.

During June 1, 2010, the University completed a transaction with Provident Group - Montclair Properties LLC to lease and operate approximately 24,216 square feet of floor area in dining facilities, convenience store and coffee shop in the Heights Residence Halls managed and operated by third party. The University has an agreement with Provident Group for a minimum of 32 years. This lease is subject to all of the terms, covenants, and conditions of the Ground Lease (See Note 4), which includes the renewal terms. The lease will be renewed to the extent, if any, that the term of the Ground Lease may be extended or renewed, provided that the term of this lease shall in all cases expire one day before the last day of the extended or renewed term of the Ground Lease.

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Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest payments on the University's lease payable as of June 30, 2023 (dollars in thousands):

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 3,603	\$ 402
2025	2,711	357
2026	2,499	318
2027	2,558	279
2028	793	247
2024 - 2028 Subtotal	12,164	1,603
2029 - 2033	3,479	985
2034 - 2038	3,855	543
2039 - 2043	2,473	91
	<u>\$ 21,971</u>	<u>\$ 3,222</u>

NOTE 10 - LONG TERM LIABILITIES - SUBSCRIPTIONS

The University adopted GASB Statement No. 96 effective July 1, 2022 with retroactive application to fiscal 2022, resulting in a net \$20,000 impact on the statement of net position. This statement establishes a single approach to accounting for and reporting SBITAs on the principle that SBITAs are contracts that conveys control of the right-to-use another party's (a SBITA vendor's) information technology (IT) software an underlying subscription asset. Under this statement, the end-user is required to recognize a subscription liability and an intangible right-to-use subscription asset. Limited exceptions to the single-approach guidance are provided for short-term agreements, defined as lasting a maximum of twelve months at inception, including any options to extend, regardless of their probability of being exercised.

Subscriptions payable as of June 30, 2023 and 2022 are comprised of the following subscription-based information technology agreement groups (dollars in thousands):

Description	Starting Contract Date	Remaining Lease Term (Years)	Interest Rate %	2023		
				Original Amount	Ending Balance	Current Portion
Data Management Tools	11/1/18 - 5/10/23	0.2 - 4.8	0.48 - 3.38	\$ 4,887	\$ 2,905	\$ 1,484
Online Payment Tools	8/1/19 - 7/1/22	1.0 - 1.1	0.54 - 1.97	993	351	324
Education & Engagement Tools	1/31/19 - 5/31/23	0.5 - 4.6	0.50 - 3.16	5,621	3,608	1,295
Cloud Based ERP Systems	5/1/20 - 1/31/23	0.8 - 9.5	0.54 - 3.56	19,025	16,768	2,079
Cloud Based Data Storage	8/18/22 - 12/15/22	1.5 - 2.1	2.16 - 2.90	105	75	50
					<u>\$ 23,707</u>	<u>\$ 5,232</u>

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Description	Starting Contract Date	2022				
		Remaining Lease Term (Years)	Interest Rate %	Original Amount	Ending Balance	Current Portion
Data Management Tools	11/1/18 - 6/1/22	0.3 - 4.9	0.45 - 2.88	\$ 2,923	\$ 2,052	\$ 1,045
Online Payment Tools	8/1/19	2.09	0.54	988	669	320
Education & Engagement Tools	5/28/18 - 4/13/22	0.2 - 4.8	0.45 - 2.55	3,948	2,533	1,111
Cloud Based ERP Systems	1/31/18 - 10/1/21	0.5 - 3.0	0.45 - 0.63	3,542	1,918	1,124
					<u>\$ 7,172</u>	<u>\$ 3,600</u>

The University has subscription-based information technology agreements (SBITAs) for various needs throughout the University. They are listed above according to their type of subscription usage.

Subscriptions have remaining agreement terms ranging from 0.2 years to 9.5 years, some of which include options to extend the agreement term for up to 3 years, and some of which include options to terminate the agreement. For the majority of subscriptions, the University concluded it is not reasonably certain to exercise the options to extend the subscription or terminate the subscription. Therefore, as of the subscription commencement date, the subscription terms generally do not include these options. The University includes options to extend the subscriptions when it is reasonably certain that it will exercise that option.

Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest payments on the University's subscription payable as of June 30, 2023 (dollars in thousands):

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,232	\$ 612
2025	3,544	514
2026	2,832	429
2027	2,207	355
2028	1,799	289
2024 - 2028 Subtotal	15,614	2,199
2029 - 2033	8,093	597
	<u>\$ 23,707</u>	<u>\$ 2,796</u>

NOTE 11 - RETIREMENT PLANS

Montclair 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). PERS and PFRS are cost-sharing, multiple-employer defined benefit plans administered by the State, Division of Pensions and Benefits (the Division). For additional information about PERS and PFRS, please refer to Division's Annual Comprehensive Audited Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml. The ABP is administered by separate boards of trustees. Generally, all employees, except certain part-time employees, participate in one of these plans.

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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 firefighters and state firefighters appointed after June 30, 1994.

In addition to the three plans referred to above, certain faculty members of Montclair participate in Teachers' Pension and Annuity Fund (TPAF), which is a State cost-sharing, multiple employer defined benefit plan with a special-funding situation by which 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 Division. 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. 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. For additional information about TPAF, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Public Employees' Retirement System and Police and Firemen's Retirement System

The vesting and benefit provisions are set by N.J.S.A. 43:15A for PERS and N.J.S.A. 43:16A for PFRS. PERS and PFRS provide retirement, death and disability benefits. With PERS, 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. With PFRS, 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 PERS:

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

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

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The following represents the membership tiers for PFRS:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and PFRS is set by N.J.S.A. 43:16A and require contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution for PERS 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. The State's contribution for PFRS is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For fiscal year 2022, the State's pension contribution for PERS and PFRS was more than the actuarial determined amount.

During the years ended June 30, 2023 and 2022, PERS members were required to contribute 7.50% of pensionable wages, and PFRS members were required to contribute 10% of their pensionable wages and Montclair is required to contribute at an actuarially determined rate. The State contributes to PERS and PFRS on behalf of Montclair. Employers were not required to contribute in 2023 or 2022 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 Montclair are established and may be amended by the State.

Allocated employer contributions provided by the State and recognized by the PERS and PFRS plans from Montclair for the year ending June 30, 2023 totaled \$12.4 million and \$2.2 million, respectively and for the year ending June 30, 2022 totaled \$9.0 million and \$1.4 million, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB Statement No. 68 are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2022 ("Measurement Date").

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June 30, 2023 and 2022

Montclair's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2023 and 2022 (as of June 30, 2022 and 2021 measurement dates), are as follows:

	2023		
	PERS	PFRS	Total
	(in thousands)		
Proportionate share of the net pension liability (\$)			
2022	\$ 150,387	\$ 24,308	\$ 174,695
2021	\$ 150,148	\$ 20,800	\$ 170,948
Proportionate share of the net pension liability (%)			
2022	0.672%	0.562%	
2021	0.694%	0.512%	
Deferred outflows of resources	18,409	7,040	25,449
Deferred inflows of resources	24,583	2,422	27,005
Pension expense (benefit)	(1,617)	1,900	283

	2022		
	PERS	PFRS	Total
	(in thousands)		
Proportionate share of the net pension liability (\$)			
2021	\$ 150,148	\$ 20,800	\$ 170,948
2020	\$ 165,517	\$ 22,376	\$ 187,893
Proportionate share of the net pension liability (%)			
2021	0.694%	0.512%	
2020	0.745%	0.520%	
Deferred outflows of resources	17,487	4,735	22,222
Deferred inflows of resources	37,765	3,851	41,616
Pension expense (benefit)	(1,561)	1,360	(201)

Montclair's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2021 to June 30, 2022 (as of June 30, 2022 and 2021 measurement dates) relative to the total contributions from all participating employers.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The components of pension related deferred outflows of resources and deferred inflows of resources as of the measurement date (June 30, 2022 and June 30, 2021) for the fiscal year ended June 30, 2023 and 2022, are as follows:

	2023		
	PERS	PFRS (in thousands)	Total
Deferred outflows of resources:			
Difference between expected and actual experience	\$ 2,425	\$ 181	\$ 2,606
Changes of assumptions	225	25	250
Net differences between projected and actual earnings on pension plan investments	3,633	861	4,494
Changes in proportionate share	1,292	2,494	3,786
Contributions subsequent to the measurement date	10,834	3,479	14,313
	<u>\$ 18,409</u>	<u>\$ 7,040</u>	<u>\$ 25,449</u>
Deferred inflows of resources:			
Difference between expected and actual experience	\$ 792	\$ 603	\$ 1,395
Changes of assumptions	11,009	1,168	12,177
Changes in proportionate share	12,782	651	13,433
	<u>\$ 24,583</u>	<u>\$ 2,422</u>	<u>\$ 27,005</u>
	2022		
	PERS	PFRS (in thousands)	Total
Deferred outflows of resources:			
Difference between expected and actual experience	\$ 3,649	\$ -	\$ 3,649
Changes of assumptions	306	28	334
Changes in proportionate share	2,487	1,104	3,591
Contributions subsequent to the measurement date	11,045	3,603	14,648
	<u>\$ 17,487</u>	<u>\$ 4,735</u>	<u>\$ 22,222</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

	PERS	2022 PFRS (in thousands)	Total
Deferred inflows of resources:			
Difference between expected and actual experience	\$ 519	\$ 750	\$ 1,269
Changes of assumptions	21,280	1,650	22,930
Net differences between projected and actual investment earnings on pension plan investments	4,722	541	5,263
Changes in proportionate share	11,244	910	12,154
	<u>\$ 37,765</u>	<u>\$ 3,851</u>	<u>\$ 41,616</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$10.8 million for PERS and \$3.5 million for PFRS are recognized as a reduction of the net pension liability in the year ended June 30, 2024 as of June 30, 2023 measurement date.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense in the statement of revenues, expenses and changes in net position as follows:

<u>Years ended June 30,</u>	PERS	PFRS (in thousands)	Total
2023	\$ (25,449)	\$ (1,599)	\$ (27,048)
2024	(9,373)	(995)	(10,368)
2025	(659)	(432)	(1,091)
2026	7,698	777	8,475
2027	(60)	(84)	(144)
Thereafter	-	(6)	(6)
	(27,843)	(2,339)	(30,182)
Contributions paid subsequent to Measurement Date	10,834	3,479	14,313
	<u>\$ (17,008)</u>	<u>\$ 1,140</u>	<u>\$ (15,868)</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Actuarial Assumptions

Montclair's net pension liability as of the June 30, 2022 measurement date (based on the July 1, 2021 actuarial valuation, which was rolled forward to June 30, 2022) was determined using the following assumptions:

	June 30, 2022	
	PERS	PFRS
Inflation rate		
Price	2.75%	2.75%
Wage	3.75%	3.25%
Salary increases		
Through all future years	2.75 - 6.55% based on years of service	3.25 - 16.25% based on years of service
Investment rate of return	7.00%	7.00%
	June 30, 2021	
	PERS	PFRS
Inflation rate		
Price	2.75%	2.75%
Wage	3.75%	3.25%
Salary increases		
Through 2026	2.00 - 6.00% based on years of service	
Thereafter	3.00 - 7.00% based on years of service	
Through all future years		3.25 - 16.25% based on years of service
Investment rate of return	7.00%	7.00%

PERS

For the June 30, 2022 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2022 measurement date.)

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

PFRS

For the June 30, 2022 measurement date, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For healthy annuitants, post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used unadjusted with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2022 measurement date.)

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at the June 30, 2022 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the PERS and PFRS target asset allocations as of June 30, 2022 measurement date is summarized in the following table:

Asset Class	2022		2021	
	PERS and PFRS		PERS and PFRS	
	Target Allocation %	Long-Term Expected Real Rate of Return %	Target Allocation %	Long-Term Expected Real Rate of Return %
U.S. Equity	27.00	8.12	27.00	8.09
Non U.S. Developed Markets Equity	13.50	8.38	13.50	8.71
Emerging Markets Equity	5.50	10.33	5.50	10.96
Private Equity	13.00	11.80	13.00	11.30
Real Estate	8.00	11.19	8.00	9.15
Real Assets	3.00	7.60	3.00	7.40
High Yield	4.00	4.95	2.00	3.75
Private Credit	8.00	8.10	8.00	7.60
Investment Grade Credit	7.00	3.38	8.00	1.68
Cash Equivalents	4.00	1.75	4.00	0.50
U.S. Treasuries	4.00	1.75	5.00	0.95
Risk Mitigation Strategies	3.00	4.91	3.00	3.35

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June 30, 2023 and 2022

Discount Rates

The discount rate used to measure the total pension liabilities was 7.00% for PERS and PFRS as of the June 30, 2022 and 2021 measurement dates respectively. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents Montclair's proportionate share of the collective net pension liability of the plans as of June 30, 2022 and 2021 measurement date calculated using the discount rate as disclosed above, as well as what Montclair's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

2023				
	PERS		PFRS	
	Rate %	Amount	Rate %	Amount
1% decrease	6.00	\$ 171,603	6.00	\$ 28,287
Current discount rate	7.00	150,387	7.00	24,308
1% increase	8.00	132,379	8.00	20,994

2022				
	PERS		PFRS	
	Rate %	Amount	Rate %	Amount
1% decrease	6.00	\$ 172,329	6.00	\$ 24,345
Current discount rate	7.00	150,149	7.00	20,800
1% increase	8.00	131,382	8.00	17,849

Teachers' Pension and Annuity Fund

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. 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.

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June 30, 2023 and 2022

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 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. For fiscal year 2022 measurement date, the State's pension contribution was more than the actuarial determined amount.

Allocated employer contributions provided by the State and recognized by the plan from Montclair totaled \$176 thousand and \$125 thousand for the year ending June 30, 2023 and 2022, respectively.

Net Pension Liability

As of June 30, 2023 and 2022, the State's proportionate share of the TPAF net pension liability associated with Montclair was \$2.17 million and \$2.05 million, respectively. The University's proportionate share was \$0.

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The June 30, 2022 and 2021 actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

June 30, 2022	
Inflation rate:	
Price	2.75%
Wage	3.25%

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June 30, 2023 and 2022

Salary increases	2.75-5.65%
Through all future years	based on years of service

Investment rate of return	7.00%
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June 30, 2021

Inflation rate:	
Price	2.75%
Wage	3.25%

Salary increases	
Through 2026	1.55 - 4.45%
	based on years of service

Thereafter	2.75 - 5.65%
	based on years of service

Investment rate of return	7.00%
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For the July 1, 2022 and 2021 valuations, pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disabled mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2022 & June 30, 2021 measurement dates).

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.00% as of June 30, 2022 and 2021 measurement dates, respectively. As of June 30, 2022 measurement date, this single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.54% 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 100% and 100% of the actuarially determined contributions for the State as of June 30, 2022 and June 30, 2021, respectively. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062,

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

and the municipal bond rate was applied to all projected benefit payments 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 Montclair as of June 30, 2022 and 2021 measurement date calculated using the discount rate as disclosed above as well as what Montclair'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):

2023			
	At 1% Decrease (6%)	At Current Discount Rate (7%)	At 1% Increase (8%)
Net Pension Liability	\$ 60,591,897	\$ 51,676,587	\$ 44,166,559
Allocation Percentage	0.0042026397%	0.0042026397%	0.0042026397%
Montclair's proportionate share of the net pension liability	<u>\$ 2,546</u>	<u>\$ 2,172</u>	<u>\$ 1,856</u>
2022			
	At 1% Decrease (6%)	At Current Discount Rate (7%)	At 1% Increase (8%)
Net Pension Liability	\$ 56,988,413	\$ 48,165,991	\$ 40,755,711
Allocation Percentage	0.0042655268%	0.0042655268%	0.0042655268%
Montclair's proportionate share of the net pension liability	<u>\$ 2,431</u>	<u>\$ 2,055</u>	<u>\$ 1,738</u>

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022 and 2021 measurement date) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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June 30, 2023 and 2022

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 and 2021 measurement dates are summarized in the following table:

Asset Class	2022 TPAF		2021 TPAF	
	Target Allocation%	Long-Term Expected Real Rate of Return%	Target Allocation%	Long-Term Expected Real Rate of Return%
U.S. Equity	27.00	8.12	27.00	8.09
Non U.S. Developed Markets Equity	13.50	8.38	13.50	8.71
Emerging Markets Equity	5.50	10.33	5.50	10.96
Private Equity	13.00	11.80	13.00	11.30
Real Estate	8.00	11.19	8.00	9.15
Real Assets	3.00	7.60	3.00	7.40
High Yield	4.00	4.95	2.00	3.75
Private Credit	8.00	8.10	8.00	7.60
Investment Grade Credit	7.00	3.38	8.00	1.68
Cash Equivalents	4.00	1.75	4.00	0.50
U.S. Treasuries	4.00	1.75	5.00	0.95
Risk Mitigation Strategies	3.00	4.91	3.00	3.35

Components of Net Pension Liability

The components of the net pension liability of the participating employers for TPAF as of June 30, 2022 and 2021 measurement dates are as follows (dollars in thousands):

	2022 State	2021 State
Total pension liability	\$ 76,317,118	\$ 74,699,134
Plan fiduciary net position	24,640,531	26,533,143
Net Pension Liability	<u>\$ 51,676,587</u>	<u>\$ 48,165,991</u>
Plan fiduciary net position as a percentage of the total pension liability	32.29%	35.52%
	Montclair	
Net pension liability	\$ 51,676,587	\$ 48,165,991
Allocation percentage	<u>0.0042026397%</u>	<u>0.0042655268%</u>
Montclair's Proportionate Share of the Net Pension Liability	<u>\$ 2,172</u>	<u>\$ 2,055</u>

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be

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in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of Montclair. Montclair's portion of the non-employer contributing entities' total proportionate share of the net pension liability was \$2,168,327 as of June 30, 2022 and \$2,050,660 as of June 30, 2021. Montclair records their proportionate share of the pension expense as a revenue and expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The amount was \$58,356 in 2022 and \$48,253 in 2021.

Alternate Benefit Program (ABP) Information

ABP provides the choice of seven investment carriers, which are privately operated, defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. These seven investment carriers are VOYA, Metropolitan Life Insurance (MetLife), Teachers Insurance and Annuity Association (TIAA), AIG Valic, Mass Mutual, AXA Equitable, and Prudential. Montclair 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 retirement program as an alternative to PERS. 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. Employee contributions immediately vest and employer contributions 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 Montclair employees are required to contribute 5% of salary, up to the maximum Federal statutory limit, on a pretax basis.

The ABP permits additional tax-deferred contributions to be made to ABP investment carrier account(s) (except Prudential) at an amount over and above the 5% required employee contribution under the voluntary 403(b) component of the program and/or participation in the New Jersey State Employees Deferred Compensation Plan (NJSEDCP). The 403(b) and/or NJSEDCP plan accounts are available to employees in ABP, PERS, PFRS, and DCRP pension plans. Employer contributions in ABP are 8% of salary. The maximum compensation to be considered for employer contributions is \$175,000 per New Jersey state law Chapter 31, P.L. 2018. This law was effective as of July 1, 2018. Montclair created the Supplemental Alternate Benefits Program to fund the 8% employer match above \$175,000 compensation limit. These contributions are funded by Montclair. During the years ended June 30, 2023 and 2022, ABP received employee contributions of approximately \$8.6 million and \$7.7 million, respectively; and employer contributions of approximately \$13.7 million and \$12.3 million, respectively, which were based on participating employee salaries of \$171.4 million and \$153.6 million, respectively. Employer contributions to ABP are paid by the State and Montclair and are reflected within operating expenses by function and within non-operating revenues as State of New Jersey paid fringe benefits in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Defined Contribution Retirement Program (DCRP)

The DCRP pension plan is a defined contribution program. Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010, the DCRP allows enrollees to make contributions to Prudential Financial, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage.

DCRP enrollment eligibility criteria includes employees enrolled in PERS or PFRS who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS

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June 30, 2023 and 2022

and make in excess of established "maximum compensation" limits. Participating eligibility, as well as contributory and noncontributory requirements is established by the State Retirement and Social Security Law.

Montclair 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 Montclair employees contribute 5.5% of their eligible wages and the employer match contributions are 3% of base salary.

During the years ended June 30, 2023 and 2022, Prudential received employer and employee contributions as follows:

	2023	2022
Employer contributions	\$ 20,431	\$ 37,433
Employee contributions	37,347	41,944
Basic for contributions:		
Participant employee salaries	\$ 681,033	\$ 1,247,767

Employer contributions to DCRP are paid by Montclair and are reflected as expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

Other Voluntary Retirement Plans

New Jersey State Employees Deferred Compensation Plan (NJSEDCP)

The NJSEDCP, governed by the guidelines of the IRC Section 457 and the laws of the State, is administered by Prudential Financial for the State. The Deferred Compensation Board is the final authority on all matters concerning the operation of the Plan; by law, the State Investment Council has the right to supervise certain aspects of the Plan including the investment assets. The NJSEDCP is a voluntary tax-deferred savings plan that provides for pre-tax and/or post-tax voluntary employee contributions. NJSEDCP is available to all employees whether they participate in PERS, PFRS, ABP or under the voluntary 403(b) component of the ABP. The plan does not include any matching employer contributions. Participation in the plan is limited and the associated amounts are not significant.

Supplemental Alternate Benefits Program

The Plan is administered by Montclair. TIAA is the privately operated investment carrier for this defined contribution plan. All contributions are made by Montclair with Non-State funds. The plan is intended to qualify as a governmental plan that is tax-sheltered annuity plan under section 403(b) of the IRC of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit of \$175,000 on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. Montclair will contribute 8% of the employee's compensation in excess of the State limit on compensation. Participation in the plan is limited and the associated amounts are not significant.

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June 30, 2023 and 2022

Additional Contributions Tax-Sheltered Programs (ACTS)

As a PERS and PFRS member, employees may also participate in the Additional Contributions Tax-Sheltered Programs (ACTS). Through salary reduction agreements, employees are able to obtain supplemental tax-deferred annuities (IRC Section 403[b]) with a variety of investment carriers. The ACTS Program is separate from, and in addition to, the employees' basic pension benefit. The authorized carriers and investment options are the same as currently available to members of the ABP. Participation in the plan is limited and the associated amounts are not significant.

Supplemental Annuity Collective Trust (SACT)

As a PERS, PFRS, or ABP member, employees may also participate in the Supplemental Annuity Collective Trust (SACT), which invests the entire voluntary contributions in common stocks. There are two separate plans, the SACT-Regular Plan and the SACT-Tax-Sheltered Plan (IRC Section 403[b]). Under the SACT-Regular Plan, contributions are made post-tax. Under the SACT-Tax-Sheltered Plan, a portion of salary is tax deferred. Participation in the plan is limited and the associated amounts are not significant.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Bloomfield provides medical benefits for faculty and non-faculty employees under the following policies. Retiring full-time, non-faculty employees who have attained age 60; have completed at least 20 years of service and who were insured under the health care program prior to retirement may retain coverage, for themselves but not dependents, under that plan until the end of the month in which the retired employee attains age 65. Retirees must pay 50% of the premium cost of the plan selected. The plan terminated on June 30, 2023 with eligible employees continuing the benefit through August 30, 2023. The actuarial present value of postemployment health benefits obligation was \$1,000 in the year ended June 30, 2023. The University reported the amount on statement of net position as other long-term liability.

Montclair retirees participate in the State Health Benefit State Retired Employees Plan (the "Plan"). The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan with a special funding situation for stand-alone financial statement reporting purposes. The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

In accordance N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated to pay the premiums of the University. The State shall also reimburse such retired employees for the premium charges under the Part B of the federal Medicare program covering the retired employee and the employee's spouse. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Total OPEB Liability and OPEB Expense

As of June 30, 2023, and 2022, the State recorded a liability of \$308.2 million and \$372.1 million, respectively, which represent the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2023 and 2022, the University's share of the special funding situation was 5.541176% and 5.474843%, respectively. At June 30, 2023 and 2022, the University's share of the Plan was 1.475584% and 1.490942%, respectively. The State is legally required to pay for the OPEB benefit coverage for eligible retirees. Therefore, the University is considered to be in a special funding situation as defined by GASB Statement 75 and the State is treated as a nonemployer contributing entity. Since the University does not contribute directly to the plan there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements. For the year ended June 30, 2023 and 2022, the University recognized OPEB expense of (\$8.9) million and \$4.3 million, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of (\$8.9) million and \$4.3 million, respectively.

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2023 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to the measurement date of June 30, 2022. The State's liability associated with the University at June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date of June 30, 2021.

	2022	2021
Inflation	-	2.50%
Discount rate	3.54%	2.16%
Salary increases		
Through 2026	-	1.55 – 15.25%
Thereafter	2.75-16.25%	2.75 – 7.00%

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

The June 30, 2021 valuation used pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2021. Disability mortality was based on the Pub-2010 "General" (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The June 30, 2020 valuation used pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2021. Disability mortality was based on the Pub-2010 "Safety" (PFRS), "Teachers"

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June 30, 2023 and 2022

(TPAF/ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2021 valuation was based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2018 through June 30, 2021) ABP (using the experience of the Teacher’s Pension and Annuity Fund July 1, 2018 through June 30, 2021), and PFRS (July 1, 2018 through June 30, 2021).

Certain actuarial assumptions used in the June 30, 2020 valuation was based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2014 through June 30, 2018) ABP (using the experience of the Teacher’s Pension and Annuity Fund July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

Health Care Trend Assumptions – For the June 30, 2021 pre-Medicare medical benefits valuation, the trend rate is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 6.36% for PPO and 6.53% for HMO for fiscal year 2023 through 2024. The rates used for 2025 and 2026 are 14.35% for PPO and 15.47% for HMO, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to a 4.5% long-term trend rate after seven years.

For the June 30, 2020 pre-Medicare medical benefits valuation, the trend rate is initially 5.65% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 5.79% for PPO and 5.98% for HMO for fiscal year 2022 through 2023. The rates used for 2024 and 2025 are 13.79% for PPO and 15.49% for HMO, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long-term trend rate after seven years.

NOTE 13 - RESTRICTED NET POSITION AND CONTINGENT LIABILITIES

Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes. Restricted expendable net position by purpose or passage of time related to Bloomfield consist of funds restricted for the following purposes (dollars in thousands):

	2023
Scholarships	\$ 3,551
Other:	
Instruction support	211
Institution support	80
Academic support	1,113
Student support	122
	<hr/>
Total other	\$ 1,526

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Restricted nonexpendable net position is comprised of endowments and restricted cash equivalents. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity from which the income generated becomes restricted expendable net position that can be used for the following donor specified purposes at that time. The type of nonexpendable net position is as follows with the purposes listed relating to future expendable net position of the earnings (dollars in thousands):

	2023
Academic	\$ 1,207
Institution support	1,000
Physical plant	213
Scholarships	7,878
	<hr/>
Total endowments	10,298
	<hr/>
Restricted cash	3,280
	<hr/>
Total restricted nonexpendable	\$ 13,578

Contingent Liabilities

The University is party to various legal actions arising in the ordinary course of business. The University is in litigation with the Township of Little Falls regarding the tax exemption status of certain lots on University property. 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.

NOTE 14 - 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, 2023 and June 30, 2022, such benefits amounted to approximately \$43.3 million and \$41.5 million, respectively, and are included in non-operating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses, and changes in net position.

NOTE 15 - COMPENSATED ABSENCES

The University recorded a liability for compensated absences (i.e., unused vacation, sick leave, and paid leave bank days attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee) in the amount of \$10.28 million and \$10.3 million as of June 30, 2023 and 2022, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2023 and 2022, 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

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June 30, 2023 and 2022

June 30, 2023 and 2022, the University paid approximately \$347,000 and \$196,000, respectively, in sick leave payments for employees who retired.

NOTE 16 - 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. As of June 30, 2012, the University has reported the dormitory as a capital asset and related deferred inflow of resources with a carrying amount of \$235.0 million

The capital asset is being depreciated in accordance with the University's capitalization policies and accumulated depreciation as of June 30, 2023 and 2022 was \$92.6 million and \$88.9 million, respectively. As of June 30, 2023 and 2022, the deferred inflow of resources on the concession arrangement was \$146.9 million and \$154.2 million, respectively in the statement of net position. 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.

NOTE 17 - 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. Annual minimum lease payments on this lease are estimated to be \$15.6 million through 2042.

The University has a guaranty agreement effective November 2017 and ending November 2037 whereas the University is the guarantor with respect to certain obligations of UMM Energy Partners LLC to Public Service Electric & Gas Company. UMM Energy Partners LLC operates as a Special Purpose Entity. The Company is responsible for the construction, design, development, and operations of the Montclair State University Energy Project. The University guarantees to Public Service Electric & Gas if UMM fails to pay any portion of the minimum annual distribution charge for any of 20 years per the agreement that the University shall provide payment within 30 days of demand. The potential liability is \$95,013 per year and the total potential future liability is \$1,330,182 representing the sum of the remaining payments. The University is securing the guaranty with a standby letter of credit in the amount of \$2,309,718 that expires on September 2043. No amounts have been drawn under the standby letter of credit.

University has a sub-sublease agreement effective December 3, 2022 with Stadium Subtenant LLC to hold a leasehold interest in Hinchliffe Stadium located in Paterson, New Jersey. Initial term of the lease is 10 years with option to extend the term for two (2) five-year periods. The University is not obligated to pay rent, instead it has agreed to reimburse for out-of-pocket, without markup, cleaning costs, utilities and garbage removal costs. Certain conditions need to be met by Landlord prior to commencement of the lease.

Union contracts were effective until June 30, 2023 with the exception of one contract with PBA-SLEU (governing police officers) that was effective through June 30, 2019. Management believes that any adjustment from renegotiations will not have a material effect on the accompanying statement of net position and pursuant to NJSA 18A:64N-21, the Governor is given authority to negotiate our union contracts. Historically, those negotiations go on beyond the date the contract is expired but we continue to

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June 30, 2023 and 2022

honor the terms of the expired contract until a new contract is placed into effect. Subsequent to year end the PBA-SLEU was extended through June 30, 2023 and the remaining union contracts were extended through 2027.

NOTE 18 - RISK MANAGEMENT

The University is exposed to various risks of loss. The University participates in a consortium with eight 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 \$2,000,000,000. The University also purchases coverage for certain types of theft of financial assets, which provides for the actual loss in excess of \$150,000 with a per loss limit of \$5,000,000, and for certain types of exposures related to cyber threats, which provides for the actual loss in excess of \$150,000 with a per loss limit of \$5,000,000.

All liability risk and employee benefit exposure, including tort, auto and trustees and officers' liability, workers' compensation, unemployment, disability, life insurance and employee retirement plans, are self-funded programs maintained and administered by the State. As an agency of the State, the University's liability is subject to all provisions of the New Jersey Tort Claims Act, the New Jersey Contractual Liability Act and the availability of appropriations.

The Tort Claims Act provides for payment of claims under the Act against the State or its employees for which the State is obligated to indemnify against tort claims, which arise out of the performance of their duties. All insurance policies are renewed annually. All State self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in coverage during the current year. There have been no settlements in excess of insurance coverage.

The University may be the subject of employment related lawsuits not covered by the Tort Claims Act. The University retains the risk for any such settlements. Management believes that any employment settlements will not have a material effect on the accompanying financial statements.

NOTE 19 - 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.

NOTE 20 - MONTCLAIR STATE UNIVERSITY FOUNDATION, INC.

Component Unit

For the years ended June 30, 2023 and 2022, total gifts and grants given to the University from the Foundation amounted to \$8.8 million and \$5.1 million, respectively.

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June 30, 2023 and 2022

Investments

The following applies to the Foundation's investments which are managed pursuant to a Board of Trustees approved Investment Policy Statement:

Valuation: Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment funds.

Investment Income: Unrealized gains and losses are reported in the statements of activities as part of investment return. Interest and dividends from investments are recorded as investment return when earned. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Investment Income Allocations: The Foundation maintains investment accounts for its endowments, including quasi-endowments, under the pooled unitization method. Realized and unrealized gains and losses from securities in the investment accounts are allocated quarterly to the individual endowment funds based on the relationship of the market value of each endowment fund to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

For the years ended June 30, 2023 and 2022, Foundation's investments totaled \$106.5 million and \$97.4 million, respectively.

NOTE 21 - PANDEMIC RELATED FINANCIAL ASSISTANCE

The CARES Act was signed into law on March 27, 2020. Part of the funding package, known as the Higher Education Emergency Relief Fund (HEERF), was designated for direct aid to colleges and universities to provide financial assistance to students who were impacted by the pandemic and the disruption of campus operations, as well as, to support additional costs incurred by the institution resulting from the COVID-19 health emergency. The act also included aid specifically intended for Minority Serving Institutions (MSI) which may be used for student support. Additional monies under the CARES Act were awarded to states, which may be made available to higher educational institutions subject to state program requirements. These include the Governor's Emergency Education Relief Fund (GEERF) and the Coronavirus Relief Fund (CRF). The University elected to receive its institutional funding on a cost reimbursable basis in a manner consistent with its other federal grants.

HEERF I

The University was awarded a total of \$19.9 million between April 2020 and May 2020 under the HEERF which is split equally between what is known as the student aid portion and the institution aid portion. From the student aid portion of \$9.9 million, \$5.6 million and \$4.3 million was distributed for the period ended June 30, 2020 and 2021, respectively. Aid was distributed to students based upon their responses to a questionnaire. From the institutional aid portion of \$9.9 million, \$5.6 million and \$4.3 million was recognized for the period ended June 30, 2020 and 2021, respectively.

In June 2020, the University was awarded \$1.4 million in MSI aid. The University provided \$1.3 million and \$98 thousand in aid to eligible students for the period ended June 30, 2020 and 2021, respectively.

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HEERF II

On January 14, 2021, the U.S. Department of Education announced that an additional \$21.2 billion became available to higher education institutions to ensure that student learning was uninterrupted during the COVID-19 pandemic under the CRRSAA as HEERF II which was signed into law on December 27, 2020. The University was awarded a total of \$33.7 million between March 2021 and April 2021 of which \$9.9 million was allocated to the student aid portion, \$21.7 million to the institution aid portion, and \$2 million to the MSI aid. The University distributed \$4.7 million and \$5.2 million in the student aid portion for the period ended June 30, 2022 and 2021, respectively. The University recognized \$8.7 million, \$7.5 million (\$4.8 million was used for student re-engagement and applied to students account balances) and \$5.5 million in institutional aid for the period ended June 30, 2023, 2022 and 2021, respectively. MSI aid to students of \$789 thousand and \$1.2 million was distributed for the period ended June 30, 2022 and 2021.

HEERF III

On March 11, 2021, the ARP was signed into law authorizing HEERF III funding to provide an additional \$39.6 billion in support to institutions of higher education to service students and ensure learning continues during the COVID-19 pandemic. The University was awarded a total of \$55.6 million of which \$27.9 was allocated to the student aid portion and \$27.7 to the institution aid. The University distributed \$27.6 million in student aid and recognized \$19.8 million (\$1.6 million was used for student re-engagement and applied to students account balances) as of and for the period ending June 30, 2022. The University distributed \$263.7 thousand in student aid and recognized \$11.8 million in institutional aid as of and for the period ending June 30, 2023.

On August 3, 2021, the University was awarded an additional \$3.4 million of MSI HEERF III funding for a total award of \$59 million. The University distributed \$1.6 million and \$1.8 million of MSI student aid as of and for the period ending June 30, 2023, and 2022, respectively.

For the period ending June 30, 2023, the University has drawn down funding from HEERF II of \$8.7 million in institution aid. For HEERF III, the University drew down \$259.8 thousand in the student aid, \$1.6 million in minority institution aid, and \$6.8 million in institution aid and such is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2023.

For the period ending June 30, 2022, the University has drawn down funding from HEERF II of \$4.7 million in student aid, \$789 thousand in minority institution aid, and \$7.5 million in institution aid. For HEERF III, the University drew down \$27.6 million in the student aid, \$1.8 million in minority institution aid, and \$27.6 million in institution aid and such is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2022.

Governor's Emergency Education Relief (GEERF)

On May 22, 2020, a total of \$68.8 million GEERF funds became available to New Jersey's public colleges and universities to help institutions continue providing high-quality educational services to students amid the ongoing COVID-19 pandemic. GEERF Funding from the U.S. Department of Education provided Governors flexibility through an emergency block grant to decide how best to meet the needs of students, schools, postsecondary institutions and other education-related organizations in their states. The New Jersey Office of the Secretary of Higher Education (OSHE) has made this funding available through emergency assistance grants to institutions based on an OSHE-developed allocation formula that considers – among other things – institutional expenses incurred as a result of the pandemic. The University was awarded an allocated amount of \$6.6 million which may be used for expenses incurred beginning March 13, 2020. The University received and recognized the \$6.6 million award in fiscal 2021 and is

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June 30, 2023 and 2022

included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2021.

On July 12, 2021, the University was awarded a \$1.3 million grant as part of the "Opportunity Meets Innovation Challenge" and \$100 thousand in support of the "Hunger-Free Campus" grant programs administered by the Office of the Secretary of Higher Education. Funding for the program is provided through the second round of federal GEERF funding (GEERF II) to support core priorities of the State Plan for Higher Education and address the impacts of COVID-19 on postsecondary students. The University recognized \$624 thousand and \$295 thousand as part of the "Opportunity Meets Innovation Challenge" for the period ending June 30, 2023 and 2022, respectively. The University recognized \$49 thousand and \$23.6 thousand under the "Hunger-Free Campus" grants for the period ending June 30, 2023 and 2022 respectively. These are included in the non-operating section of the Statement of Changes in Net Position.

NOTE 22 - GOVERNMENT COMBINATIONS

As a result of the merger, the University implemented GASB statement No. 69, *Government Combinations and Disposals of Government Operations*. This standard provides accounting and financial reporting guidance for government combinations, including mergers, and the disclosure of assets and liabilities. As used within this statement, the distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration.

The following key factor was implemented based upon the standard:

- 1 Recognition and Measurement - The merger date is the beginning of the reporting period in which the combination occurs, regardless of the actual date of the merger. Continuing governments should recognize and measure the combined assets, deferred outflows of resources, liabilities, and deferred inflows of resources, results of operations, and cash flows, if applicable, of the merging entities for the reporting period in which the combination occurs as though the entities had been combined at the beginning of the continuing government's reporting period at their carrying value. Carrying value generally represents the historical cost of an asset or liability adjusted for any applicable amortization, depreciation or impairment.

Bloomfield College financial statements were prepared in accordance with U.S. GAAP as established by the Financial Accounting Standards Board (FASB). The University determined a carrying value adjustment for equipment lease agreements qualified for disclosures as defined by GASB Statement No. 87, *Leases*, and subscription-based information technology agreement qualified for disclosures as defined by GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITAs)*.

An adjustment to account for leases and subscription payables resulted in an increase of capital assets of \$877,000 and an increase in lease and subscription liabilities of \$877,000.

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June 30, 2023 and 2022

The adjustment resulted in following impact to assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position (dollars in thousands):

	June 30, 2023 Carrying Value	Adjustments	June 30, 2023 Adjusted Total
Assets			
Current assets	\$ 31,339	\$ -	\$ 31,339
Capital assets, net	62,546	877	63,423
Total assets	93,885	877	94,762
Liabilities			
Current liabilities	2,695	-	2,695
Other non-current liabilities	32,994	877	33,871
Total liabilities	35,689	877	36,566
Net position			
Net investment in capital assets	-	29,802	29,802
Restricted nonexpendable	15,253	-	15,253
Restricted expendable	-	-	-
Unrestricted	42,943	(29,802)	13,141
Total net position	\$ 58,196	\$ -	\$ 58,196

NOTE 23 - BLOOMFIELD COLLEGE OF MONTCLAIR STATE UNIVERSITY

As a result of the merger, the University implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

This amendment addresses various aspects, including the criteria for determining component unit and the inclusion and disclosure of blended component units within the financial statement. Within GASB 61, Statement No. 8, a listing of criteria is presented and if any of the criteria exists, then a blended approach must be presented within the financial statement. The criteria that applied is as follows:

- 1 The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies. Management, for purposes of this determination, consists of the person(s), below the level of the governing board, responsible for the day-to-day operations of the primary government (for example, a county executive or city manager).
- 2 The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The University was able to determine based upon the criteria above that a blended consolidated approach should be applied based upon the following facts:

1. After the merger, the University's governing board appoints the members of Bloomfield's board, which signifies oversight and governance. And, in certain instances, Montclair employees exercise supervisory authority over both entities' day-to-day operations.
2. The University has assumed the financial obligation by guaranteeing Bloomfield's debt, which is reflective in the University's presentation.

GASB 61 also provides guidance on presentation of the surviving entities financials statements, which was adhered to by the University.

1. Presentation - For government engaged only business-type activities that use a single column for financial presentation, a component unit may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes of the financial statement. The condensed statements were the statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows.

The following is the condensed statement of net position of the University as of June 30, 2023 (dollars in thousands):

	Montclair State University	Bloomfield College of Montclair State University	Total
Assets:			
Current assets	\$ 112,536	\$ 32,463	\$ 144,999
Capital assets, net	871,661	60,481	932,142
Other non-current assets	159,686	-	159,686
Total assets	1,143,883	92,944	1,236,827
Total deferred outflows of resources	31,312	-	31,312
Liabilities:			
Current liabilities	82,787	5,411	88,198
Other non-current liabilities	554,500	27,997	582,497
Total liabilities	637,287	33,408	670,695
Total deferred inflows of resources	205,999	-	205,999
Net position:			
Net investment in capital assets	292,431	29,802	322,233
Restricted nonexpendable	-	13,578	13,578
Restricted expendable	24,124	5,077	29,201
Unrestricted	15,354	11,079	26,433
Total net position	\$ 331,909	\$ 59,536	\$ 391,445

Montclair State University
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following is the condensed statement of revenues, expenses, and changes in net position of the University as of June 30, 2023 (dollars in thousands):

	Montclair State University	Bloomfield College of Montclair State University	Total
Operating Revenues			
Net student revenues	\$ 217,049	\$ 17,735	\$ 234,784
Grants and contracts	82,367	4,430	86,797
Auxiliary enterprises	19,709	27	19,736
Other operating revenues	21,884	860	22,744
	<hr/>	<hr/>	<hr/>
Total operating revenue	341,009	23,052	364,061
Operating Expenses			
Operating expenses	428,857	35,488	464,345
Depreciation and amortization	57,165	4,077	61,242
	<hr/>	<hr/>	<hr/>
Total operating expenses	486,022	39,565	525,587
	<hr/>	<hr/>	<hr/>
Operating loss	(145,013)	(16,513)	(161,526)
Nonoperating revenues (expenses)			
State appropriations and paid fringe benefits	115,719	12,992	128,711
Pell grants	43,656	4,439	48,095
Pandemic related financial assistance	18,198	-	18,198
Gain on Government Combination	-	58,196	58,196
Interest expense	(16,869)	(1,262)	(18,131)
Nonoperating revenues	4,301	1,684	5,985
	<hr/>	<hr/>	<hr/>
Net nonoperating revenues	165,005	76,049	241,054
	<hr/>	<hr/>	<hr/>
Income before other revenues	19,992	59,536	79,528
	<hr/>	<hr/>	<hr/>
Capital gifts and grants	514	-	514
	<hr/>	<hr/>	<hr/>
Increase in net position	20,506	59,536	80,042
Net position			
Beginning of year	311,403	-	311,403
	<hr/>	<hr/>	<hr/>
End of year	\$ 331,909	\$ 59,536	\$ 391,445
	<hr/>	<hr/>	<hr/>

Montclair State University
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following is the condensed statement of cash flows of the University as of June 30, 2023 (dollars in thousands):

	Montclair State University	Bloomfield College of Montclair State University	Total
Net cash used in operating activities	\$ (79,799)	\$ (15,623)	\$ (95,422)
Net cash from noncapital financing activities	151,716	18,798	170,514
Net cash used in capital financing activities	(62,410)	(3,498)	(65,908)
Net cash from investing activities	(40,891)	15,074	(25,817)
Net increase (decrease) in cash and cash equivalents	(31,384)	14,751	(16,633)
Cash and Cash Equivalents			
Beginning of year	69,149	-	69,149
End of year	<u>\$ 37,765</u>	<u>\$ 14,751</u>	<u>\$ 52,516</u>

Additional information for the components of the blended method can be found in the consolidating statement of net position, consolidating statement of revenues, expenses and changes in net position and consolidated statements of cash flows included within the supplementary information.

NOTE 24 - SUBSEQUENT EVENTS

On July 10, 2023 the Office of Secretary of Higher Education offered the University a New Jersey Higher Education Capital Facilities Grants. The University was awarded \$9.2 million grant from the Higher Education Technology Infrastructure Program for the campus Wi-Fi and firewall upgrade, and \$59.9 million grant from the Higher Education Capital Improvement Fund program for the expansion of STEM facilities and the renovation of the Teaching and Learning Commons. The award will be funded from four revolving State-backed bond programs that support institutions of higher education and more specifically, students. The Programs are: The Higher Education Capital Improvement Fund (CIF), the Higher Education Facilities Trust Fund (HEFT), The Higher Education Technology Infrastructure (HETI) Fund, and The Higher Education Equipment Leasing Fund (ELF). The purpose of the programs is for institutions of higher education to re-imagine spaces to better serve the 21st century students.

On July 11, 2023, the University entered into a multi-year license agreement as the Licensor, beginning January 1, 2024 and ending December 31, 2033 for the right of use of the stadium space by the NJIT Baseball Team. Based on the agreement, the University received a one-time payment of \$2.4 million for the cost to upgrade the stadium to be amortized over a 10-year term.

On August 31, 2023, the University established a Montclair State University 457(F) Plan. This new deferred compensation plan is sponsored by the New Jersey Alternate Benefit Program and administered by TIAA. The plan is a supplemental 403(b)/457(f) retirement plan subject to plan terms and applicable Plan and IRS limits. At the end of each fiscal year during the initial term and any renewal year, the University will make a 10% supplemental retirement contribution of the President's base salary paid during the respective fiscal year into the plan. All deferred compensation will vest upon expiration of the employment agreement accompanied by a separation from service, as it may be renewed from time to time, except that the

Montclair State University
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

President's deferred compensation will vest sooner in event of death, disability, or involuntary separation from service without cause; otherwise all deferred compensation will be forfeited in the event of resignation or termination for cause before the normal vesting date.

SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF NET POSITION
MONTCLAIR STATE UNIVERSITY AND BLOOMFIELD COLLEGE OF MONTCLAIR STATE UNIVERSITY

June 30, 2023
(dollars in thousands)

	Business-Type Activities		
	Montclair State University	Bloomfield College of Montclair State University	Consolidated Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 37,765	\$ 11,471	\$ 49,236
Investments	6,605	16,136	22,741
Assets held under bond indenture agreements	21,417	-	21,417
Restricted cash equivalents	-	3,280	3,280
Receivables			
Students, less allowance for doubtful accounts of \$3,387	13,443	173	13,616
Loans, less allowance for doubtful loans of \$111	480	-	480
Rent	2,757	-	2,757
Gifts, Grants and contracts	11,563	911	12,474
State of New Jersey	3,731	-	3,731
Other receivables	11,041	-	11,041
Other current assets	3,734	492	4,226
Total current assets	112,536	32,463	144,999
Noncurrent assets			
Investments	132,207	-	132,207
Loans receivable, less allowance for doubtful loans of \$125	394	-	394
Rent receivable	25,685	-	25,685
Capital assets, net	871,661	60,481	932,142
Other noncurrent assets	1,400	-	1,400
Total noncurrent assets	1,031,347	60,481	1,091,828
Total assets	1,143,883	92,944	1,236,827
Deferred outflows of resources			
Deferred amount from debt refundings	1,196	-	1,196
Deferred outflow of capital purchase	4,667	-	4,667
Deferred outflow of pension resources	25,449	-	25,449
Total deferred outflows of resources	31,312	-	31,312
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	47,046	1,540	48,586
Bonds payable and other long-term debt	13,746	3,270	17,016
Lease liability	3,536	67	3,603
Subscription liability	5,002	230	5,232
Unearned tuition, fees, and deposits	6,600	304	6,904
Unearned revenue from grantors	4,014	-	4,014
Assets held on behalf of others	2,843	-	2,843
Total current liabilities	82,787	5,411	88,198
Noncurrent liabilities			
Bonds payable and other long-term debt	339,198	27,755	366,953
Lease liability	18,292	76	18,368
Subscription liability	18,310	165	18,475
Compensated absences	2,605	-	2,605
Net pension liability	174,695	-	174,695
Other postemployment health benefits	-	-	-
Other long term liability	1,400	1	1,401
Total noncurrent liabilities	554,500	27,997	582,497
Total liabilities	637,287	33,408	670,695
Deferred inflows of resources			
Deferred service concession arrangement	146,869	-	146,869
Deferred inflow of pension resources	27,005	-	27,005
Deferred amount from debt refundings	5,572	-	5,572
Deferred Inflow amount from rent	26,553	-	26,553
Total deferred inflows of resources	205,999	-	205,999
Net position			
Net investment in capital assets	292,431	29,802	322,233
Restricted nonexpendable		13,578	13,578
Restricted expendable for:			
Scholarships	-	3,551	3,551
Loans	911	-	911
Donor Designated purpose	1,796	-	1,796
Renewal and replacement	36	-	36
Debt service and debt service reserve	21,381	-	21,381
Other	-	1,526	1,526
Unrestricted	15,354	11,079	26,433
Total net position	\$ 331,909	\$ 59,536	\$ 391,445

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

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MONTCLAIR STATE UNIVERSITY AND BLOOMFIELD COLLEGE OF MONTCLAIR STATE UNIVERSITY

June 30, 2023
(dollars in thousands)

	Business-Type Activities		
	Montclair State University	Bloomfield College of Montclair State University	Consolidated Total
Operating revenues			
Student Revenues:			
Student tuition and fees	\$ 277,186	\$ 32,000	\$ 309,186
Residence life - room and board	49,315	5,134	54,449
Less scholarship allowance	109,452	19,399	128,851
Net student revenues	217,049	17,735	234,784
Federal grant and contracts	19,213	2,368	21,581
State of New Jersey grants and contracts	59,025	828	59,853
Nongovernmental grants and contracts	4,129	1,234	5,363
Sales and services of educational departments	6,353	-	6,353
Auxiliary enterprises	19,709	27	19,736
Other operating revenues	15,531	860	16,391
Total operating revenues	341,009	23,052	364,061
Operating expenses			
Instruction	133,467	11,680	145,147
Research	28,870	-	28,870
Public service	19,187	-	19,187
Academic support	39,975	2,732	42,707
Student services	23,317	5,507	28,824
Institutional support	66,267	9,361	75,628
Operations and maintenance of plant	34,849	2,879	37,728
Depreciation and amortization	57,165	4,077	61,242
Student aid	26,534	251	26,785
Residence life and auxiliary enterprises	56,391	3,078	59,469
Total operating expenses	486,022	39,565	525,587
Operating loss	(145,013)	(16,513)	(161,526)
Nonoperating revenues (expenses)			
State of New Jersey appropriations	72,429	12,992	85,421
State of New Jersey paid fringe benefits	43,290	-	43,290
Pell grants	43,656	4,439	48,095
Pandemic related financial assistance	18,198	-	18,198
State paid other postemployment health benefits	(8,934)	-	(8,934)
Gifts and non-exchange grants	6,748	-	6,748
Gain on government combination	-	58,196	58,196
Unrealized and realized gains/(losses) on investment securities	(3,578)	886	(2,692)
Investment income, net of investment expenses of \$316	5,536	798	6,334
Interest on indebtedness	(16,869)	(1,262)	(18,131)
Administrative costs	(161)	-	(161)
Other nonoperating revenues	4,690	-	4,690
Net nonoperating revenues	165,005	76,049	241,054
Income before other revenues	19,992	59,536	79,528
Capital gifts and grants	514	-	514
INCREASE IN NET POSITION	20,506	59,536	80,042
Net position			
Beginning of year	311,403	-	311,403
End of year	\$ 331,909	\$ 59,536	\$ 391,445

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

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
MONTCLAIR STATE UNIVERSITY AND BLOOMFIELD COLLEGE OF MONTCLAIR STATE UNIVERSITY

June 30, 2023
(dollars in thousands)

	Business-Type Activities		
	Montclair State University	Bloomfield College of Montclair State University	Consolidated Total
Cash flows from operating activities:			
Student tuition and fees	\$ 163,708	\$ 7,172	\$ 170,880
Grants and contracts	77,410	10,860	88,270
Payments for salaries	(245,827)	(17,870)	(263,697)
Payments for fringe benefits	(31,144)	(4,650)	(35,794)
Payments to suppliers	(84,904)	(12,264)	(97,168)
Payments for utilities	(21,911)	(1,298)	(23,209)
Payments for student aid	(26,533)	(1,581)	(28,114)
Loans issued to students	69	-	69
Collection of loans from students	346	-	346
Auxiliary enterprises charges:			
Residence life	49,315	3,614	52,929
Other	19,708	6	19,714
Sales and services of educational departments	6,353	-	6,353
Other receipts	13,611	388	13,999
Net cash used in operating activities	(79,799)	(15,623)	(95,422)
Cash flows from noncapital financing activities:			
State of New Jersey appropriations	77,451	12,992	90,443
Pell grants	43,656	4,546	48,202
Pandemic related Financial Assistance	18,194	-	18,194
Gifts and non-exchange grants	6,748	1,260	8,008
Student organization agency transactions	977	-	977
Other receipts	4,690	-	4,690
Net cash from noncapital financing activities	151,716	18,798	170,514
Cash flows from capital financing activities:			
Capital gifts and grants	514	-	514
Principal paid on capital debt	(14,133)	(1,542)	(15,675)
Interest paid on capital debt	(18,252)	(1,246)	(19,498)
Purchases of capital assets	(30,725)	(710)	(31,435)
Administrative costs	41	-	41
Change in deposits held by bond trustees	145	-	145
Net cash used in capital financing activities	(62,410)	(3,498)	(65,908)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	6,662,728	(121)	6,662,607
Proceeds from government combination	-	14,162	14,162
Purchases of investments	(6,711,868)	622	(6,711,246)
Interest on investments	8,249	411	8,660
Net cash from (used in) investing activities	(40,891)	15,074	(25,817)
Net increase (decrease) in cash and cash equivalents	(31,384)	14,751	(16,633)
Cash and cash equivalents:			
Beginning of year	69,149	-	69,149
End of year	\$ 37,765	\$ 14,751	\$ 52,516

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

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
MONTCLAIR STATE UNIVERSITY AND BLOOMFIELD COLLEGE OF MONTCLAIR STATE UNIVERSITY - CONTINUED

June 30, 2023
(dollars in thousands)

	Business-Type Activities		Consolidated Total
	Montclair State University	Bloomfield College of Montclair State University	
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES			
Operating loss	\$ (145,013)	\$ (16,513)	\$ (161,526)
Adjustments to reconcile operating loss to net cash used by operating activities			
State of New Jersey paid fringe benefits	39,546	-	39,546
State paid other postemployment health benefits	(8,934)	-	(8,934)
Depreciation and amortization expense	57,165	4,077	61,242
Provision for bad debts	(274)	731	457
Net realized and unrealized losses (gains) on investments	-	(1,704)	(1,704)
Changes in assets and liabilities:			
Student receivables	(3,554)	(638)	(4,192)
Loans receivables	416	-	416
Rent receivables	505	-	505
Grants receivables	(3,757)	134	(3,623)
Other receivables	(2,225)	-	(2,225)
Other current assets	(205)	11	(194)
Accounts payable and accrued expenses	2,062	(985)	1,077
Unearned tuition, fees and deposits	(198)	(292)	(490)
Unearned revenue from grantors	(719)	-	(719)
Compensated absences - noncurrent portion	(42)	-	(42)
Accrued retirement benefit obligation	-	(444)	(444)
Assets held on behalf of Federal government for loan programs	(481)	-	(481)
Net pension liability	(14,091)	-	(14,091)
Net cash used in operating activities	<u>\$ (79,799)</u>	<u>\$ (15,623)</u>	<u>\$ (95,422)</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Montclair State University
(A Component Unit of the State of New Jersey)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF UNIVERSITY CONTRIBUTIONS

June 30,
(Dollars in Thousands)

	2023	
	PERS	PFRS
Contractually Required Contribution	\$ 10,834	\$ 3,479
Contributions in relation to the Contractually Required Contribution	10,834	3,479
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	30,021	2,824
Contributions as a percentage of Employee Covered Payroll	36.09%	123.19%
	2022	
	PERS	PFRS
Contractually Required Contribution	\$ 11,045	\$ 3,603
Contributions in relation to the Contractually Required Contribution	11,045	3,603
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	31,153	2,874
Contributions as a percentage of Employee Covered Payroll	35.45%	125.37%
	2021	
	PERS	PFRS
Contractually Required Contribution	\$ 7,937	\$ 2,276
Contributions in relation to the Contractually Required Contribution	7,937	2,276
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	31,510	2,493
Contributions as a percentage of Employee Covered Payroll	25.19%	91.30%
	2020	
	PERS	PFRS
Contractually Required Contribution	\$ 6,518	\$ 1,977
Contributions in relation to the Contractually Required Contribution	6,518	1,977
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	32,277	2,499
Contributions as a percentage of Employee Covered Payroll	20.19%	79.11%
	2019	
	PERS	PFRS
Contractually Required Contribution	\$ 5,721	\$ 1,614
Contributions in relation to the Contractually Required Contribution	5,721	1,614
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	32,313	2,420
Contributions as a percentage of Employee Covered Payroll	17.70%	66.69%
	2018	
	PERS	PFRS
Contractually Required Contribution	\$ 4,500	\$ 1,500
Contributions in relation to the Contractually Required Contribution	4,500	1,500
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	30,903	2,484
Contributions as a percentage of Employee Covered Payroll	14.56%	60.39%
	2017	
	PERS	PFRS
Contractually Required Contribution	\$ 3,226	\$ 996
Contributions in relation to the Contractually Required Contribution	3,226	996
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	32,212	2,609
Contributions as a percentage of Employee Covered Payroll	10.01%	38.18%
	2016	
	PERS	PFRS
Contractually Required Contribution	\$ 2,282	\$ 618
Contributions in relation to the Contractually Required Contribution	2,282	618
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	31,508	2,515
Contributions as a percentage of Employee Covered Payroll	7.24%	24.57%
	2015	
	PERS	PFRS
Contractually Required Contribution	\$ 1,126	\$ 561
Contributions in relation to the Contractually Required Contribution	1,126	561
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30th)	32,362	2,315
Contributions as a percentage of Employee Covered Payroll	3.48%	24.23%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
LAST TEN FISCAL YEARS*

(Dollars in Thousands)

Public Employees' Retirement System (PERS)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability - State Group		University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2023 (2022)	0.672%	\$ 150,387	\$ 30,021	500.94%	23.19%
2022 (2021)	0.694%	150,148	31,153	481.97%	25.29%
2021 (2020)	0.745%	165,517	31,510	525.28%	21.39%
2020 (2019)	0.750%	171,899	32,277	532.57%	22.03%
2019 (2018)	0.728%	172,619	32,313	534.21%	22.11%
2018 (2017)	0.720%	185,255	30,903	599.47%	21.18%
2017 (2016)	0.730%	215,708	31,508	684.61%	19.02%
2016 (2015)	0.730%	172,860	32,362	534.14%	24.96%

Police and Firemen's Retirement System (PFRS)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability - State Group		University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2023 (2022)	0.562%	\$ 24,308	\$ 2,824	860.76%	27.20%
2022 (2021)	0.512%	20,800	2,874	723.73%	29.72%
2021 (2020)	0.520%	22,376	2,493	897.55%	24.81%
2020 (2019)	0.501%	21,048	2,499	842.26%	26.06%
2019 (2018)	0.525%	22,738	2,420	939.59%	25.84%
2018 (2017)	0.510%	22,418	2,484	902.50%	25.99%
2017 (2016)	0.447%	21,068	2,515	837.69%	24.70%
2016 (2015)	0.402%	17,255	2,315	745.36%	29.06%

Teachers' Pension and Annuity Fund (TPAF)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability		University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2023 (2022)	0.004%	\$ 2,172	\$ -	0.00%	32.29%
2022 (2021)	0.004%	2,055	-	0.00%	35.52%
2021 (2020)	0.005%	3,204	-	0.00%	24.60%
2020 (2019)	0.005%	2,942	-	0.00%	26.95%
2019 (2018)	0.005%	3,196	-	0.00%	26.49%
2018 (2017)	0.005%	3,610	-	0.00%	25.41%
2017 (2016)	0.005%	4,275	-	0.00%	22.33%
2016 (2015)	0.027%	17,290	-	0.00%	28.71%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years which information is available.

** The University did not have TPAF pensionable wages subsequent to the 2014 fiscal year.

Montclair State University
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
STATE HEALTH BENEFIT STATE RETIRED EMPLOYEES PLAN

Last Ten Fiscal Years*

	<u>Year Ended June 30,</u> <u>2023</u>	<u>Year Ended June 30,</u> <u>2022</u>	<u>Year Ended June 30,</u> <u>2021</u>	<u>Year Ended June 30,</u> <u>2020</u>	<u>Year Ended June 30,</u> <u>2019</u>	<u>Year Ended June 30,</u> <u>2018</u>
University's proportion of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
University's proportionate share of the total OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of New Jersey's proportionate share of the OPEB liability associated with the University	\$ 308,213,857	\$ 372,050,570	\$ 432,699,220	\$ 278,973,080	\$ 366,011,934	\$ 418,649,617
Total State of NJ OPEB liability	\$ 20,887,585,522	\$ 24,954,062,223	\$ 28,296,690,169	\$ 18,205,874,446	\$ 23,601,362,208	\$ 28,104,795,207
University's covered-employee payroll	\$ 151,156,956	\$ 149,183,574	\$ 150,442,218	\$ 153,370,916	\$ 151,734,073	\$ 126,232,049
University's proportionate share of the collective total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

June 30, 2023 and 2022

PENSIONS

Benefit Changes

None.

Changes of Assumptions

PERS

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2018 to June 30, 2021

PFRS

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2018 to June 30, 2021

TPAF

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2018 to June 30, 2021

POST-RETIREMENT BENEFITS

Benefit Changes

Effective April 16, 2019, the State Health Benefits Program Plan Design Committee approved and adopted a new PPO plan design (referred to as the "NJDIRECT Plan" but also includes the "CWA Unity Plan" for retirees affiliated with the CWA) which replaces all current PPO plan offerings for State pre-Medicare future retirees. Any State pre-Medicare retiree who enrolls in the NJDIRECT Plan will be required to contribute a percentage of their retirement allowance instead of a percentage of the cost of health coverage as required under Chapter 78.

Changes of Assumptions

Mortality rate improvement assumptions, trend rate assumptions, and repealment of the excise tax and discount rate assumptions have been updated from the June 30, 2021 valuation to be consistent with industry standards. The discount rate changed from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.