

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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2021 and 2020

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

Financial Statements

June 30, 2021 and 2020

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Independent Auditors' Report

The Board of Trustees Montclair State University

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

PKF O'CONNOR DAVIES, LLP
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**The Board of Trustees
Montclair State University**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Montclair State University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of employer contributions, schedules of proportionate share of the net position liability and schedules of the State's proportionate share of the OPEB liability associated with the University State Health Benefit State Retired Employees Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
April 27, 2022

Montclair State University
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Management's Discussion and Analysis

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, 2021, with selected comparative information for the years ended June 30, 2020 and 2019. 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 (2021, 2020, and 2019) 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 (the "University" or "MSU"), and its foundation, Montclair State University Foundation ("MSUF") 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 MSUF financial statements are presented discretely from the University. The MD&A discusses the business type activities 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

Montclair State University is a leading institution of higher education in New Jersey dating back to 1908. The University is designated a Doctoral University with high research activity (R2) by the Carnegie Classification of Institutions of Higher Education, the leading framework for recognizing and classifying the diversity of U.S. higher education institutions since 1970. Also classified by the New Jersey Secretary of Higher Education as a doctoral degree-granting institution, the University's eleven colleges and schools serve more than 21,000 undergraduate and graduate students with more than 300 doctoral, master's and baccalaureate level programs. Situated on a 252-acre suburban campus just 12 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

In 2021, U.S. News & World Report ranked the University at No. 88 out of 209 top public schools in the nation and No. 179 out of 392 universities nationwide. The University's graduate programs in education are ranked among the nation's best in the U.S. News & World Report's 2022 Best Education Schools. The University's online Master's in Educational Administration program is ranked No. 19.

Financial Highlights

COVID-19 Impacts and Federal related Financial Assistance

Despite the ongoing challenges of the COVID-19 pandemic, both financial and operational, the University's financial performance in fiscal 2021 remained consistent with prior results due to a combination of fiscal discipline and the availability of federal aid funds to support both students and institutional needs. Since the start of the pandemic in the Spring of 2020, the University has incurred additional costs to facilitate online and hybrid learning modalities and remote working, to implement safety measures as recommended by the Centers for Disease Control (CDC) and meet the requirements of the NJ State Department of Health, and to provide additional support to students to offset the impacts of the pandemic.

In 2020, revenues were lost mainly from room and board refunds and other canceled programs while expenses increased for technology equipment, enhanced cleaning, disinfecting and personal protective equipment. In 2021, residency and meal plan revenues were 46% lower than the prior year, the result of reduced density in campus housing to support social distancing, while increased costs were incurred to maintain safety protocols and implement on campus COVID-19 testing, contact tracing, and other health related measures.

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Lower revenues and increased operating costs were partially offset by pandemic related financial assistance provided pursuant to the *Coronavirus Aid, Relief and Economic Security Act* (“CARES”). Between April and May 2020, the University was awarded \$21.4 million in CARES funding as part of the Higher Education Emergency Relief Funds (“HEERF”) portion of the legislation; \$9.9 million of this amount was designated for student emergency aid, \$9.9 million for institutional support, and \$1.4 million was additional funding provided to Minority Serving Institutions (“MSI”) for which the University was eligible. The MSI funds were also used for emergency aid to students. During the last quarter of FY 2020 the University expended \$15.6 million of HEERF funds; \$5.6 million was disbursed to students as emergency grants, and \$9.9 million of the institutional portion to reimburse the University for refunds previously issued to residential students for pandemic related housing closures, of which \$4.3 million was deferred in FY 2020 and recognized in FY 2021. During FY 2020 \$98 thousand of the MSI funding was distributed as direct student aid. During FY 2021, all but \$563 of the balance of CARES HEERF funding was distributed as student aid.

During fiscal 2021 the University was also awarded additional CARES funds through various programs administered by the State of New Jersey. In July 2020, the University was awarded \$6.6 million from the Governor’s Emergency Education Relief fund (“GEERF”) portion of CARES. In August 2020, the University was awarded \$15.1 million from the Coronavirus Relief Fund for Higher Education (“CRF I”) and in December 2020 the University was awarded an additional \$4.7 million from Coronavirus Relief Funds (“CRF II”). The full amount of \$26.4 million was utilized in FY 2021 to partially reimburse the University for pandemic response expenditures.

Pursuant to the *Coronavirus Response and Relief Supplemental Appropriations Act* (“CRRSAA”) signed in to law on December 27, 2020, the University was allocated \$31.6 million of additional HEERF funding (“HEERF II”) and \$2 million of additional MSI funds. Of the HEERF II award, \$9.9 million is dedicated to funding direct emergency aid to students, while \$21.7 million may be utilized for institutional purposes. Through June 30, 2021, \$5.2 million of the student aid portion of HEERF II was disbursed as direct aid to students, and \$5.5 million of the institutional portion was drawn to partially reimburse the University for certain pandemic response related expenditures and lost revenues, and to partially fund student programs designed to support success in transitioning from online to in-person learning. The remaining balance of HEERF II funds, \$16.2 million of institutional and \$4.7 million of student aid, are expected to be fully utilized in FY 2022. Additionally, during FY 2021 \$1.2 million of the additional MSI funding was distributed while the remaining balance of \$800 thousand is planned to be distributed in FY2022.

The *American Rescue Plan Act of 2021* (“ARP”), which was signed into law on March 11, 2021, provided for an additional HEERF funding (“HEERF III”) of \$55.6 million which was awarded to the University in June 2021, and \$3.4 million of additional MSI funds which were awarded subsequent to the fiscal year end. Approximately one-half of the HEERF III funds must be used for direct aid to students, with the remaining half available for institutional use to cover pandemic response related expenses, lost revenues, or additional aid to students. At June 30, 2021, the HEERF III remained available for drawdown. The University anticipates utilizing the funding during FY 2022.

In summary, of the \$137 million of COVID-19 related federal aid program funds awarded as of June 30, 2021, approximately \$77.4 million remained available for future use, excluding any subsequently awarded funds.

Purchases and Dispositions

On March 31, 2020, the University completed its acquisition of Floyd Hall Arena (FHA) resulting in the capitalization of purchase costs of \$9 million which was recorded as a deferred outflow in 2019. The facility, now named the Montclair State University Ice Arena (Arena), opened in 1998 and houses two National Hockey League sized rinks. In 2020, the Arena generated a loss of \$619 thousand which was substantially lower than budgeted, due to COVID-19 restrictions which limited operations. As COVID-19 restrictions eased in 2021, the Arena generated a surplus of \$384 thousand, before unearned business income tax.

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On May 14, 2020, the University announced it would cease operating the New Jersey School of Conservation effective July 1. In 2020, revenue was \$546 thousand and expense was \$1.8 million, including estimated post-closure costs of \$295 thousand, resulting in a net loss from discontinued operations of \$1.3 million. In 2021 actual post-closure costs came in at \$314 thousand resulting in a recognized loss from discontinued operations of \$19 thousand.

Presidential Search

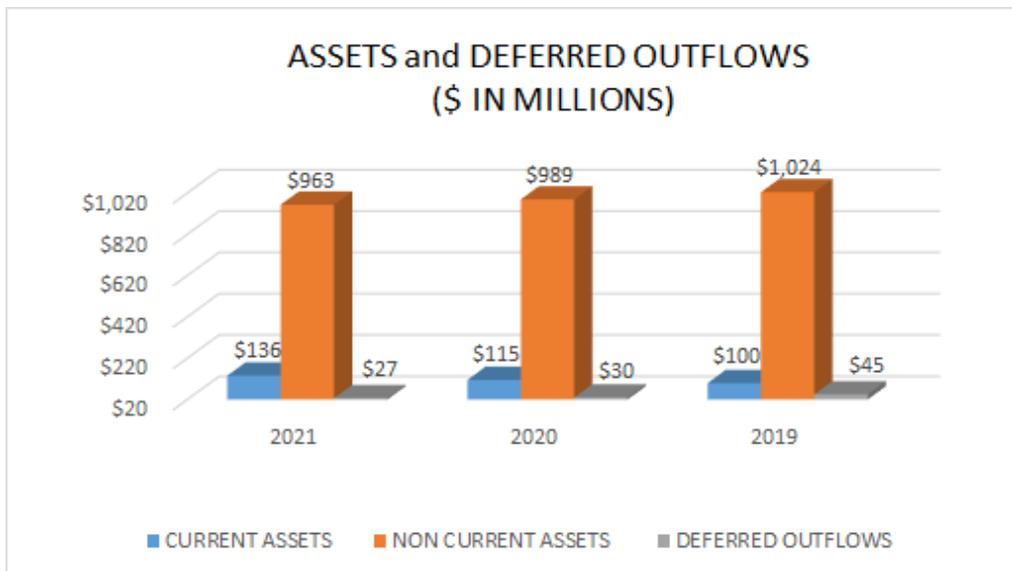
In September 2020, President Susan A. Cole informed the Board of Trustees of her intention to retire at the end of the 2020 - 2021 academic year. The Board of Trustees conducted a national search which concluded with the selection of Dr. Jonathan Koppell, a nationally regarded scholar of policy, organization and management who transformed the public affairs college at Arizona State University into one of the largest, best and most innovative in the nation. Dr. Koppell began his tenure as the ninth president of the University on August 2, 2021.

Capital Improvements

The University completed its renovation and restoration of the historic College Hall in October 2020 and held its dedication and renaming to the Susan A. Cole Hall on June 22, 2021 in recognition of Dr. Cole’s 23 years of service to the university and community. Capital expenditures for this \$53 million project during FY 2021 totaled \$9.4 million.

THE UNIVERSITY'S FINANCIAL POSITION

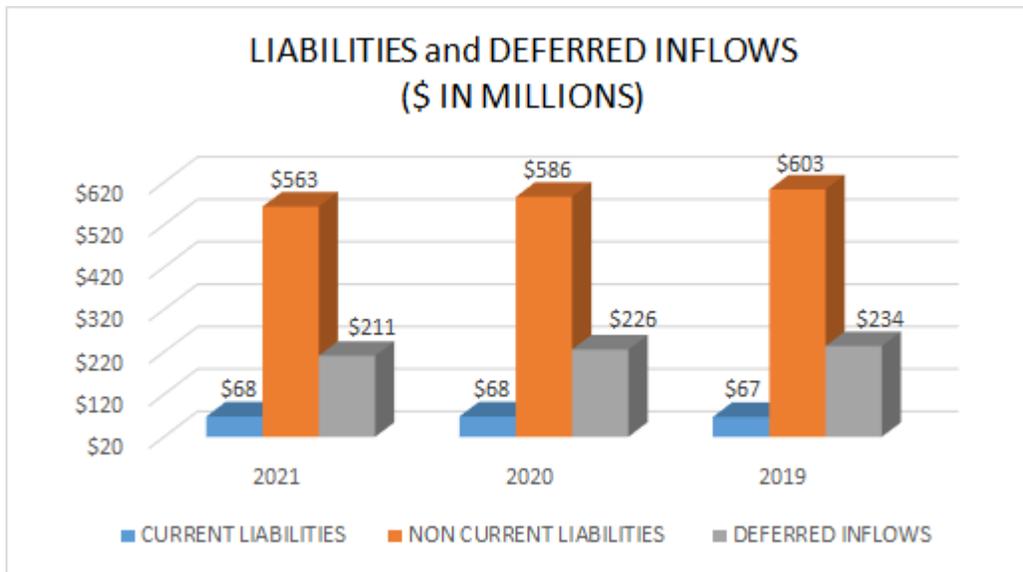
The University’s composition of assets and deferred outflows as of June 30, 2021, 2020, 2019 is as follows:



The GASB requires that deferred outflows of resources be reported in the financial statements apart from assets. The deferred outflows represent the consumption of net position applicable to future reporting periods.

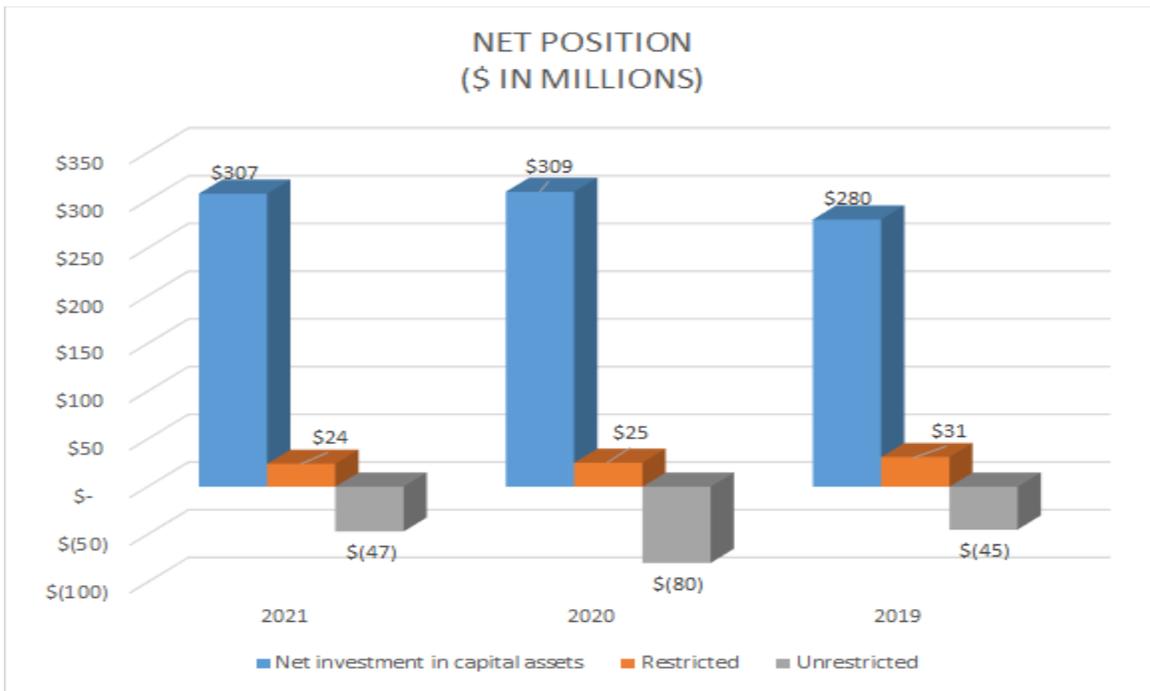
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The University's composition of liabilities and deferred inflows as of June 30, 2021, 2020, 2019 is as follows:



The GASB requires that deferred inflows of resources be reported in the financial statements apart from liabilities. The deferred inflows represent the acquisition of net position 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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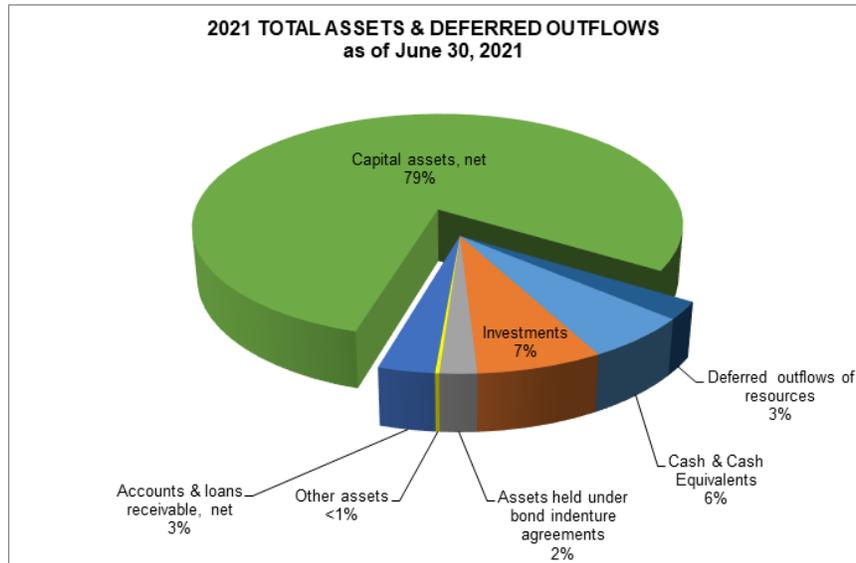
The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2021, 2020 and 2019 are as follows:

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Cash & cash equivalents	\$ 66,899	\$ 33,584	\$ 28,975
Investments	78,817	84,095	113,892
Assets held under bond indenture agreements	23,232	24,477	31,104
Accounts & loans receivable, net	35,647	38,873	34,380
Capital assets, net	891,181	920,232	914,203
Other assets	2,496	2,151	1,515
Total assets	<u>1,098,272</u>	<u>1,103,412</u>	<u>1,124,069</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>27,287</u>	<u>30,371</u>	<u>45,408</u>
LIABILITIES			
Bonds payable & other debt	384,778	400,510	413,622
Accounts payable & accrued expenses	38,008	39,829	41,083
Net pension liability	187,893	192,948	195,357
Unearned tuition and grant revenues	11,506	11,514	10,007
Other liabilities	8,090	9,115	10,060
Total liabilities	<u>630,275</u>	<u>653,916</u>	<u>670,129</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>211,166</u>	<u>225,824</u>	<u>233,788</u>
NET POSITION			
Net investment in capital assets	306,880	308,902	279,572
Expendable	23,852	25,127	31,105
Unrestricted	(46,614)	(79,986)	(45,117)
Total net position	<u>\$ 284,118</u>	<u>\$ 254,043</u>	<u>\$ 265,560</u>

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The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources decreased to \$1.126 billion in 2021, from \$1.134 billion in 2020 and \$1.169 billion in 2019. Total assets decreased \$5.1 million due mainly to a reduction in capital assets resulting from depreciation outpacing additions to capital assets. Deferred outflows decreased \$3 million in 2021 from changes in the University's net pension liability, which is primarily driven by changes in actuarial assumptions in the discount rate. The interest rate of return remained unchanged at 7% in both years. The discount rates increased from 6.28% in 2020 to 7.00% in 2021 for PERS and from 6.85% in 2020 to 7.00% in 2021 for PFRS.

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 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 at June 30, 2021 and 2020 was \$25.5 million and \$454 thousand, respectively. The average monthly balance held in its operating bank account increased to \$67.8 million in 2021 from \$42.5 million in 2020.

To minimize the risk of loss in the event of a bank failure and as required by NJ State law, the University has a tri-party collateral management agreement with Bank of America, its primary operating bank, and Bank of New York Mellon, as custodian. Under this arrangement, deposits in excess of federally insured amounts are collateralized.

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 \$6.0 million and \$265 thousand at June 30, 2021 and 2020, respectively. Total cash and cash equivalents at June 30, 2021 was \$33.3 million higher than at June 30, 2020.

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During FY 2021, the University signed an agreement with JPMorgan Chase Bank, N.A. (JPM) to move its banking services from Bank of America to JPM. Subsequent to the fiscal year end, the University began the integration and transition to JPM for banking transactions and expects to complete this process during fiscal 2022. The University anticipates entering into a collateral pledge and security agreement with JPM for funds held at the Federal Reserve Bank in order to reduce the risk of loss in the event of a bank failure as required by NJ State law.

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 at June 30, 2021 were \$5.3 million lower than the previous year; \$78.8 million compared to \$84.1 million, and is attributable to an increase of \$6.0 million of money market investments held as cash and cash equivalents.

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 refunding's (if any), and the effect of changes in the market value of unspent invested proceeds. Assets held under bond indenture agreements decreased \$1.2 million in 2021 reflecting drawdowns of previously issued bond proceeds.

Accounts & loans receivable, net

Accounts receivable 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, and auxiliary enterprise contracts. 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 & loans receivable, net at June 30, 2021 were \$3.2 million lower than at June 30, 2020 due to timing of financial aid drawdowns and collections.

The Perkins loans receivable balance was \$1.8 million in FY 2021 and \$2.4 million in FY 2020. 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 need. 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.

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Capital assets, net

Capital spending during 2021 decreased due to ongoing pandemic restrictions, as well as, the substantial completion of Susan A. Cole Hall. Capital spending includes construction and renovation of academic buildings, research laboratories, libraries, student services, housing facilities, clinical facilities, parking structures and other improvements to the campus infrastructure. In 2021 capital assets, net decreased by \$29 million over 2020. Assets increased \$20 million and accumulated depreciation increased \$49 million.

Renovations completed during FY 2021 included:

- As mentioned in the *Financial Highlights*, the College Hall renovation and expansion of the University's original historic building, was completed and renamed the Susan A. Cole Hall. This building serves as, among other functions, the home to an integrated student service center known as "Red Hawk Central" including the admissions, financial aid, registrar, and student account offices; career development, disability resources, academic advising, and co-op education; and the offices of the President, the Provost, the General Counsel, and the Vice President of Student Development and Campus Life.
- Campus wide improvements were made to implement safety measures and equipment upgrades needed to operate in a pandemic environment. Various projects included: electrical and carpentry construction services, signage and decals materials and installation, and shields and sneeze guards' materials and installation amounted to \$722 thousand; classroom and laptop technology upgrades totaled \$1.87 million which included audiovisual equipment, hardware and networking equipment; sanitizing equipment amounted to \$102 thousand for air purifying equipment.

Construction in progress during FY 2021 included:

- University Hall Exterior Patch & Paint - University Hall is MSU's largest academic building on campus, constructed in 2006. The stucco facade was in need of exterior repairs and enhancements to improve the building's visual appearance and thermal envelope. The project restores the existing stucco façade which has experienced significant staining, discoloration, failed control joints, water infiltration, and biological growth.

Renovations completed during FY 2020 included:

- Richardson Hall - a renovation of a 40-year-old, three-story 78,000 square foot facility. This facility accommodates instructional and research programs in Mathematics, Science, Informatics, Chemical Biology, Physics, Chemistry and Biochemistry.
- The Panzer Athletic Center varsity basketball court was resurfaced to meet new NCAA requirements and features updated University Athletics logos and graphics.
- The Brantl Hall renovation project included replacement of carpet, seating, ceiling, improved high efficiency LED lights and the addition of a state-of-the-art audio-visual system, which will deliver the best remote teaching capabilities currently available.

Other assets

Other Assets include prepaid expenses of \$51 thousand and deposits of \$2.4 million related to software licenses.

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The University's liabilities and deferred inflows

The University's liabilities and deferred inflows of resources decreased by \$38.3 million in 2021 to \$841.4 million from \$879.7 million in 2020. The decline in liabilities was primarily attributable to bond and other debt payments of \$15.7 million and a decrease of \$5.1 million in the net pension liability. The decrease in deferred inflows of resources is due to the recognition of \$7.3 million of the service concession arrangement, \$4.4 million of the pandemic related financial assistance that was disbursed but not recognized in 2020, and \$4.3 million of debt refundings.

Debt

Capital assets are funded from a variety of sources, including University unrestricted cash & cash equivalents, investments, federal and state support, revenue bonds, and leases.

University debt is used to partially finance the addition of new capital assets. Amounts outstanding at the end of 2021, 2020 and 2019 were \$384.8 million, \$400.5 million, and \$413.6 million respectively.

The table below shows the components of the \$15.7 million decrease in outstanding debt in 2021, and the \$13.1 million decrease that occurred in 2020.

(\$ in thousands)	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 400,510	\$ 413,622	\$ 426,953
ADDITIONS TO OUTSTANDING DEBT			
Capital leases	<u>26</u>	<u>1,424</u>	<u>1,029</u>
Additions to outstanding debt	<u>26</u>	<u>1,424</u>	<u>1,029</u>
REDUCTIONS TO OUTSTANDING DEBT			
Scheduled principal payments	<u>(14,998)</u>	<u>(13,776)</u>	<u>(13,600)</u>
Reductions to outstanding debt	<u>(14,998)</u>	<u>(13,776)</u>	<u>(13,600)</u>
Amortization of bond premium/discount - net	<u>(760)</u>	<u>(760)</u>	<u>(760)</u>
Net decrease in outstanding debt	<u>(14,972)</u>	<u>(12,352)</u>	<u>(12,571)</u>
Ending Balance	<u>\$ 384,778</u>	<u>\$ 400,510</u>	<u>\$ 413,622</u>

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As of June 30, 2021, the University had outstanding indebtedness in the form of annual rentals it assumed under certain leases and agreements with the NJEFA of \$365 million.

In addition, the University is obligated to service debt with principal totaling approximately \$6 million, under several state programs that support capital improvements, environmental infrastructure, and education-related technologies.

The composition of the University's long-term debt as of June 30, 2021, 2020, and 2019 follows:

LONG TERM DEBT
(\$ IN THOUSANDS)

	2021	2020	2019
NJEFA Revenue Bonds	\$ 364,580	\$ 377,745	\$ 389,405
Higher Education Capital Improvement Fund	4,002	4,749	5,481
NJ Environmental Infrastructure Trust	356	522	692
Higher Education Equipment Leasing Fund Program	80	118	154
Leases	1,232	2,087	1,843

In November 2020, Fitch Ratings affirmed the 'A+' rating on the University's outstanding revenue bonds with a stable rating outlook.

In FY 2021, the University entered into an agreement with JP Morgan Chase for a \$20 million revolving line of credit that expires on May 26, 2022. Borrowings under the line of credit bear interest at the CB Floating Rate. As of June 20, 2021, there were no borrowings under this line of credit.

Net pension liability and retiree health benefits

In accordance with 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 \$187.9 million, \$192.9 million and \$195.4 million in 2021, 2020 and 2019, respectively. The decline in the accumulated net pension liability for 2021 was driven primarily by changes in actuarial assumptions related to an increase in discount rates. The actuarial valuation for 2021 is based on a measurement date as of June 30, 2020.

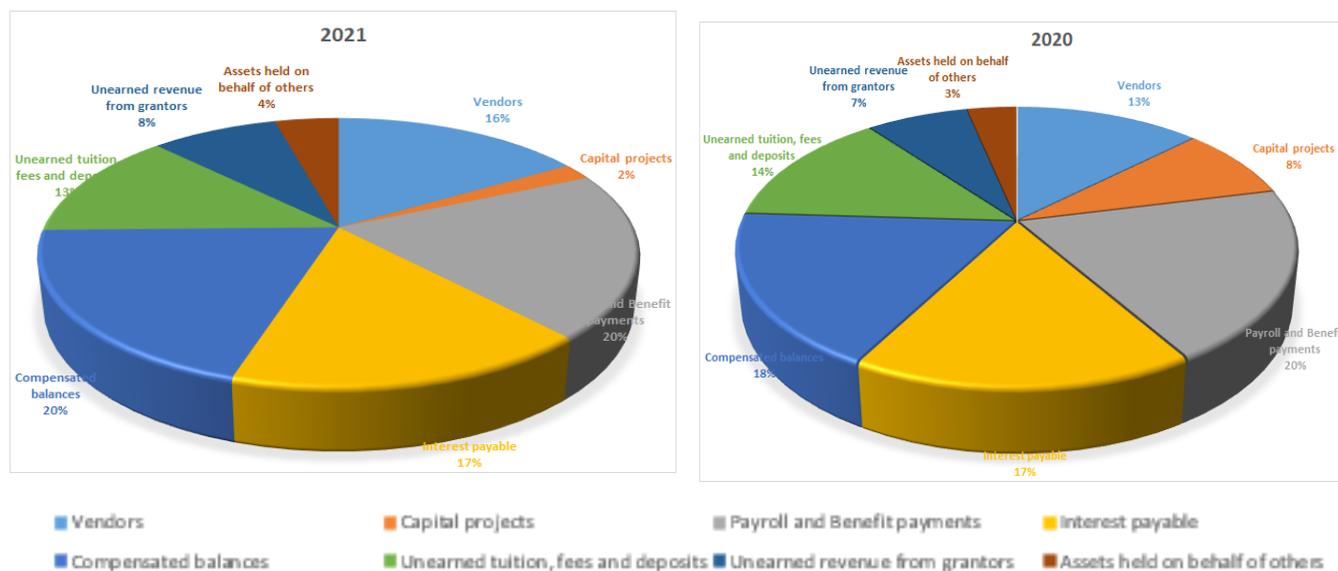
For the measurement date years 2020, 2019 and 2018, the portfolio's total investment rate of return was 7.00% respectively. The liability as of June 30, 2021, which reflects the present value of projected future payments to those already retired and those who will retire with benefits due, decreased by \$5 million (2.62%).

The decrease is largely attributable to increases in the discount rate (6.28% in 2020 to 7.00% in 2021 for PERS and 6.85% in 2020 to 7.00% in 2021 for PFRS).

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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.



Deferred inflows of resources

Deferred inflows of resources are acquisitions of net position 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 an additional \$14.7 million in 2021, after having decreased by \$8 million in 2020. The \$14.7 million decrease in 2021 is due primarily to a \$7.3 million decline in deferred service concession revenue (which increases revenue), a \$4.3 million decline due to amortization associated with prior debt refundings, and a \$4.4 million decrease in the deferred inflow of pandemic related financial assistance related to the HEERF funds. These reductions are offset by a \$1.3 million increase 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 .747% to .745% (PERS) and increased from .501% to .520% (PFRS).

In FY 2020, the University recorded a deferred inflow from the institutional portion of the HEERF funds from the pandemic related financial assistance. As noted in the Financial Highlights, the University was awarded \$19.9 million in HEERF funds of which \$9.9 million is dedicated to direct aid to students and \$9.9 million may be used for institutional purposes. While the institutional portion was fully drawn at June 30, 2020 to partially reimburse the University for previously issued student housing refunds, \$4.3 million of this amount was deferred to match the undistributed portion of the student aid. Student aid was distributed in FY 2021 and the amount was recognized in non-operating revenues in FY 2021 except for \$2 thousand of which will be distributed in FY 2022 and is reflected as a deferred inflow of pandemic related financial assistance as of June 30, 2021.

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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 \$284.1 million, \$254.0 million, and \$265.6 million in 2021, 2020, and 2019, respectively.

Net position is reported in the following categories: net investment in capital assets; 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 at June 30 were \$306.9 million, \$308.9 million and \$279.6 million for 2021, 2020 and 2019, respectively. The University continues to invest in physical facilities to maintain campus infrastructure and to meet new and evolving programmatic needs.

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 \$1.3 million decrease 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 negative in 2021 and 2020 due primarily to the recording of the non-cash obligations for pension benefits that are in excess of University reserves. During FY 2021, a combination of cost containment measures, increased state appropriation, and federal financial assistance resulted in a reduction in unrestricted net deficit to \$46.6 million from a \$79.9 million in 2020. However, as shown in the adjusted statement below, excluding the effect of the non-cash pension obligation, the unrestricted net position was \$127 million in 2020 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 comparison of the operating results for 2021, 2020 and 2019, arranged in a format that matches the revenue and expense supporting the core activities of the University follows:

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Increase/(Decrease) in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Student revenues, net	\$ 200,885	\$ 216,519	\$ 219,305
State appropriations (general & fringe)*	83,802	75,580	75,877
Federal Pell Grants*	37,670	37,456	37,257
Pandemic related Financial Assistance	48,396	11,293	-
State paid other post employment health benefits*	7,584	1,665	16,782
Grants and contracts	53,009	53,777	58,157
Educational activities	4,579	5,591	7,178
Auxiliary enterprises	14,758	19,406	21,672
Private gifts*	6,301	5,185	1,837
Investment income*	753	2,366	3,107
Recognition of deferred service concession revenue	7,346	7,346	7,346
Other revenues**	5,215	5,666	7,483
Revenues supporting core activities	470,298	441,850	456,001
EXPENSES			
Salaries and benefits	246,000	264,614	261,651
Services and Fees	41,597	45,435	50,951
Financial Aid excluded Pandemic related Assistance	22,218	21,535	20,388
Pandemic related Financial Assistance - Student Aid	12,163	5,694	-
Pension benefits	9,173	11,771	12,005
Postemployment health benefits	7,584	1,665	16,782
Utilities	18,876	18,223	20,212
Supplies and materials	7,445	6,591	11,816
Depreciation and amortization	52,801	48,878	52,151
Interest expense*	13,567	14,273	14,928
Settlement expense***	-	4,826	-
Other expenses*	8,619	12,129	13,176
Expenses associated with core activities	440,043	455,634	474,060
Income (loss) from core activities	30,255	(13,784)	(18,059)
OTHER NONOPERATING ACTIVITIES			
Net appreciation (depreciation) in fair value	(468)	2,330	1,853
Income (loss) before other changes in net position	29,787	(11,454)	(16,208)
OTHER CHANGES IN NET POSITION			
Capital gifts and grants, net	308	1,197	412
Increase (Decrease) in net position	30,095	(10,257)	(15,796)
Loss on disposal of discontinued operations	(19)	(1,260)	
NET POSITION			
Beginning of year, as previously reported (as restated)	254,043	265,560	281,356
End of year	\$ 284,118	\$ 254,043	\$ 265,560

* Represents nonoperating revenues or expenses.

** Other revenues consist of less than 5% of nonoperating revenues and expenses.

*** Related to Heights housing refunds paid to students due to COVID-19, these refunds are not considered contra revenue as these charges would have been due to Provident Resources Group based on the terms of the concession agreement.

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

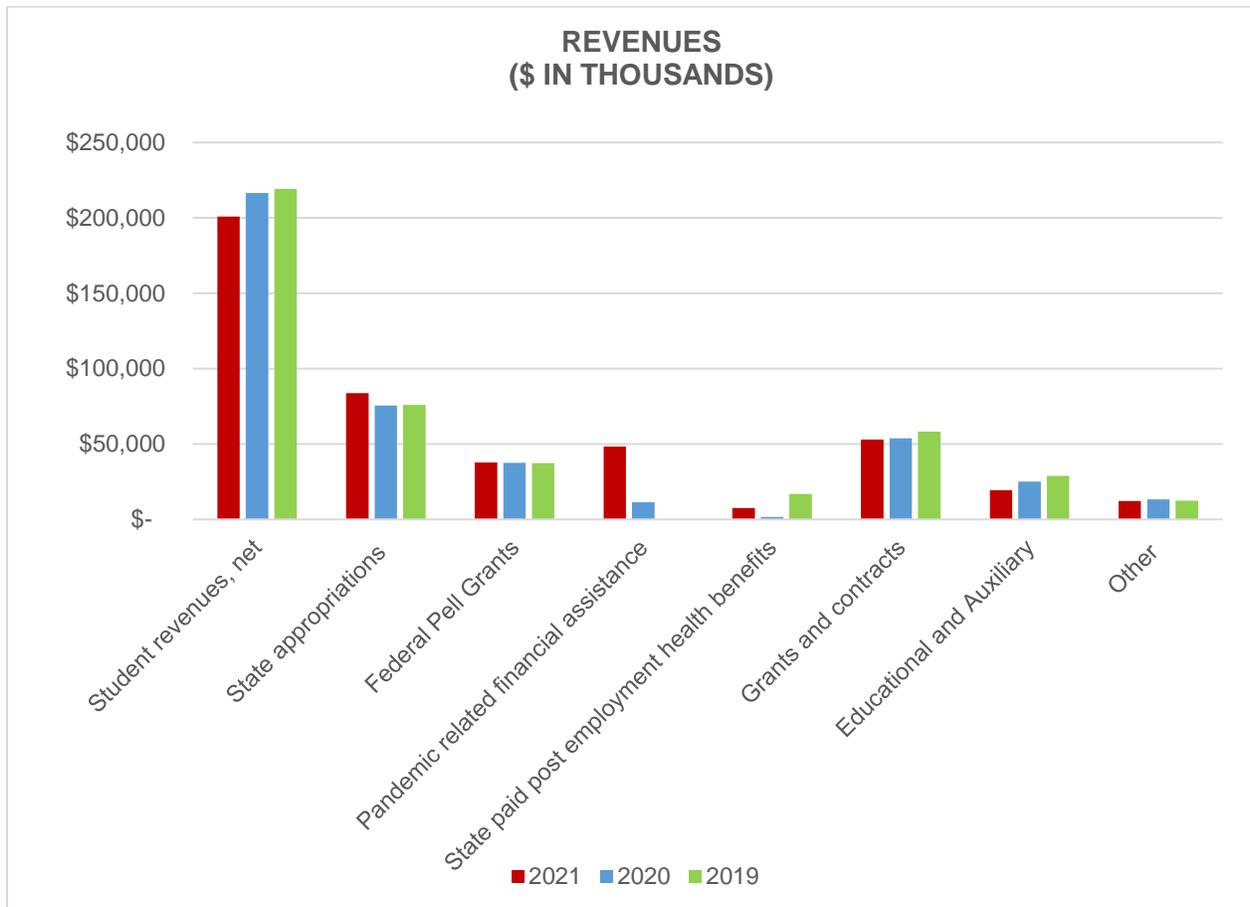
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Net Position from the Financial Statements</u>			
Net Investment in Capital Assets	\$ 306,880	\$ 308,902	\$ 279,572
Restricted	23,852	25,127	31,105
Unrestricted (Deficit)	<u>(46,614)</u>	<u>(79,986)</u>	<u>(45,117)</u>
 Total Net Position - Financial Statements	 <u>\$ 284,118</u>	 <u>\$ 254,043</u>	 <u>\$ 265,560</u>
 <u>Adjustment of Unrestricted Deficit Above</u>			
Unrestricted Deficit (as restated)	(46,614)	(79,986)	(45,117)
GASB 68 Pension Adjustment:			
Net Pension Liability	187,893	192,948	195,357
Deferred Outflow of Resources	(25,599)	(28,046)	(34,103)
Deferred Inflow of Resources	<u>43,172</u>	<u>41,827</u>	<u>42,503</u>
 Total Unrestricted Net Position (As Adjusted)	 <u>\$ 158,852</u>	 <u>\$ 126,743</u>	 <u>\$ 158,640</u>
 Total Net Position (As Adjusted)	 <u>\$ 489,584</u>	 <u>\$ 460,772</u>	 <u>\$ 469,317</u>

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

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Revenues supporting core activities

Revenues supporting the University’s core activities, including those classified on the financial statements as non-operating revenues, were \$470 million, \$442 million, and \$456 million in 2021, 2020 and 2019, respectively. These diversified sources of revenue increased by \$28 million in 2021 and decreased by \$14 million in 2020. The increase in 2021 is primarily attributable to pandemic related financial assistance and increase in state paid post employment health benefits. The decrease in 2020 relates to the decrease in state paid post employment health benefits.



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.

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Categories of both operating and non-operating revenue that supported the University's core activities in 2021 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 \$200.9 million, \$216.5 million, and \$219.3 million in 2021, 2020 and 2019, respectively. Student tuition and fees were \$250.8 million, \$250.2 million, and \$244.9 million in 2021, 2020 and 2019, respectively, reflecting relatively flat enrollment and for fiscal 2021, no change in the tuition and fee rates for academic year 2020-21 due to the pandemic.

Room and board revenue were \$26.2 million, \$39.3 million, and \$48.3 million in 2021, 2020 and 2019, respectively, reflecting the impact of pandemic related restrictions on campus housing. Bad debt expense remained stable totaling \$2.3 million, \$2.4 million, and \$1.5 million in 2021, 2020 and 2019 respectively.

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 \$76.1 million, \$72.9 million, and \$73.9 million in 2021, 2020 and 2019, respectively. 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 \$83.8 million, \$75.6 million and \$75.9 million in 2021, 2020, and 2019. The total includes both the general operating appropriation and fringe benefit reimbursements. Approximately \$47.2 million in general operating was received in 2021 exceeding the \$34.8 received in 2020. The \$47.2 million includes \$4.7 million in Outcomes Based Appropriation (OBA). In FY 2020, the \$34.8 million included \$4.1 million in OBA. The OBA is a new funding source provided from the State starting in FY 2020 for each senior public institution of higher education aimed at advancing equity and improving student outcomes. A decrease in fringe benefit costs and changes in the State's fringe reimbursement rate decreased reimbursements to \$36.6 million in 2021 from \$40.8 million in 2020.

State paid other postemployment health benefits

In 2021, the University recognized \$7.6 million of revenue and expense from the State of New Jersey attributable to post employment health benefits, in accordance with GASB 75. This was an increase of \$5.9 million compared to 2020 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 \$53 million, \$54 million, and \$58 million in 2021, 2020 and 2019, respectively. The State's Tuition Aid Grant (TAG) increased by \$349 thousand in 2021 compared to the previous year, due to the increase in the number of recipients 6,509 in fiscal 2020 to 6,601 in fiscal 2021. The University has 396 awards of which 310 are sponsored external research grants, 46 financial aid grants and 40 contracts. The University submitted a proposal to the Department of Health and Human Services in June of 2021 to request new rates for its facilities & administrative (F&A) and fringe benefits costs. Until the new rates are approved by the federal government the University continues to use its current on-campus rate of 45% and its off-campus rate of 15.5% of modified total direct cost for periods

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between July 1, 2018 through June 30, 2021. These rates will continue to be applied in proposals and awards funded by externally sponsored grants and contracts until new rates become effective. The F&A revenue was \$1.4 million, \$1.6 million, and \$1.5 million in 2021, 2020 and 2019 respectively. The fringe benefit rate charged to grants is based on position type and is 28% for full time employees and 14.4% adjuncts and post docs. Fringe benefits recovered in 2021 and 2020 were \$1.02 million and \$1.19 million respectively.

In FY 2021, Faculty received 80 awards and \$16.4 million in external sponsored projects funding, with awards coming from the National Science Foundation, the National Institutes of Health, National Aeronautics and Space Administration, Environmental Protection Agency, U.S. Department of Education, and the State of New Jersey. A number of private sponsors also provided the University with funding which include (but are not limited to) the John J. Templeton Foundation, Robert Wood Johnson Foundation and the Grant Foundation. Despite the COVID-19 pandemic, external funds increased by approximately 40% as compared to last year's external funding totaling \$11.7 million. Among the larger grants received in FY 2021 was a \$3.7 million five-year grant for the Newark Montclair Urban Teacher Residency project which is an initial teacher certification program for college graduates and career changers with a deep commitment to urban education and the continued partnership between the New Jersey State Department of Children and Families and the Center for Autism and Early Childhood Mental Health (CAECMH) at the University.

Educational activities and auxiliary enterprises

Revenue from educational activities and programs are 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 decreased \$1.0 million in 2021 and \$1.6 million in 2020 primarily due to lost revenues during COVID-19.

Auxiliary enterprises include housing, food service, parking, the bookstore, student center activities, and certain athletic programs. Revenue from auxiliary enterprises, net of allowances, declined by \$4.6 million in 2021 due to loss revenues associated with the pandemic following a \$2.3 million loss in 2020.

Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as non-operating expenses, were \$440 million, \$456 million, and \$474 million, in 2021, 2020 and 2019, respectively.

Overall, expenses excluding depreciation and interest, totaled \$374 million in 2021, representing a decrease of \$18 million or 4.6%. The decrease in expenses was the result of reduced expenditures due to the pandemic: a \$18.6 million decrease in salaries and benefits, a \$3.8 million decrease in services & fees primarily due to a decrease in food & dining services of \$2.5 million, a \$2.6 million decrease in pension benefits and other expenses decreased \$3.5 million primarily due to reduced travel related expenses. This was offset by an increase in post employment benefits of \$5.9 million and increase in pandemic related student financial assistance of \$6.5 million.

During 2020, expenses excluding depreciation and interest, totaled \$392 million, representing a decrease of \$14.5 million or 3.56%. The decrease in expenses was the result of reduced expenditures due to the pandemic: a \$5.5 million decrease in services and fees primarily due to a decrease in food & dining services of \$3.5 million, a \$5.2 million decrease in materials & supplies, utilities expense decreased by \$1.9 million, other expenses decreased by \$2.5 million primarily due to reduced travel related expenses; a \$17.1 million, decrease in post-employment expenses for pensions (\$2 million) and health benefits (\$15.1 million). This was offset by an increase in financial aid expense of \$6.8 million, of which \$5.4 million was funded by the pandemic related financial assistance, and a \$4.8 million write off of non-billable arising from certain housing refunds paid to students due to COVID-19.

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These refunds are not considered contra revenue as these charges would have been due to Provident Resources Group based on the terms of the concession agreement.

Categories of both operating and non-operating expenses related to the University's core activities in 2021 are as follows:

Salaries and benefits

Approximately 59% of the University's 2021 expenses are related to payroll costs and employee benefits (including pension expense). There was an average of 4,616 employees in the University in FY 2021, as compared to 5,569 in FY 2020, a decrease of 17.1%.

In 2021, salary and benefits decreased by \$18.6 million or 7.1% in 2021, due to negotiated employee furloughs and deferment of hiring for open positions; the total payroll decreased from \$213.2 million in 2020 to \$200.8 million or 5.8% in 2021, while fringe benefits costs decreased from \$51.4 million to \$45.2 million 5.4% during the same period.

In 2020, salary and benefits increased by \$3 million or 1.1% in 2020; the total payroll rose from \$210.7 million in 2019 to \$213.2 million in 2020 or 1.2%, while fringe benefits costs increased from \$50.9 million to \$51.4 million or 0.9% during the same period.

Pension expense attributable to GASB 68 decreased by \$2.6 million or 22.1% in 2021, mainly from changes in actuarial assumptions as described above.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
PERS	\$ 7,132	\$ 9,589	\$ 9,319
PFRS	2,041	2,182	2,686
	<u>\$ 9,173</u>	<u>\$ 11,771</u>	<u>\$ 12,005</u>
TPAF	199	174	186
Alternate Benefit Program (ABP)	11,313	12,422	11,509
Defined Contribution Retirement Program (DCRP)	23	32	31
Total	<u>\$ 20,708</u>	<u>\$ 24,399</u>	<u>\$ 23,731</u>

State-sponsored other postemployment benefits expense attributable to GASB 75 totaled \$7.6 million and \$1.7 million in 2021 and 2020, 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 \$8.6 million in fiscal 2021 and \$12.1 million fiscal 2020. The \$3.5 million decrease is due primarily to a decrease of \$2.6 million in travel expenses, and \$1.0 million decrease in rent expenses.

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Operating results

Operating losses of \$140.8 million, \$133.3 million, and \$138.4 million, in 2021, 2020 and 2019, respectively, 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 totaled \$185.7 million, \$136.3 million, \$137.3 million, in 2021, 2020, and 2019, respectively. Total revenues supporting core activities in 2021 exceeded total expenses associated with core activities by \$30.2 million. In 2020, expenses associated with core activities exceeded core revenues supporting core activities as a loss of \$13.8 million. The \$44.0 million improvement in income from core activities from 2020 to 2021 is primarily attributable to a \$37.1 million increase over 2020 in the revenue received from pandemic related financial assistance and \$8.2 million in additional state appropriations. These revenue increases offset the \$15.6 million decrease in net student revenues from 2020 to 2021 and the \$4.6 million reduction in auxiliary enterprise revenue. The 2021 expenses associated with core activities decreased from the 2020 expenses by \$23.1 million, this net decrease consisted of a \$18.6 million reduction in salaries and benefits, a \$3.8 million reduction in services and fees, a \$2.6 million reduction in pension benefits, a \$4.8 million reduction in settlement expense and a \$3.5 million reduction in other expenses. These decreases in expenses were offset by a \$6.5 million increase in the expenses associated with pandemic related financial assistance - student aid programs, and a \$3.9 million increase in the depreciation expense.

OUTLOOK FOR FISCAL 2022

As noted above, the University continues to meet the challenges brought about by the ongoing pandemic through prudent financial management and support provided by the various pandemic related financial assistance programs. The University anticipates utilizing the majority of the remaining federal aid funds during fiscal 2022. In addition to previously awarded funds, on August 3, 2021, the University was awarded an additional \$3.4 million of MSI funding for total awarded funding of \$140.6 million in COVID-19 related federal aid program funds.

On June 29, 2021, Governor Phil Murphy signed legislation creating the Garden State Guarantee (GSG) financial aid program effective beginning in the Fall 2022 semester. The GSG is a last dollar financial aid program that will provide two years of free tuition for New Jersey students enrolled in a state institution in their third and fourth years with family adjusted gross income (“AGI”) equal to or less than \$65,000 annually. The program is expected to provide reduced benefits for students with family AGI over \$65,000, up to an as yet undetermined maximum amount. The GSG is expected to be funded, at least partially, with the additional funding provided by the OBA.

On July 12, 2021, Governor Phil Murphy and Secretary of Higher Education Dr. Brian Bridges announced an additional \$28.5 million in funding from the U.S. Department of Education, through the second round of Governor’s Emergency Education Relief 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 funding will be used to implement best practices that increase college completion, address barriers to student success, and develop sustainable systemic reforms. In addition, more than \$1 million was awarded to 11 public institutions to combat food insecurity among students. The University was awarded \$1.3 million in funding to support the launch of the “Opportunity Meets Innovation Challenge” grant program and \$100 thousand in support of the “Hunger-Free Campus” grant program.

In FY 2022, the University increased tuition and fees modestly after no increase in FY 2021 due to the difficult economic environment caused by the pandemic. Despite the increase in tuition and fees for academic year 2021-22, MSU undergraduate tuition and fees remain below the average of New Jersey’s

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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 and federal Pell aid programs. Additional aid to students with financial need may also be available through the student portion of pandemic related financial assistance programs.

General state appropriations for FY 2022 are expected to increase by \$15.5 million to a total of \$62.6 million. Included in that amount is \$10.1 million of OBA funding, of which the University anticipates reserving approximately \$5.5 million for the GSG program.

Operating expenses for FY 2022 are expected to increase from FY 2021 as the University lifts the majority of cost mitigation measures made during the pandemic. When the pandemic started in March 2020, the University immediately implemented many cost-savings reductions, including a University-wide hiring freeze, employee furloughs, the deferral of non-critical maintenance and capital projects, and the elimination of travel and other non-essential purchases.

In FY 2022, the University will lead a \$2.6 million, two-year grant from the U.S. Department of Education's Institutional Resilience and Expanded Postsecondary Opportunity (IREPO) program to address the needs of the most vulnerable students, as well as build institutional resilience, in the ongoing global pandemic. Montclair is the lead partner with two rural Historically Black Colleges and Universities (HBCUs) – Albany State University in Georgia and Alcorn State University in Mississippi – and the Newark Board of Education on At Home in College in the Age of COVID-19: Improving Instruction, Access, and Engagement in Minority Serving Institutions, a project seeking to help students overcome obstacles exacerbated by the pandemic and make the leap from K-12 to their college years.

For the Fall 2021 semester, the University welcomed 3,619 first-year students to campus; the largest incoming class in the University's 113-year history and is 14% larger than the previous record. The total is also a 16% jump from the Fall of 2020. This increase is offset by lower retention which the University continues to evaluate and mitigate.

Members of the Class of 2025 represent 32 states and 11 countries. But the class isn't just bigger; it also boasts an average high school GPA of 3.32, marking the second consecutive year the mark has been above 3.3.

Montclair State has maintained its momentum in spite of the pandemic. Evolving from a Carnegie R3 research doctoral institution to R2 high-research activity and New Jersey Public Research University designations in the span of just three years, the institution's reputation in both the Garden State and abroad has grown exponentially.

One of the only New Jersey universities to welcome students back to live and learn on campus in 2020 (without going entirely remote due to a coronavirus outbreak), the institution's ability to provide a safe, affordable and high-quality educational experience has students from all corners of the world taking notice – and joining the state's second-largest university in record numbers.

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.

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.

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Statement of Net Position
(dollars in thousands)
June 30, 2021

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 66,899	\$ 1,836	\$ 68,735
Investments	8,352		8,352
Assets held under bond indenture agreements	23,232		23,232
Receivables			
Students, less allowance for doubtful accounts of \$5,036	13,481		13,481
Loans, less allowance for doubtful loans of \$124	828		828
Gifts, Grants and contracts	8,730		8,730
State of New Jersey	3,987		3,987
Other receivables, less allowance for doubtful accounts of \$164	7,633	2,791	10,424
Total Receivables	<u>34,659</u>	<u>2,791</u>	<u>37,450</u>
Other current assets	2,496	103	2,599
Total Current Assets	<u>135,638</u>	<u>4,730</u>	<u>140,368</u>
Noncurrent Assets			
Investments	70,465	102,461	172,926
Loans receivable, less allowance for doubtful loans of \$305	988		988
Capital assets, net	891,181		891,181
Other noncurrent assets	-	4,270	4,270
Total Noncurrent Assets	<u>962,634</u>	<u>106,731</u>	<u>1,069,365</u>
Total Assets	<u>1,098,272</u>	<u>111,461</u>	<u>1,209,733</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	1,688		1,688
Deferred outflow of pension resources	25,599		25,599
Total Deferred Outflows of Resources	<u>27,287</u>	<u>-</u>	<u>27,287</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	38,008	2,610	40,618
Bonds payable and other long-term debt - current portion	15,860		15,860
Unearned tuition, fees, and deposits	7,038		7,038
Unearned revenue from grantors	4,468		4,468
Assets held on behalf of others	2,245		2,245
Total Current Liabilities	<u>67,619</u>	<u>2,610</u>	<u>70,229</u>
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	368,918		368,918
Compensated absences - noncurrent portion	2,577		2,577
Assets held on behalf of Federal government for loan programs	2,075		2,075
Net pension liability	187,893		187,893
Other long term liability	1,193		1,193
Total Noncurrent Liabilities	<u>562,656</u>	<u>-</u>	<u>562,656</u>
Total Liabilities	<u>630,275</u>	<u>2,610</u>	<u>632,885</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	161,556		161,556
Deferred inflow of pension resources	43,172		43,172
Deferred amount from debt refundings	6,436		6,436
Deferred inflow from pandemic related financial assistance	2		2
Total Deferred Inflows of Resources	<u>211,166</u>	<u>-</u>	<u>211,166</u>
NET POSITION			
Net investment in capital assets	306,880		306,880
Restricted nonexpendable		51,930	51,930
Restricted expendable for			
Scholarships		2,097	2,097
Loans	(15)		(15)
Donor Designated purpose	635		635
Renewal and replacement	287		287
Debt service and debt service reserve	22,945		22,945
Other		35,727	35,727
Unrestricted	<u>(46,614)</u>	<u>19,097</u>	<u>(27,517)</u>
Total Net Position	<u>\$ 284,118</u>	<u>\$ 108,851</u>	<u>\$ 392,969</u>

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Statement of Net Position
(dollars in thousands)
June 30, 2020

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 33,584	\$ 1,622	\$ 35,206
Investments	17,111		17,111
Assets held under bond indenture agreements	24,477		24,477
Receivables			
Students, less allowance for doubtful accounts of \$4,107	13,179		13,179
Loans, less allowance for doubtful loans of \$128	854		854
Gifts, Grants and contracts	11,986		11,986
State of New Jersey	4,843		4,843
Other receivables	6,458	2,369	8,827
Total Receivables	<u>37,320</u>	<u>2,369</u>	<u>39,689</u>
Other current assets	2,100	92	2,192
Total Current Assets	<u>114,592</u>	<u>4,083</u>	<u>118,675</u>
Noncurrent Assets			
Investments	66,984	84,027	151,011
Loans receivable, less allowance for doubtful loans of \$540	1,554		1,554
Capital assets, net	920,232		920,232
Other noncurrent assets	51	5,366	5,417
Total Noncurrent Assets	<u>988,821</u>	<u>89,393</u>	<u>1,078,214</u>
Total Assets	<u>1,103,413</u>	<u>93,476</u>	<u>1,196,889</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	1,997		1,997
Deferred outflow of pension resources	28,046		28,046
Deferred outflow of tuition and fees	328		328
Total Deferred Outflows of Resources	<u>30,371</u>	<u>-</u>	<u>30,371</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	39,829	3,240	43,069
Bonds payable and other long-term debt - current portion	14,952		14,952
Unearned tuition, fees, and deposits	7,570		7,570
Unearned revenue from grantors	3,944		3,944
Assets held on behalf of others	1,926		1,926
Total Current Liabilities	<u>68,222</u>	<u>3,240</u>	<u>71,462</u>
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	385,558		385,558
Compensated absences - noncurrent portion	2,529		2,529
Assets held on behalf of Federal government for loan programs	2,979		2,979
Net pension liability	192,948		192,948
Other long term liability	1,681		1,681
Total Noncurrent Liabilities	<u>585,695</u>	<u>-</u>	<u>585,695</u>
Total Liabilities	<u>653,917</u>	<u>3,240</u>	<u>657,157</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	168,899		168,899
Deferred inflow of pension resources	41,827		41,827
Deferred amount from debt refundings	10,740		10,740
Deferred inflow from pandemic related financial assistance	4,358		4,358
Total Deferred Inflows of Resources	<u>225,824</u>	<u>-</u>	<u>225,824</u>
NET POSITION			
Net investment in capital assets	308,902		308,902
Restricted nonexpendable		49,869	49,869
Restricted expendable for			
Scholarships		1,820	1,820
Loans	49		49
Donor Designated purpose	601		601
Renewal and replacement	1,950		1,950
Debt service and debt service reserve	22,527		22,527
Other		34,702	34,702
Unrestricted	(79,986)	3,845	(76,141)
Total Net Position	<u>\$ 254,043</u>	<u>\$ 90,236</u>	<u>\$ 344,279</u>

See accompanying Notes to Financial Statements

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

Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended June 30, 2021

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	\$ 250,767		\$ 250,767
Residence life - room and board	26,183		26,183
Less scholarship allowance	<u>76,064</u>		<u>76,064</u>
Net Student Revenues	200,886		200,886
Federal grant and contracts	11,867		11,867
State of New Jersey grants and contracts	38,249		38,249
Nongovernmental grants and contracts	2,893		2,893
Sales and services of educational departments	4,579		4,579
Auxiliary enterprises	14,758		14,758
Other operating revenues	<u>10,944</u>	\$ 12,006	<u>22,950</u>
Total Operating Revenues	<u>284,176</u>	<u>12,006</u>	<u>296,182</u>
OPERATING EXPENSES			
Instruction	133,866		133,866
Research	18,599		18,599
Public service	10,843		10,843
Academic support	30,994		30,994
Student services	16,738		16,738
Institutional support	54,732	10,720	65,452
Operations and maintenance of plant	35,384		35,384
Depreciation	52,801		52,801
Student aid	28,812		28,812
Residence life and auxiliary enterprises	<u>43,541</u>		<u>43,541</u>
Total Operating Expenses	<u>426,310</u>	<u>10,720</u>	<u>437,030</u>
Operating (Loss) Income	<u>(142,134)</u>	<u>1,286</u>	<u>(140,848)</u>
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	47,155		47,155
State of New Jersey paid fringe benefits	36,647		36,647
Pell grants	37,670		37,670
Pandemic related financial assistance	48,396		48,396
State paid other postemployment health benefits	7,584		7,584
Gifts and non-exchange grants	6,301		6,301
Unrealized and realized losses on investment securities	(468)		(468)
Investment income, net of investment expenses of \$187	753	18,512	19,265
Interest on indebtedness	(13,567)		(13,567)
Administrative costs	(178)		(178)
Gain (loss) on disposal of capital assets	10		10
Other nonoperating revenues	<u>1,617</u>		<u>1,617</u>
Net Nonoperating Revenues	<u>171,920</u>	<u>18,512</u>	<u>190,432</u>
Income Before Other Revenues	29,786	19,798	49,584
Capital gifts and grants	308		308
Loss from discontinued operations	(19)		(19)
Asset impairment		<u>(1,183)</u>	<u>(1,183)</u>
Increase in Net Position	30,075	18,615	48,690
NET POSITION			
Beginning of year	<u>254,043</u>	<u>90,236</u>	<u>344,279</u>
End of year	<u>\$ 284,118</u>	<u>\$ 108,851</u>	<u>\$ 392,969</u>

See notes to financial statements

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

Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended June 30, 2020

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	\$ 250,186		\$ 250,186
Residence life - room and board	39,273		39,273
Less scholarship allowance	72,940		72,940
Net Student Revenues	<u>216,519</u>		<u>216,519</u>
Federal grant and contracts	10,800		10,800
State of New Jersey grants and contracts	37,416		37,416
Nongovernmental grants and contracts	5,561		5,561
Sales and services of educational departments	5,591		5,591
Auxiliary enterprises	19,406		19,406
Other operating revenues	12,565	\$ 9,152	21,717
Total Operating Revenues	<u>307,858</u>	<u>9,152</u>	<u>317,010</u>
OPERATING EXPENSES			
Instruction	141,278		141,278
Research	18,459		18,459
Public service	13,263		13,263
Academic support	33,594		33,594
Student services	17,112		17,112
Institutional support	51,788	10,493	62,281
Operations and maintenance of plant	36,460		36,460
Depreciation	48,878		48,878
Student aid	23,569		23,569
Residence life and auxiliary enterprises	56,773		56,773
Total Operating Expenses	<u>441,174</u>	<u>10,493</u>	<u>451,667</u>
Operating (Loss) Income	<u>(133,316)</u>	<u>(1,341)</u>	<u>(134,657)</u>
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	34,813		34,813
State of New Jersey paid fringe benefits	40,767		40,767
Pell grants	37,456		37,456
Pandemic related financial assistance	11,293		11,293
State paid other postemployment health benefits	1,665		1,665
Gifts and non-exchange grants	5,185		5,185
Unrealized and realized gains on investment securities	2,330		2,330
Investment income, net of investment expenses of \$257	2,366	2,489	4,855
Interest on indebtedness	(14,273)		(14,273)
Administrative costs	(187)		(187)
Other nonoperating revenues	447		447
Net Nonoperating Revenues	<u>121,862</u>	<u>2,489</u>	<u>124,351</u>
(Loss) Income Before Other Revenues	<u>(11,454)</u>	<u>1,148</u>	<u>(10,306)</u>
Capital gifts and grants	1,197		1,197
Loss from discontinued operations	(1,260)		(1,260)
(Decrease) Increase in Net Position	<u>(11,517)</u>	<u>1,148</u>	<u>(10,369)</u>
NET POSITION			
Beginning of year	<u>265,560</u>	<u>89,088</u>	<u>354,648</u>
End of year	<u>\$ 254,043</u>	<u>\$ 90,236</u>	<u>\$ 344,279</u>

See notes to financial statements

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

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 173,447	\$ 182,615
Grants and contracts	55,885	45,762
Payments for salaries	(201,173)	(212,916)
Payments for fringe benefits	(28,367)	(17,441)
Payments to suppliers	(60,907)	(88,179)
Payments for utilities	(18,877)	(16,704)
Payments for student aid	(28,812)	(23,569)
Loans issued to students	54	(12)
Collection of loans from students	541	784
Auxiliary enterprises charges		
Residence life	26,270	39,382
Other	14,758	19,406
Sales and services of educational departments	4,579	5,591
Other receipts	9,612	12,647
Net Cash from Operating Activities	(52,990)	(52,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State of New Jersey appropriations	57,309	46,049
Pell grants	37,670	37,456
Pandemic related Financial Assistance	44,040	15,652
Gifts and non-exchange grants	6,301	5,185
Student organization agency transactions	319	(1,184)
Other receipts	1,628	446
Net Cash from Noncapital Financing Activities	147,267	103,604
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital gifts and grants	308	1,197
Proceeds from capital debt	27	1,423
Principal paid on capital debt	(14,998)	(13,776)
Interest paid on capital debt	(18,913)	(19,555)
Purchases of capital assets	(34,538)	(55,965)
Gain on disposal of capital assets	10	-
Loss from discontinued operations	(20)	(1,260)
Administrative costs	130	122
Change in deposits held by bond trustees	1,245	6,627
Net Cash from Capital Financing Activities	(66,749)	(81,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	692,616	1,860,642
Purchases of investments	(688,274)	(1,826,187)
Interest on investments	1,447	371
Net Cash from Investing Activities	5,789	34,826
Net Increase in Cash and Cash Equivalents	33,317	4,609
CASH AND CASH EQUIVALENTS		
Beginning of year	33,584	28,975
End of year	\$ 66,899	\$ 33,584

See notes to financial statements

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

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (142,135)	\$ (133,316)
Adjustments to reconcile operating loss to net cash used by operating activities		
State of New Jersey paid fringe benefits	27,349	29,573
State paid other postemployment health benefits	7,584	1,665
Depreciation expense	52,801	48,878
Provision for bad debts	926	801
Changes in assets and liabilities:		
Student receivables	(1,231)	(760)
Loans receivables	595	772
Grants receivables	3,256	(5,766)
Other receivables	(1,401)	82
Other current assets	(396)	(688)
Accounts payable and accrued expenses	2,119	(140)
Unearned tuition, fees and deposits	(860)	5,437
Unearned revenue from grantors	524	(2,247)
Compensated absences - noncurrent portion	46	105
Assets held on behalf of Federal government for loan programs	(904)	(2)
Net pension liability	(1,263)	2,972
Net Cash from Operating Activities	\$ (52,990)	\$ (52,634)

See notes to financial statements

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

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization

Montclair State University is a leading institution of higher education in New Jersey dating back to 1908. Designated 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's eleven colleges and schools serve more than 21,000 undergraduate and graduate students with more than 300 doctoral, master's and baccalaureate level programs. Situated on a 252-acre suburban campus just 12 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

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 position and statement of revenues, expenses and changes in net position are included in the University's financial statements. 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 considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies

Basis of Presentation

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

GASB 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 are designated for academic programs and initiatives and capital programs.

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

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business - type

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

as a business - type activity, as defined by GASB Statement No. 35. Business - type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of 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.

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 receivable consist of funds loaned to students under federal loan programs. Other receivables consist of employee receivables and a variety of billings ranging from clinical services, fee for service arrangements, and auxiliary enterprise contracts.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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 Contract 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 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 capital leases and are recorded as capital assets.

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

	<u>Useful Lives</u>
Buildings	50 years
Building Improvements	20 years
Infrastructure	25 years
Land Improvements	10-25 years
Equipment and Vehicles	3 -10 years
Furniture and Fixtures	10 years
Leasehold Improvements	5 years
Software and Licenses	3 years

The University owns works of art and other collectibles valued at approximately \$3.9 million as of June 30, 2021 and June 30, 2020. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Prepaid Financing Costs

The University capitalizes prepaid insurance costs incurred in connection with its bond issues and amortizes these costs over the life of the respective obligations. These prepaid costs are included in other noncurrent assets in the accompanying statements of net position. Prepaid financing costs, net of accumulated amortization, amounted to \$0 and \$51 thousand in 2021 and 2020, respectively.

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. Amounts related to the Red Hawk dollars program amounted to \$1.1 million and \$1 million as of June 30, 2021 and 2020, respectively.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position 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 differences between projected and actual earnings on pension plan investments and changes in proportionate share may be either deferred outflows of resources or deferred inflows of resources. See Note 8 for the University's breakdown of these items.

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.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Deferred inflows account for service concession agreements, and the deferred portion of certain grant funds as disclosed in Note 20.

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, and bad debt expense of \$2.3 million and \$2.4 million for the years ended June 30, 2021 and 2020, 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 \$7.0 million and \$7.6 million as of June 30, 2021 and June 30, 2020, 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 \$3.7 million as of June 30, 2021 and \$3.2 million as of June 30, 2020.

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 \$4.5 million and \$3.9 million as of June 30, 2021 and June 30, 2020, 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 13 - 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

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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 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

The University 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 statements and reported on the University's Federal Form 990-T. The Foundation is exempt from Federal income taxes under the Internal Revenue Code Section 501c (3) and, therefore, has made no provision for Federal income taxes. 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, 2017.

Reclassification

Certain prior year amounts related to assets held on behalf of others and unearned tuition, fees, and deposits, and various revenues have been reclassified to conform with current year presentation.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The University adopted GASB Statement No. 87 effective July 1, 2021.

Subsequent Events

Except as disclosed in Note 21, management has reviewed and evaluated all events and transactions from June 30, 2021 through April 27, 2022, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

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

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

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

Notes to Financial Statements
June 30, 2021 and 2020

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

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; commercial paper; bankers acceptances; revenue obligations of public authorities; debt instruments of banks; collateralized notes and mortgages; certificates of deposit; repurchase agreement; equity and convertible equity securities; and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such things as minimum capital, dividend paying history, credit history, and other evaluation factors.

Cash, investments and assets held under bond indenture agreements as of June 30, 2021 and 2020 are classified in the statements of net position as follows (dollars in thousands):

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 66,899	\$ 33,584
Assets held under bond indenture agreements	23,232	24,477
Investments	<u>78,817</u>	<u>84,095</u>
	<u>\$ 168,948</u>	<u>\$142,156</u>

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 a tri-party collateral management agreement with Bank of America and Bank of New York Mellon acting as the custodian. This agreement secures the uninsured portion of deposits held at Bank of America. As of June 30, 2021 and 2020, cash and cash equivalents were held by depositories and amounted to \$40.3 and \$35.4 million, respectively.

As of June 30, 2021 and 2020, \$250,000 was FDIC insured and \$40.0 and \$35.1 million was collateralized with securities according to the tri-party agreement.

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

Notes to Financial Statements
June 30, 2021 and 2020

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

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, 2021 and 2020 was \$25.5 million and \$454 thousand, 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. As of June 30, 2021, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	2021 Maturities (in years)		
		less than 1	1 - 5	greater than 5
U.S. treasuries	\$ 42,969	\$ -	\$ 42,969	\$ -
Municipal bonds	508		-	508
Corporate bonds	26,744	8,319	18,425	
Mortgage securities	70		70	
Asset based securities	3,728	34	3,694	
Other fixed income securities	4,798	-	3,134	1,664
Total	\$ 78,817	\$ 8,353	\$ 68,292	\$ 2,172

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

As of June 30, 2020, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	2020 Maturities (in years)		
		less than 1	1 - 5	greater than 5
U.S. treasuries	\$ 10,999	\$ -	\$ 10,999	\$ -
U.S. agencies	14,707		14,707	
Municipal bonds	1,018		516	502
Corporate bonds	44,270	13,258	31,012	
Mortgage securities	235		235	
Asset based securities	8,213	749	7,464	
Other fixed income securities	4,653	3,104	1,549	
Total	<u>\$ 84,095</u>	<u>\$ 17,111</u>	<u>\$ 66,482</u>	<u>\$ 502</u>

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

Interest Rate Risk

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (NJEFA or the Authority). As of June 30, 2021 and June 30, 2020, investments were in money market funds of \$23.2 million and \$24.4 million, respectively, all maturing within one year.

Credit Risk

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

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

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

The following table summarizes Moody's agency ratings of the University's investments at fair value as of June 30, 2021 and 2020 (in thousands):

Investment Type	Quality Rating	2021	2020
U.S. treasuries	AAA	\$ 42,969	\$ 10,999
U.S. agencies	AAA	-	14,707
Municipal bonds	AA	-	516
Municipal bonds	A	508	502
Corporate bonds	AAA	1,549	4,410
Corporate bonds	AA	5,028	9,936
Corporate bonds	A	18,568	29,924
Corporate bonds	Baa	1,598	
Mortgage securities	AAA	70	235
Asset backed securities	AAA	3,728	5,008
Asset backed securities	A	-	750
Other fixed income securities	AAA	1,665	2,457
Other fixed income securities	AA	1,601	3,104
Other fixed income securities	A	1,533	1,547
		<u>\$ 78,817</u>	<u>\$ 84,095</u>

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

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):

	2021	2020
Project and construction fund	\$ 285	\$ 1,861
Debt service fund for principal and interest	22,945	22,527
Rental Pledge	2	89
 Assets Held Under Bond Indenture Agreements	 \$ 23,232	 \$ 24,477

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

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

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

As of June 30, 2021 and 2020, 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	2021		
		Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	\$ 42,969	\$ 42,969	\$ -	\$ -
Municipal bonds	508		508	-
Corporate bonds	26,743		26,743	-
Mortgage securities	70		70	-
Asset backed securities	3,728		3,728	-
Other fixed income securities	4,799		4,799	-
Total investments	\$ 78,817	\$ 42,969	\$ 35,848	\$ -
Assets Held Under Bond Indenture:				
Money market funds	\$ 23,232	\$ 23,232	\$ -	\$ -
Total assets held under bond indenture	\$ 23,232	\$ 23,232	\$ -	\$ -
Type	Total	2020		
		Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	\$ 10,999	\$ 10,999	\$ -	\$ -
U.S. agencies	14,707	14,707		-
Municipal bonds	1,018		1,018	-
Corporate bonds	44,270		44,270	-
Mortgage securities	235		235	-
Asset backed securities	8,213		8,213	-
Other fixed income securities	4,653		4,653	-
Total investments	\$ 84,095	\$ 25,706	\$ 58,389	\$ -
Assets Held Under Bond Indenture:				
Money market funds	\$ 24,477	\$ 24,477	\$ -	\$ -
Total assets held under bond indenture	\$ 24,477	\$ 24,477	\$ -	\$ -

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4. Capital Assets

Capital asset activity for the year ended June 30, 2021 is comprised of the following (dollars in thousands):

	<u>Beginning Balance</u>	<u>Acquisitions and Other Increases</u>	<u>Dispositions and Other Decreases</u>	<u>Ending Balance</u>
Depreciable assets:				
Infrastructure	\$ 46,287	\$ 169	\$ -	\$ 46,456
Buildings and improvements	1,034,500	62,085	-	1,096,585
Equipment	262,396	19,289	3,806	277,879
Other	<u>35,207</u>	<u>1,322</u>	<u>-</u>	<u>36,529</u>
Total Depreciable Assets	<u>1,378,390</u>	<u>82,865</u>	<u>3,806</u>	<u>1,457,449</u>
Less accumulated depreciation on:				
Infrastructure	25,644	1,686	-	27,330
Buildings and improvements	329,735	27,787	-	357,522
Equipment	196,226	21,358	3,806	213,778
Other	<u>22,659</u>	<u>1,970</u>	<u>-</u>	<u>24,629</u>
Total Accumulated Depreciation	<u>574,264</u>	<u>52,801</u>	<u>3,806</u>	<u>623,259</u>
Depreciable Assets, Net	<u>804,126</u>	<u>30,064</u>	<u>-</u>	<u>834,190</u>
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	<u>78,285</u>	<u>23,388</u>	<u>82,503</u>	<u>19,170</u>
Total Nondepreciable Assets	<u>116,106</u>	<u>23,388</u>	<u>82,503</u>	<u>56,991</u>
Total Capital Assets, Net	<u>\$ 920,232</u>	<u>\$ 53,452</u>	<u>\$ 82,503</u>	<u>\$ 891,181</u>

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4. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2020 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	\$ 46,410	\$ 557	\$ 680	\$ 46,287
Buildings and improvements	1,014,089	20,744	333	1,034,500
Equipment	242,940	21,902	2,446	262,396
Other	34,543	664	-	35,207
Total Depreciable Assets	<u>1,337,982</u>	<u>43,867</u>	<u>3,459</u>	<u>1,378,390</u>
Less accumulated depreciation on:				
Infrastructure	24,016	1,713	85	25,644
Buildings and improvements	303,698	26,235	198	329,735
Equipment	179,455	18,983	2,212	196,226
Other	20,711	1,948	-	22,659
Total Accumulated Depreciation	<u>527,880</u>	<u>48,879</u>	<u>2,495</u>	<u>574,264</u>
Depreciable Assets, Net	<u>810,102</u>	<u>(5,012)</u>	<u>964</u>	<u>804,126</u>
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	66,280	45,743	33,738	78,285
Total Nondepreciable Assets	<u>104,101</u>	<u>45,743</u>	<u>33,738</u>	<u>116,106</u>
Total Capital Assets, Net	<u>\$ 914,203</u>	<u>\$ 40,731</u>	<u>\$ 34,702</u>	<u>\$ 920,232</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2021 and 2020 approximated \$31 and \$36 million and are expected to be funded from unrestricted resources, State grants and contracts and NJEFA bonds.

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5. Accounts Payable and Accrued Expenses

As of June 30, 2021 and 2020, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2021	2020
Vendors	\$ 8,842	\$ 7,197
Capital projects	1,065	4,672
Employees	10,850	11,173
Interest payable	9,029	9,362
Compensated absences	8,222	7,425
	\$ 38,008	\$ 39,829

6. 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, 2021 and 2020 (dollars in thousands):

	Interest rates	2021	2020
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2006 J Revenue Bonds, due serially to 2021	3.75 - 4.25%	\$ 4,315	\$ 11,460
Series 2007 A Revenue Bonds, due serially to 2021	5.25	685	1,335
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	173,290	177,940
Series 2015 D Revenue Bonds, due serially to 2036	3.75 - 5.00	69,520	69,520
Series 2016 B Revenue Bonds, due serially to 2038	3.00 - 5.00	116,770	117,490
Bonds payable		364,580	377,745
Plus: Bond premium		14,528	15,288
Total bonds payable		\$ 379,108	\$ 393,033

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

Other Long-Term Debt

The following other long-term debt was outstanding as of June 30, 2021 and 2020 (dollars in thousands):

	<u>Interest rates</u>	<u>2021</u>	<u>2020</u>
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25%	\$ 45	\$ 45
Series 2016 A Higher Education Capital Improvement Fund, due serially to 2022	2.25 - 2.51	1,955	2,621
Series 2016 B Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.50	2,002	2,083
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	210	305
New Jersey Environmental Infrastructure due serially to 2022	3.00 - 5.25	146	217
2014 Higher Education Equipment Leasing Fund Program 032-10 due 2023	5.00	40	59
2014 Higher Education Equipment Leasing Fund Program 032-11 due 2023	5.00	40	59
Obligations under capital leases, due in equal monthly installments through 2024	1.14 - 4.53	<u>1,232</u>	<u>2,087</u>
Total other long-term debt		<u><u>\$ 5,670</u></u>	<u><u>\$ 7,476</u></u>

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

Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2021 (dollars in thousands):

	Principal	Interest and fees
Year ending June 30:		
2022	\$ 16,497	\$ 17,708
2023	15,197	17,004
2024	13,885	16,324
2025	15,136	15,609
2026	15,874	14,847
2022 - 2026 Subtotal	76,589	81,492
2027 - 2031	93,979	61,100
2032 - 2036	93,095	37,003
2037 - 2041	66,536	19,130
2042 - 2046	54,579	4,197
	\$ 384,778	\$ 202,922

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

The University has a \$20 million revolving line of credit with JP Morgan Chase Bank that expires on May 26, 2022. Borrowings under the line of credit bear interest at the CB Floating Rate. As of June 30, 2021, there were no borrowings under this line of credit.

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7. Summary of Changes in Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2021 and 2020 (dollars in thousands):

	2021				
	Beginning balance	Increases	Decreases	Ending balance	Current portion
Bonds payable and other					
long-term debt	\$ 400,510	\$ 26	\$ (15,758)	\$ 384,778	\$ 15,860
Compensated absences	9,955	844	-	10,799	8,221
Assets held on behalf of Federal government for loan programs	2,998		(923)	2,075	
Net pension liability	192,948		(5,055)	187,893	
Other long term liability	<u>2,451</u>	<u>-</u>	<u>(769)</u>	<u>1,682</u>	<u>489</u>
Total Noncurrent Liabilities	<u>\$ 608,862</u>	<u>\$ 870</u>	<u>\$ (22,505)</u>	<u>\$ 587,227</u>	<u>\$ 24,570</u>

	2020				
	Beginning balance	Increases	Decreases	Ending balance	Current portion
Bonds payable and other					
long-term debt	\$ 413,622	\$ 1,424	\$ (14,536)	\$ 400,510	\$ 14,952
Compensated absences (see note 12)	8,534	2,749	(1,328)	9,955	7,425
Assets held on behalf of Federal government for loan programs	3,812		(814)	2,998	19
Net pension liability	195,357		(2,409)	192,948	
Other long term liability	<u>3,220</u>	<u>-</u>	<u>(769)</u>	<u>2,451</u>	<u>770</u>
Total Noncurrent Liabilities	<u>\$ 624,545</u>	<u>\$ 4,173</u>	<u>\$ (19,856)</u>	<u>\$ 608,862</u>	<u>\$ 23,166</u>

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8. Retirement Plans

University employees participate in three major retirement plans: Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP). 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 (CAFR) 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.

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

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

In addition to the three plans referred to above, certain faculty members of the University participate in Teachers' Pension and Annuity Fund (TPAF), which is a State 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 Audited Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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8. Retirement Plans (continued)

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.

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

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8. Retirement Plans (continued)

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

Contributions

The contribution policy for 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 2020 and 2019, the State's pension contribution for PERS and PFRS was less than the actuarial determined amount.

During the years ended June 30, 2021 and 2020, PERS members were required to contribute 7.50% of pensionable wages, and PFRS members are required to contribute 10% of their pensionable wages and the University is required to contribute at an actuarially determined rate. The State contributes to PERS and PFRS on behalf of the University. Employers were not required to contribute in 2021 or 2020 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State.

Allocated employer contributions provided by the State and recognized by the PERS and PFRS plans from the University for the year ending June 30, 2021 totaled \$7.6 million and \$1.2 million, respectively and for the year ending June 30, 2020 totaled \$6.6 million and \$984 thousand, respectively.

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8. Retirement Plans (continued)

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, 2020 ("Measurement Date").

The University'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, 2021 and 2020 (as of June 30, 2020 and 2019 measurement dates), are as follows:

	2021		
	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2020	\$ 165,517	\$ 22,376	\$ 187,893
2019	171,899	21,048	192,947
Proportionate share of the net pension liability (%)			
2020	0.745%	0.520%	
2019	0.747%	0.501%	
Deferred outflows of resources	20,725	4,874	25,599
Deferred inflows of resources	39,373	3,799	43,172
Pension expense	7,132	2,041	9,173

	2020		
	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2019	\$ 171,899	\$ 21,048	\$ 192,947
2018	172,619	22,738	195,357
Proportionate share of the net pension liability (%)			
2019	0.747%	0.501%	
2018	0.728%	0.525%	
Deferred outflows of resources	23,335	4,711	28,046
Deferred inflows of resources	37,382	4,445	41,827
Pension expense	9,589	2,182	11,771

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8. Retirement Plans (continued)

The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2019 to June 30, 2020 (as of June 30, 2020 and 2019 measurement dates) relative to the total contributions from all participating employers.

The components of pension related deferred outflows of resources and deferred inflows of resources as of the measurement date (June 30, 2020 and June 30, 2019) for the fiscal year ended June 30, 2021 and 2020, are as follows:

	2021		
	PERS	PFRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 4,352	\$ -	\$ 4,352
Changes of assumptions	2,761	16	2,777
Net differences between projected and actual earnings on pension plan investments	1,878	542	2,420
Changes in proportionate share	3,797	2,040	5,837
Contributions subsequent to the measurement date	7,937	2,276	10,213
	\$ 20,725	\$ 4,874	\$ 25,599
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 892	\$ 390	\$ 1,282
Changes of assumptions	37,266	2,657	39,923
Changes in proportionate share	1,215	752	1,967
	\$ 39,373	\$ 3,799	\$ 43,172

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8. Retirement Plans (continued)

	2020		
	PERS	PFRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 1,775	\$ -	\$ 1,775
Changes of assumptions	9,545	279	9,824
Net differences between projected and actual earnings on pension plan investments	166	267	433
Changes in proportionate share	5,331	2,188	7,519
Contributions subsequent to the measurement date	6,518	1,977	8,495
	\$ 23,335	\$ 4,711	\$ 28,046
	PERS	PFRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 1,231	\$ 495	\$ 1,726
Changes of assumptions	34,474	2,947	37,421
Changes in proportionate share	1,677	1,003	2,680
	\$ 37,382	\$ 4,445	\$ 41,827

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7.9 million for PERS and \$2.3 million for PFRS are recognized as a reduction of the net pension liability in the year ended June 30, 2022 as of June 30, 2021 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:

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8. Retirement Plans (continued)

	PERS	PFRS	Total
Years ending June 30:			
2021	\$ (9,590)	\$ (472)	\$ (10,062)
2022	(9,208)	(362)	(9,570)
2023	(5,324)	(202)	(5,526)
2024	(2,104)	(120)	(2,225)
2025	(359)	(45)	(403)
	(26,586)	(1,201)	(27,787)
Contributions paid subsequent to Measurement Date	7,937	2,276	10,213
	\$ (18,649)	\$ 1,075	\$ (17,574)

Actuarial Assumptions

The University's net pension liability as of June 30, 2020 measurement date (based on July 1, 2019 actuarial valuation) and June 30, 2019 measurement date (based on July 1, 2018 actuarial valuation) were determined using the following assumptions:

	PERS	PFRS
Inflation Rate	2.75%	2.75%
Salary increases:		
Through 2026	2.00 - 6.00% based on service	
Thereafter	3.00 - 7.00% based on service	
Through all future years	3.25 - 15.25% based on years of service	
Investment rate of return	7.00%	7.00%

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8. Retirement Plans (continued)

PERS

For the June 30, 2020 measurement date, pre-retirement mortality rates were based on 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. Postretirement 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-2020 (June 30, 2020 measurement date) and Scale MP-2019 (June 30, 2019 measurement date).

PFRS

For the June 30, 2020 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-2020 (June 30, 2020 measurement date) and Scale MP-2019 (June 30, 2019 measurement date).

The actuarial assumptions used in the July 1, 2019 and July 1, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

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8. Retirement Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020 and June 30, 2019 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 weighting 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, 2020 and 2019 measurement date are summarized in the following table:

Asset Class	2020 PERS and PFRS		2019 PERS and PFRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.40%	3.00%	4.67%
Cash equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment grade credit	8.00%	2.67%	10.00%	4.25%
High yield	2.00%	5.95%	2.00%	5.37%
Private credit	8.00%	7.59%	6.00%	7.92%
Real assets	3.00%	9.73%	2.50%	9.31%
Real estate	8.00%	9.56%	7.50%	8.33%
US Equity	27.00%	7.71%	28.00%	8.26%
Non US developed markets equity	13.50%	8.57%	12.50%	9.00%
Emerging markets equity	5.50%	10.23%	6.50%	11.37%
Private equity	13.00%	11.42%	12.00%	10.85%

Discount Rates

The discount rates used to measure the total pension liabilities were 7.00% for PERS and PFRS as of the June 30, 2020 measurement date and 6.28% and 6.85% as of June 30, 2019 measurement date, 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 78% 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.

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8. Retirement Plans (continued)

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

The following presents the University's proportionate share of the collective net pension liability of the plans as of June 30, 2020 and 2019 measurement date calculated using the discount rate as disclosed above, as well as what the University'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):

	2021			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	6.00%	\$ 188,827	6.00%	\$ 26,019
Current discount rate	7.00%	165,517	7.00%	22,376
1% increase	8.00%	145,798	8.00%	19,351
	2020			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	5.28%	\$ 197,769	5.85%	\$ 24,618
Current discount rate	6.28%	171,899	6.85%	21,048
1% increase	7.28%	150,160	7.85%	18,095

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8. Retirement Plans (continued)

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.

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

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8. Retirement Plans (continued)

insurance benefits is based on actual claims paid. For fiscal year 2020 measurement date, the State's pension contribution was less than the actuarial determined amount.

Allocated employer contributions provided by the State and recognized by the plan from the University totaled \$110 and \$96 thousand for the year ending June 30, 2021 and 2020, respectively.

Net Pension Liability

As of June 30, 2021 and 2020, the State's proportionate share of the TPAF net present liability associated with the University was \$3.2 and \$3.0 million, respectively. The University's proportionate share was \$0.

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The June 30, 2020 and 2019 actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

	June 30, 2020
Inflation Rate	2.75%
Salary increases:	
Through 2026	1.55 - 4.45%
Thereafter	2.75 - 5.65%
Investment rate of return	7.00%

For the July 1, 2019 and 2018 valuation, 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

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8. Retirement Plans (continued)

from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020 (June 30, 2020 measurement date) and Scale MP-2019 (June 30, 2019 measurement date).

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018. The actuarial assumptions used in the July 1, 2018 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 5.40% and 5.60% as of June 30, 2020 and 2019 measurement date, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2020 and 2019 measurement date, respectively, and a municipal bond rate of 2.21% and 3.50% as of June 30, 2020 and 2019 measurement date, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 78% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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8. Retirement Plans (continued)

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

The following presents the net pension liability of the University as of June 30, 2020 and 2019 measurement date calculated using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	2021		
	At 1% Decrease (4.40%)	At Current Discount Rate (5.40%)	At 1% Increase (6.40%)
Net Pension Liability	\$ 77,517,093	\$ 65,993,499	\$ 56,425,088
Allocation Percentage	<u>0.0048657530%</u>	<u>0.0048657530%</u>	<u>0.0048657530%</u>
University's proportionate share of the net pension liability	<u>\$ 3,772</u>	<u>\$ 3,204</u>	<u>\$ 2,746</u>
	2020		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
Net Pension Liability	\$ 72,544,650	\$ 61,519,112	\$ 52,371,398
Allocation Percentage	<u>0.0047934158%</u>	<u>0.0047934158%</u>	<u>0.0047934158%</u>
University's proportionate share of the net pension liability	<u>\$ 3,477</u>	<u>\$ 2,942</u>	<u>\$ 2,510</u>

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8. Retirement Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020 and 2019 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.

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, 2020 and 2019 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.40%	3.00%	4.67%
Cash equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment grade credit	8.00%	2.67%	10.00%	4.25%
High yield	2.00%	5.95%	2.00%	5.37%
Private credit	8.00%	7.59%	6.00%	7.92%
Real assets	3.00%	9.73%	2.50%	9.31%
Real estate	8.00%	9.56%	7.50%	8.33%
U.S. Equity	27.00%	7.71%	28.00%	8.26%
Non-US developed markets equity	13.50%	8.57%	12.50%	9.00%
Emerging markets equity	5.50%	10.23%	6.50%	11.37%
Private equity	13.00%	11.42%	12.00%	10.85%

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8. Retirement Plans (continued)

Components of Net Pension Liability

The components of the net pension liability of the participating employers for TPAF as of June 30, 2020 and 2019 measurement date are as follows:

	2020 State	2019 State
Total pension liability	\$ 87,522,679	\$ 84,215,847
Plan fiduciary net position	21,529,180	22,696,734
Net Pension Liability	\$ 65,993,499	\$ 61,519,113
Plan fiduciary net position as a percentage of the total pension liability	24.60%	26.95%
	University	University
Net pension liability	\$ 65,993,499	\$ 61,519,112
Allocation percentage	0.0048657530%	0.0047934158%
University's Proportionate Share of the Net Pension Liability	\$ 3,204	\$ 2,942

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 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 the University. The University's portion of the non-employer contributing entities' total proportionate share of the net pension liability was \$3,204,040 as of June 30, 2021 and \$2,941,764 as of June 30, 2020. The University 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 \$199,241 in 2021 and \$173,513 in 2020.

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8. Retirement Plans (continued)

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. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this 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 University 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. The University created the Supplemental Alternate Benefits Program to fund the 8% employer match above \$175,000 compensation limit. These contributions are funded by the University. During the years ended June 30, 2021 and 2020, ABP received employee contributions of approximately \$7.1 million and \$7.8 million, respectively; and employer contributions of approximately \$11.3 million and \$12.4 million, respectively, which were based on participating employee salaries of \$141.4 million and \$155.2 million, respectively. Employer contributions to ABP are paid by the State and the University 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.

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8. Retirement Plans (continued)

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 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.

The University assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5.5% of their eligible wages and the employer match contributions are 3% of base salary.

During the years ended June 30, 2021 and 2020, Prudential received employer and employee contributions as follows:

	<u>2021</u>	<u>2020</u>
Employer contributions	\$ 23,176	\$ 31,543
Employee contributions	42,198	56,784
Basis for contributions:		
Participant employee salaries	\$ 772,541	\$ 1,051,433

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

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8. Retirement Plans (continued)

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 the University. TIAA is the privately operated investment carrier for this defined contribution plan. All contributions are made by the University 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. The University 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.

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.

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8. Retirement Plans (continued)

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.

9. Postemployment Benefits Other than Pensions

The University's 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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9. Postemployment Benefits Other than Pensions (continued)

Total OPEB Liability and OPEB Expense

As of June 30, 2021, and 2020, the State recorded a liability of \$432.7 million and \$278.9 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, 2021 and 2020, the University's share of the special funding situation was 5.410778% and 5.079226%, respectively. At June 30, 2021 and 2020, the University's share of the Plan was 1.529151% and 1.532325%, 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, 2021 and 2020, the University recognized OPEB expense of \$7.6 million and \$1.7 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 \$7.6 million and \$1.7 million, respectively.

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2021 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to the measurement date of June 30, 2020. The State's liability associated with the University at June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2019.

	<u>2020</u>	<u>2019</u>
Inflation	2.50 %	2.50 %
Discount rate	2.21 %	3.50 %
Salary Increases		
Through 2026	1.55 - 15.25 %	2.95 - 15.25 %
Thereafter	2.75 - 7.00 %	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.

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9. Postemployment Benefits Other than Pensions (continued)

The June 30, 2019 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-2020. 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-2020. Disability mortality was based on the Pub-2010 “Safety” (PFRS), “Teachers” (TPAF/ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The June 30, 2018 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-2019. 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-2019. Disability mortality was based on the Pub-2010 “Safety” (PFRS), “Teachers” (TPAF/ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational improvement projections from the central year using Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2019 and 2018 valuation were 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, 2019 pre-Medicare medical benefits valuation, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 4.5% for fiscal year 2021 through 2022. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years.

For the June 30, 2018 pre-Medicare medical benefits valuation, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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10. 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.

11. 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, 2021 and June 30, 2020, such benefits amounted to approximately \$36.7 million and \$40.8 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.

12. 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 \$10.8 million and \$10.0 million as of June 30, 2021 and 2020, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2021 and 2020, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2021 and 2020, the University paid approximately \$225 thousand and \$476 thousand, respectively, in sick leave payments for employees who retired.

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13. 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, 2021 and 2020 was \$82.7 million and \$74.0 million, respectively. As of June 30, 2021 and 2020, the deferred inflow of resources on the concession arrangement was \$161.6 million and \$168.9 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.

14. Rental Revenue Under Operating Lease

The University, as lessor, has non-cancelable operating leases on residential and commercial properties for use of University grounds which expire through 2041. The following is a schedule of minimum future lease amounts (dollars in thousands) to be received as of June 30:

2022	\$ 1,477
2023	1,361
2024	1,382
2025	1,356
2026	1,381
Thereafter	<u>22,974</u>
	<u>\$ 29,931</u>

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15. Lease Commitments

The University entered into operating leases in 2012 to rent dining and office space which expire through May 2042.

Effective August 1, 2018, the University amended its office space lease agreement to lease additional space at the Overlook Corporate Center contingent upon the landlord securing roadway approvals. The expected commencement date was January 1, 2020 with an extension to June 1, 2020. On June 26, 2020, the approvals were not obtained and the University terminated the amended agreement to lease additional space.

The University's office space lease for 855 Valley Road ended on August 31, 2020 with no renewal.

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

2022	\$ 3,309
2023	3,334
2024	3,368
2025	2,679
2026	2,467
Thereafter	<u>13,495</u>
	<u>\$ 28,652</u>

Total expense for the year ending June 30, 2021 and 2020 was \$3.1 million and \$3.9 million, respectively.

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16. 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 2044.

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 or \$1,615,221 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.

Union contracts are effective until June 30, 2023 with the exception of three contracts that are effective through June 30, 2019. Management believes that any adjustment from any renegotiations will not have a material effect on the accompanying financial statements.

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17. Risk Management

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

18. 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.

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19. Montclair State University Foundation, Inc.

Component Unit

For the years ended June 30, 2021 and 2020, total gifts and grants given to the University from the Foundation amounted to \$6.4 million, respectively.

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, 2021 and 2020, Foundation's investments totaled \$102.5 million and \$84.0 million, respectively.

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20. 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.

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 \$33.6 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 to the MSI aid. The University distributed \$5.2 million in the student aid portion and \$1.2 million in minority institutional aid to students for the period ended June 30, 2021. The University recognized \$5.5 million in institutional aid for the period ended June 30, 2021.

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Notes to Financial Statements
June 30, 2021 and 2020

20. Pandemic related Financial Assistance (continued)

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 has not distributed or recognized such amounts as of and for the period ending June 30, 2021.

For the period ending June 30, 2021, the University has drawn down funding from the HEERF I student aid portion of \$4.3 million and for the minority institution portion \$1.3 million. For HEERF II, the University drew down \$5.2 million in the student aid, \$1.2 million in minority institution aid, and \$5.4 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, 2021.

As of June 30, 2020, the University has drawn down funding from the HEERF I student aid portion of \$5.6 million and for the institution portion \$9.9 million. The University recognized the institution portion up to the amount on the student aid portion of \$5.6 million and such is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2020. The remaining institutional portion of \$4.3 million is reflected as a deferred inflow of resources on the Statement of Net Position as of June 30, 2020.

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. On August 6, 2020, the University received \$3.3 million of this award and the remaining amount of \$3.3 million was received on May 7, 2021.

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Notes to Financial Statements
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20. Pandemic related Financial Assistance (continued)

Coronavirus Relief Fund (CRF)

On August 14, 2020, Governor Phil Murphy and OSHE announced that the Administration will award \$150 million in federal CARES Act funds to New Jersey's public and private colleges and universities to help offset costs incurred as a result of the ongoing COVID-19 pandemic. Eligible institutions had to file an application to receive funding from the state. The University was awarded an allocated amount of \$15.1 million. On November 24, 2020, the University received \$15.1 million. On November 13, 2020, the Murphy Administration announced an additional \$75 million in CRF for a total of \$225 million in CRF. The University was awarded an allocated amount of \$4.7 million, which was received on December 23, 2020. Eligible expenses include those incurred between March 1, 2020 and December 30, 2020.

21. Subsequent Events

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.

On August 3, 2021, the University was awarded an additional \$3.4 million of MSI HEERF III funding.

On December 16, 2021, the University and Bloomfield College (College) executed a non-binding agreement in its desire to structure a transaction that would pursue a permanent relationship such as a merger or acquisition upon mutually agreed terms and conditions. On March 23, 2022 Montclair State University's Board of Trustees authorized the University to provide financial support to Bloomfield College, if needed, to ensure the College can remain open through the 2022-23 academic year while the two institutions work toward their goal of establishing a permanent relationship. This interim financial support provides up to \$8 million in the form of loans secured by real estate owned by the College.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Montclair State University
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Required Supplementary Information
Schedule of University Contributions
(Dollars in Thousands)

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

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Required Supplementary Information
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the University
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
	%	\$			
2021 (2020)	0.75%	\$ 165,517	\$ 31,510	525.28%	21.39%
2020 (2019)	0.75%	171,899	32,277	532.57%	22.03%
2019 (2018)	0.73%	172,619	32,313	534.21%	22.11%
2018 (2017)	0.72%	185,255	30,903	599.47%	21.18%
2017 (2016)	0.73%	215,708	31,508	684.61%	19.02%
2016 (2015)	0.73%	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
	%	\$			
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
	%	\$			
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.

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Schedule of the State's Proportionate Share of the OPEB Liability Associated With the University
State Health Benefit State Retired Employees Plan

Last Ten Fiscal Years*

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
University's proportion of the total OPEB liability	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	\$ 432,699,220	\$ 278,973,080	\$ 366,011,934	\$ 418,649,617
Total OPEB liability	\$ 28,296,690,169	\$ 18,205,874,446	\$ 23,601,362,208	\$ 28,104,795,207
University's covered-employee payroll	\$ 150,442,218	\$ 153,370,916	\$ 151,734,073	\$ 126,232,049
University's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	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.

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Notes to Required Supplementary Information (Unaudited)
June 30, 2021 and 2020

Pensions

Benefit Changes

None.

Changes of Assumptions

PERS

The assumed rates of termination, retirement, mortality, disability, salary increases, and inflation were updated based on the most recent experience study. The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020 measurement date.

PFRS

The assumed rates of termination, retirement, mortality, disability, salary increases, and inflation were updated based on the most recent experience study. The discount rate changed from 6.85% as of June 30, 2019 to 7.00% as of June 30, 2020 measurement date.

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, 2019 valuation to be consistent with industry standards. The discount rate changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.