



NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Basic Financial Statements, Management's Discussion
and Analysis, Required Supplementary Information and Schedule of
Expenditures of State of New Jersey Awards

June 30, 2023

(With Independent Auditors' Reports Thereon)

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

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Independent Auditors' Report

The Board of Trustees
New Jersey City University:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely present component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying 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 the University as of June 30, 2023 and 2022, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of New Jersey City University Foundation, Inc. and affiliate (the Foundation), which represent 100% of the total assets and total revenues as of and for the year ended June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 1(b)(iii) to the financial statements, in 2023, the University adopted Governmental Accounting Standards Boards (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedules of employer contributions, schedules of proportionate share of the net pension liability, and schedule of proportionate share of the total OPEB liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Short Hills, New Jersey
September 13, 2024

Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

Introduction

The following management's discussion and analysis (MD&A) provides an analytical overview of the financial position of New Jersey City University (the University or NJCU), a component unit of the State of New Jersey (the State), as of June 30, 2023 and 2022 and its results of operations for the fiscal years then ended, with fiscal year 2021 data presented for comparative purposes. Management has prepared this MD&A and the financial statements and related notes to the financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

University Overview

Since its opening in 1929, the University has evolved into a place of higher education servicing the most racial and ethnically and socioeconomically diverse student population in New Jersey. When the financial emergency was declared in June 2022, the University took the opportunity to revitalize the University's mission from providing a diverse population with an excellent university education to "enroll, retain and graduate more students with a deliberate and primary focus of driving the highest level of equitable access to a four-year degree for the State's most underserved population". The University is emphasizing that the central teaching and learning mission is to focus on offering quality academic programs that are relevant to the needs of Jersey City, Hudson County, and the State of New Jersey. The University is committed to strengthening its enrollment and retention record. The reformation of the academic portfolio, general education curriculum, workforce development, and transfer initiatives are critical to the University's success.

The University serves approximately 4,200 undergraduate, and 1,600 graduate students. The University expanded its presence in 2015 by opening a School of Business located in downtown Jersey City with the goal of attracting students from New York due to the proximity to the PATH and mass transit. There is also a partnership with RWJ Barnabas Health to lease space at the Fort Monmouth for their nursing program, which gives the University another avenue of attracting nursing students to continue their education at the University.

New Jersey City University Foundation (the Foundation) was established as a nonprofit corporation to provide an independent instrument to raise, control and distribute funds from donors other than the State, with its primary purpose to support the mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and State taxes. Because the Foundation's resources have historically been used only for the benefit of the University, the Foundation is considered a component unit and is discreetly presented in the University's financial statements.

During 2015, the Foundation created West Campus Housing, LLC (WCH), a limited liability corporation of which the Foundation is the sole member. The University entered into a 40-year ground lease agreement with WCH for land associated with two existing residence halls and land located at its west campus site. The agreement also provides that WCH be deemed to be the owner of the two existing residence halls for the term of the ground lease. In March 2015, WCH issued \$50.6 million in revenue bonds through the New Jersey Economic Development Authority to finance the construction of a new residence hall and renovation of the existing housing facilities. WCH is solely responsible for repayment of the bonds. The University has no obligation to pay debt service on the financing.

Financial Statements

The University's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with GASB principles.

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35), establishes standards for external financial reporting for public



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

colleges and universities requiring that financial statements be presented with the focus placed on the University as a whole. GASB Statement No. 61, *The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14 and No. 34* (GASB 61), establishes criteria for assessing whether certain organizations should be reported as a component unit of the financial reporting entity and has resulted in the inclusion of the Foundation's consolidated financial statements in the University's financial statements. The Foundation's financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) principles, rather than GASB.

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* (GASB 68), which requires the total pension liability and pension expense of a defined benefit pension plan to be recorded on the financial statements of state and local governmental employers. Historically, the State provided the contributions to the plan while seeking reimbursement from the University for the University's non-State-authorized positions. The University recorded the fringe benefit revenue (100% of the State-authorized positions) and expense (100% of State-authorized positions plus non-State-authorized positions reimbursed to the State) in its financial statements.

With respect to the Teachers' Pension and Annuity Fund (TPAF), the State determined TPAF met the "special funding situation" included in GASB 68 and the State recorded the University's proportion of the net pension liability on its respective financial statements. With respect to the Public Employees' Retirement System (PERS), the State treats the University as a separate employer. Thus, for financial reporting purposes, the University records on the financial statements its proportion of the net pension liability and related deferred inflows and deferred outflows of resources and pension expense as determined by the State. However, the State has communicated to the Colleges that the GASB 68 pension liability allocations do not impact state laws or past funding arrangements that have been established annually in the State budget. The State funds the contributions to the plans directly and the University records revenues related to that contribution through the annual fringe benefit appropriation.

The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) (GASB 75). This guidance establishes standards for the measurement, recognition, and reporting of the OPEB plans. The State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined by GASB 75. The State has recorded the University's proportion of the OPEB liability on its respective financial statements. The University has recognized OPEB (benefit) expense and an off-setting State appropriation of approximately (\$4.5 million) and \$2.2 million in 2023 and 2022, respectively, in accordance with GASB 75.

In 2022, the University adopted GASB 87, *Leases* (GASB 87). GASB 87 requires lessees to recognize a lease liability and an intangible right-to-use asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The adoption of GASB 87 resulted in the University recognizing a lease asset and a corresponding lease liability. The adoption of GASB 87 resulted in the University recognizing a lease asset and corresponding lease liability of \$21.6 million and \$23.1 million, respectively, at July 1, 2020, and a restatement of certain amounts on the statement of revenues, expenses, and changes in net position (primarily real estate related activity, amortization, and interest expense) and cash flows for the year ended June 30, 2021.

In 2022, the University also adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or non-governmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. The adoption of GASB 94 resulted in the University recognizing a transferor receivable and corresponding deferred inflow of resources of \$17.8 million and \$18.6 million, respectively, at June 30, 2023 and June 30, 2022.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

In 2023, the University adopted GASB 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions meeting that definition. It defines SBITAs as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement a government entity is required to establish a right-of-use subscription asset and a corresponding subscription liability. The adoption of GASB 96 as of July 1, 2021 resulted in the University recognizing a SBITA asset of \$874 and a lease liability of \$874.

Statements of Net Position

The Statement of Net Position presents the University's financial position at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair value. Capital assets are carried at cost and are depreciated over their respective useful lives. Assets are classified as current and noncurrent. Current assets generally are those assets considered to be convertible to cash within one year. The University's current assets consist primarily of cash, short-term investments, including the State of New Jersey Cash Management Fund, restricted deposits held with bond trustees, and student, grants, and other receivables. The University's noncurrent assets are those assets held for long-term purposes and consist primarily of capital assets, right-to-use leased and SBITA assets, transferor receivable, the noncurrent portion of restricted deposits held with bond trustees and student loans.

Net position is one indicator of the financial condition of the University, while the change in net position during the year is a measure of whether the overall condition has improved or worsened during the year.

Deferred outflows of resources are a consumption of net position by the University that is applicable to a future reporting period. The University's deferred outflows of resources consist of bond deferred refunding amounts and changes in proportion of the allocated pension liability and differences in actuarial amounts used to calculate the pension liability.

Liabilities are also classified as current and noncurrent. Current liabilities are those liabilities due and anticipated to be paid within the upcoming fiscal year. The University's current liabilities consist primarily of accounts payable, accrued benefits, unearned grant revenue and the current portion of long-term debt and lease liabilities, while noncurrent liabilities consist primarily of the noncurrent portion of long-term debt, lease and SBITA liabilities and the pension liability.

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

Net position is the residual interest in the University's assets after the liabilities are deducted. Net position is classified into three categories: net investment in capital assets (which includes leases and SBITAs), restricted expendable and unrestricted. Net investment in capital and leased assets reflects the University's equity in capital assets. Restricted expendable net position includes funds for debt service and government loans that are subject to externally imposed restrictions governing their use. Unrestricted net position is available to the University for general purposes and operational needs.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

The following is a condensed summary of the Statement of Net Position as of June 30, 2023, 2022 and 2021:

	2023	2022	2021⁽¹⁾
		(In millions)	
Assets:			
Cash and investments	\$ 16.5	24.2	53.8
Receivables	9.3	13.0	9.4
Restricted deposits and student loans	7.7	7.8	7.4
Capital assets, net	221.9	228.0	233.7
Right-to-use leased and SBITA assets, net	50.1	46.0	20.2
Transferor receivable	17.4	18.6	17.7
Total assets	322.9	337.6	342.2
Deferred outflows of resources:			
Deferred amounts from pensions	15.3	14.9	17.3
Deferred amounts from debt refunding	8.3	8.8	9.3
Total deferred outflows of resources	23.6	23.7	26.6
Liabilities:			
Current liabilities	32.0	41.1	57.3
Long-term debt, net of current portion	152.9	154.6	156.2
Net pension liability	121.2	119.3	129.7
Leased and SBITA liabilities, net of current portion	51.1	46.4	21.0
Other noncurrent liabilities	14.0	14.7	15.4
Total liabilities	371.2	376.1	379.6
Deferred inflows of resources:			
Deferred amounts from pensions	17.6	29.6	32.6
Deferred amounts from transferor	17.8	18.6	17.7
Total deferred inflows of resources	35.4	48.2	50.3
Net position:			
Net investment in capital assets	72.2	79.0	81.3
Restricted expendable	4.5	4.4	4.4
Unrestricted	(136.9)	(146.4)	(146.8)
Total net position	\$ (60.2)	(63.0)	(61.1)

⁽¹⁾ The 2021 amounts have not been restated for the adoption of GASB 96.

Statements of Net Position – Financial Highlights

As of June 30, 2023, the University's total assets decreased by \$14.7 million to \$322.9 million from \$337.6 million as of June 30, 2022. This decrease is primarily attributable to a decrease in cash and investments of \$7.7 million due to the receipts of various Higher Education Emergency Relief Fund (HEERF) grant received in 2022 of approximately \$12.8 million that did not exist in 2023. Capital assets also decreased by \$6.1 million due to depreciation expense exceeding additions to capital assets.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

As of June 30, 2022, the University's total assets decreased by \$4.6 million to \$337.6 million from \$342.2 million as of June 30, 2021. This decrease is primarily attributable to a decrease in cash and investments of \$29.6 million due to utilization of the various HEERF funds received in 2021 that totaled approximately \$39.7 million which was offset by the timing of vendor payments of approximately \$10 million in excess of fiscal 2021. Capital assets also decreased by \$5.7 million due to depreciation expense exceeding capital expenditures. These decreases were partially offset by increases of \$3.7 million in receivables and \$25.8 million in right-to-use leased assets (buildings) primarily due to leases related to Fort Monmouth and the School of Business.

The University's deferred outflows of resources from pensions increased by \$0.4 million as of June 30, 2023 compared to a decrease of \$2.4 million as of June 30, 2022. The University's deferred inflows of resources from pensions decreased by \$12.0 million as of June 30, 2023 and \$3.0 million as of June 30, 2022. These changes were primarily due to changes in GASB 68-related pension actuarial assumptions.

As of June 30, 2023, the University's total liabilities decreased by \$4.9 million to \$371.2 million from \$376.1 million as of June 30, 2022. This decrease is primarily attributable to a decrease in unearned grant revenue of \$12.7 million due to the utilization of HEERF funding received in 2021, partially offset by increases of \$3.4 million in vendor payables and \$4.7 million in long-term lease liabilities.

As of June 30, 2022, the University's total liabilities decreased by \$3.5 million to \$376.1 million from \$379.6 million as of June 30, 2021. This decrease is primarily attributable to a decrease in unearned grant revenue of \$14.7 million due the utilization of HEERF funding received in 2021, a decrease of \$10.4 million in net pension liability and a decrease of \$2.6 million in vendor payables. This was offset by a \$25.4 million increase in leased liabilities (buildings) primarily due to leases related to Fort Monmouth and the School of Business.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. The Statement of Revenues, Expenses, and Changes in Net Position is categorized into three sections: operating revenues, operating expenses, and net nonoperating revenues (expenses). The net difference between operating and nonoperating revenues and expenses and other changes in net position results in an increase or decrease in the University's net position. The change in net position indicates whether the overall financial condition of the University has improved or declined during the year.

Generally, operating revenues are earned in exchange for providing goods or services. Operating revenues of the University consist of net tuition and fees revenue, as well as Federal, State and local grant revenues. Operating expenses are primarily incurred to carry out the University's mission, goals and objectives, and costs related to the operation and maintenance of its facilities and auxiliary services. State appropriations, certain Federal grants and investment income are classified as nonoperating revenues. Nonoperating expenses consist of interest expense and gifts to the Foundation.

Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

The following is a condensed summary of the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021⁽¹⁾</u>
		(In millions)	
Operating revenues:			
Student revenues, net	\$ 47.8	51.6	55.2
Grants and contracts	34.1	35.5	37.0
Other	4.7	4.0	2.9
Total operating revenues	86.6	91.1	95.1
Operating expenses	138.3	153.6	159.5
Operating loss	(51.7)	(62.5)	(64.4)
Nonoperating revenues (expenses):			
State appropriations	33.9	30.9	26.7
State paid fringe benefits	20.3	21.7	21.8
State paid OPEB (benefits) expense	(4.5)	2.2	3.9
Investment income	0.3	—	0.1
Interest expense	(6.4)	(6.2)	(6.0)
Interest expense on leased and SBITA assets	(2.6)	(2.2)	(1.1)
(Loss) gain on disposal of assets	(0.3)	(0.2)	0.1
Stimulus funds	12.8	16.7	27.2
WCH, LLC operational subsidy	(0.1)	(2.2)	(2.5)
Other nonoperating income, net	1.1	—	0.3
Net nonoperating revenues	54.5	60.7	70.5
Capital grants	—	—	0.2
Increase (decrease) in net position	2.8	(1.8)	6.3
Net position as of beginning of year	(63.0)	(61.2)	(67.5)
Net position as of end of year	\$ (60.2)	(63.0)	(61.2)

⁽¹⁾ The 2021 amounts have not been restated for the adoption of GASB 96.

The University's net position has been significantly impacted by the accounting and reporting of pensions under GASB 68. The change in net position excluding amounts related to accounting for pensions in accordance with GASSB 68 is relevant and is displayed because the University participates in the State's plans and does not have any influence over the plans.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
		(In millions)	
Change in net position, excluding GASB 68	\$ (7.7)	(12.7)	4.8

The impact of GASB 68 on the change in net position was a credit of (\$10.5 million), (\$10.9 million) and (\$1.5 million) in 2023, 2022, and 2021, respectively.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

Financial Highlights – Revenues

The University derives its revenue from a variety of sources. Net student revenues, State appropriations and grants and contracts are the primary sources of funding for the University's academic programs. Net student revenues totaled \$47.8 million, \$51.6 million and \$55.2 million for the years ended June 30, 2023, 2022 and 2021, respectively. Tuition rates were increased by 3.0%, 2.5%, and 3.5% for the years ended June 30, 2023, 2022 and 2021, respectively, while enrollment declined in each year due to softness in undergraduate enrollment and lower than expected transfer matriculation. The enrollment decrease and an increase in scholarship allowances in 2023 was partially offset by a \$1.4 million increase in auxiliary revenues, primarily due to textbook rental income.

Grants and contracts revenues decreased by \$1.4 million in 2023 and \$1.5 million in 2022, primarily due to a decrease in Federal Pell and State TAG grants of \$1.5 million in 2023 and \$2.1 million in 2022. State appropriations increased by \$3.0 million in 2023 primarily due to a \$2.7 million increase in outcome-based appropriations, a \$1.0 million increase in the base appropriation, and \$2.3 million for capital improvements, which were partially offset by a \$3.0 million decrease in the Fort Monmouth appropriation.

Stimulus funds were received from Federal and State agencies as a result of the adverse financial impact of COVID-19 beginning in 2020. These funds were utilized as follows: \$12.8 million in 2023 – for student aid (\$6.7 million) and institutional expenses (\$6.1 million), \$16.7 million in 2022 – for student aid (\$7.2 million), institutional expenses (\$7.3 million) and housing subsidy (\$2.2 million), and \$27.2 million in 2021—for student aid (\$6.6 million), institutional expenses and lost revenues (\$18.1 million) and housing subsidy (\$2.5 million). See Note 17 for more information.

Financial Highlights – Expenses

The following is a condensed summary of operating expenses, by natural classification, for the years ended June 30, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021⁽¹⁾</u>
		(In millions)	
Salaries	\$ 76.2	87.2	83.3
State paid fringe benefits	20.9	23.2	22.8
Pension expense	(10.4)	(10.8)	(1.0)
State paid OPEB benefits	(4.5)	2.2	3.9
Total salaries and benefits	82.2	101.8	109.0
Professional services	4.5	3.8	3.4
Student aid and bad debts	13.3	9.9	10.0
Utilities and maintenance	6.5	5.9	7.4
Real estate related	1.5	1.2	1.2
Other supplies and services	16.9	18.7	16.5
Depreciation	10.8	10.5	10.6
Amortization on leased and SBITA assets	2.6	1.8	1.4
Total operating expenses	\$ <u>138.3</u>	<u>153.6</u>	<u>159.5</u>

⁽¹⁾ The 2021 amounts have not been restated for the adoption of GASB 96.

Total expenses, excluding pension, OPEB and amortization on right-to-use leased and SBITA assets expenses, decreased by \$9.8 million in 2023 and increased by \$5.2 million in 2022.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

Salaries decreased by \$11.0 million in 2023 due to a hiring freeze, the elimination of positions, salary reductions, and a mandatory furlough program that decreased costs by \$1.6 million. Salaries increased by \$3.9 million in 2022 primarily due to a furlough program that reduced salaries by \$3.7 million in 2021 that did not exist for 2022.

Professional services costs increased by \$0.7 million in 2023 and \$0.4 million in 2022 due to higher legal and audit costs.

Student aid and bad debt expenses increased by \$3.4 million in 2023 and \$0.5 million in 2022 due to a higher utilization of the CARES Act grants for student aid and an increase in bad debt expense of \$2.4 million in 2023 and \$0.5 million in 2022.

Utilities and maintenance costs increased by \$0.6 million in 2023 due to higher emergency repairs. Costs decreased by \$1.5 million in 2022 due to a writeoff in 2021 in construction in progress for the West Campus Infrastructure of \$2.3 million in architectural designs that had not materialized, which was partially offset by an increase in emergency repairs of \$0.4 million.

Real estate related expenses pertain to the Harborside and Fort Monmouth leases and University Place activities and contractual obligations. Due to the implementation of GASB 87, the University recognized amortization on leased assets (right-to-use), which included the Harborside and Fort Monmouth building leases. The increase in 2023 is primarily due to the Fort Monmouth lease, which began in 2022, and a second Harborside lease that began in 2023.

Capital Projects

The University is evaluating the capital needs of the University. In fiscal year 2023, the University incurred construction expenditures totaling \$4.9 million reflecting the University's commitment to maintain the main campus, which included \$1.0 million for the roadway project described below and \$2.1 million for several boiler and water repair projects.

As of June 30, 2023, a significant project under construction is the West Campus infrastructure and roadway project, which improves the connection of the main campus to the West Campus. The University has received \$11.7 million from the City of Jersey City (City) as unearned capital reimbursement pursuant to an Infrastructure Agreement with the City. The project is not complete because the decision by the city to buy back the roadway has not been finalized. The University continues to be in negotiations with the City to receive reimbursement for the roadway.

Moody's Investors Service has assigned a debt rating of Ba2 to the University's revenue bonds. Moody's upgraded the outlook from negative to stable on February 20, 2024. Fitch Ratings Services has assigned a debt rating of BB+ to the revenue bonds.

Summary and Outlook

The University has had declining enrollment since 2018. Along with the declining enrollment, the University was met with a financial crisis that resulted in the Board of Trustees declaring a financial emergency in June 2022. This was deemed necessary to institute immediate cost-containment and right-sizing plans to address the University's historical structural budget deficits and its impact on cash reserves and attain financial stability through a series of cost-cutting measures in accordance with collective bargaining obligations and University shared governance.



Management's Discussion and Analysis (Unaudited)

At June 30, 2023 and 2022

(Dollars in thousands)

A recovery and revitalization plan was developed and implemented to ensure the long-term financial sustainability, mission focus, and student success for the University. The plan included a hiring freeze, the elimination of positions, salary reductions and furloughs, a comprehensive enrollment and discounting plan, and a rightsizing of academic programs and structure of the University. In addition, the University hired a real estate consulting firm to review and value its real estate assets for potential monetization, reviewed any lease arrangements to ensure rents are at market value, as well as forming new business partnerships to enhance the revenue stream for the University.

The University's operating revenues have been declining since 2019. These financial results and in anticipation of a further decline in enrollment in 2023, the Board of Trustees declared a financial emergency in June 2022, which was deemed necessary to institute cost-containment and right-sizing plans to address the University's historical structural budget deficits and its impact on cash reserves and attain financial stability through a series of cost-cutting measures in accordance with collective bargaining obligations and University shared governance. The plan included a hiring freeze, the elimination of positions, salary reductions and furloughs, a comprehensive enrollment and discounting plan, and a rightsizing of academic programs and structure of the University. The University's new leadership is transparent in its decision-making and continues to work diligently to find creative and flexible solutions to ensure the financial stability of the University. The University is committed to ensuring that the ongoing recovery and revitalization efforts will result in not only surviving the crisis but expects the University to thrive. The University will continue to monitor and evaluate institutional operations and enrollment to identify and implement efficiencies.

The rightsizing of academic and administrative expenses began in January 2023. The full benefits of these reductions and changes will continue to be realized in Fiscal Year 2024. With the rightsizing plan as the directive in preparing the budget, there were many factors that went into the development of the 2024 budget including, the projected decline in enrollment, continued growth in deferred maintenance costs, vacancies, non-salary operating expenses, and continuation of the rightsizing plan. The salary budget only included active positions or those currently being advertised. Realignment and assessment of academic programs will continue in Fiscal Year 2024.

With a price sensitive student base, the University has limited its annual tuition increase to 3% in fiscal year 2024. The University maintains a solid position in its local market and is affordably priced relative to its peers. Since the COVID-19 pandemic, the University continues to institute a hybrid delivery method that has been in effect since March 2020.

Due to the financial and academic challenges and the unprecedented times caused by the COVID-19 pandemic, the entire University community is committed to addressing the needs of all students, inclusive of those in student housing.

Additional information regarding the State's financial condition may be found on the State's Treasury department website (www.nj.gov/treasury/omb).



NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Net Position

Business-Type Activities – University Only

June 30, 2023 and 2022

(In thousands)

Assets	2023	2022 (Restated)
Current assets:		
Cash and cash equivalents	\$ 13,776	21,606
Investments	2,729	2,634
Receivables:		
Students, net of allowance of \$12,493 and \$8,574 in 2023 and 2022, respectively	3,150	4,794
Grants	1,277	1,150
State of New Jersey	1,011	2,036
Due from New Jersey City University Foundation and affiliate	1,556	914
Other	2,268	4,108
Total receivables	9,262	13,002
Restricted deposits held with bond trustees	3,371	2,469
Total current assets	29,138	39,711
Noncurrent assets:		
Restricted deposits held with bond trustees	4,222	5,112
Student loans, net of allowance of \$317 and \$784 in 2023 and 2022, respectively	125	177
Capital assets, net of accumulated depreciation of \$157,912 and \$169,385 in 2023 and 2022, respectively	221,902	228,025
Right-to-use leased and SBITA assets, net of accumulated amortization of \$6,770 and \$3,870 in 2023 and 2022, respectively	50,113	45,998
Transferor receivables	17,402	18,590
Total noncurrent assets	293,764	297,902
Total assets	322,902	337,613
Deferred Outflows of Resources		
Deferred amounts from pensions	15,254	14,865
Deferred amounts from debt refunding	8,270	8,804
Total deferred outflows of resources	23,524	23,669
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	12,530	9,075
Payroll	3,592	3,529
Compensated absences, current portion	4,441	5,029
Accrued interest	3,890	3,890
Total accounts payable and accrued expenses	24,453	21,523
Unearned student tuition and fees	2,628	2,358
Unearned grant revenue	1,181	13,866
Long-term debt, current portion	1,641	1,667
Long-term lease and SBITA liabilities, current portion	2,096	1,677
Total current liabilities	31,999	41,091
Noncurrent liabilities:		
Unearned capital reimbursement	11,666	11,666
Other noncurrent liabilities	2,234	2,965
Long-term debt, noncurrent portion, net	152,930	154,574
Long-term lease and SBITA liabilities, noncurrent portion, net	51,126	46,446
Net pension liability	121,203	119,341
Total noncurrent liabilities	339,159	334,992
Total liabilities	371,158	376,083
Deferred Inflows of Resources		
Deferred amounts from pensions	17,580	29,573
Deferred amounts from transferor receivables	17,849	18,590
Total deferred inflows of resources	35,429	48,163
Net Position		
Net investment in capital assets	72,239	79,001
Restricted expendable:		
Debt service reserve	4,195	4,111
Perkins loans	342	330
Unrestricted	(136,937)	(146,406)
Total net position	\$ (60,161)	(62,964)

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Revenues, Expenses, and Changes in Net Position
Business-Type Activities – University Only
Years ended June 30, 2023 and 2022
(In thousands)

	2023	2022 (Restated)
Operating revenues:		
Student revenues:		
Tuition and fees	\$ 89,098	92,545
Auxiliary enterprises	4,200	2,927
Less scholarship allowances	(45,467)	(43,828)
Total student revenues, net	47,831	51,644
Federal grants	18,238	18,912
State grants	15,451	16,231
Private and other grants	401	346
Other operating revenues	4,675	3,974
Total operating revenues	86,596	91,107
Operating expenses:		
Instruction	50,765	59,455
Research and programs	26	31
Academic support	8,311	7,871
Student services	18,807	22,325
Institutional support	25,278	23,373
Operation and maintenance of plant	13,269	12,542
Student aid	8,280	9,467
Real estate-related activity	1,452	1,063
Auxiliary enterprises	2,958	2,487
Other postemployment health benefits	(4,501)	2,181
Amortization on leased and SBITA liabilities	2,900	2,344
Depreciation	10,757	10,529
Total operating expenses	138,302	153,668
Operating loss	(51,706)	(62,561)
Nonoperating revenues (expenses):		
State appropriations	33,913	30,924
State paid fringe benefits	20,296	21,735
State paid other postemployment health benefits	(4,501)	2,181
Gifts to affiliates	(769)	(1,183)
Investment income	315	41
Interest expense	(6,388)	(6,246)
Interest expense on right-to-use leased and SBITA liabilities	(2,627)	(2,221)
Loss on disposal of assets	(250)	(203)
Stimulus funds	12,757	16,747
WCH, LLC operational subsidy	(120)	(2,159)
Other nonoperating income, net	1,883	1,134
Net nonoperating revenues	54,509	60,750
Increase (decrease) in net position	2,803	(1,811)
Net position as of beginning of year	(62,964)	(61,153)
Net position as of end of year	\$ (60,161)	(62,964)

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022 (Restated)
Cash flows from operating activities:		
Student receipts	\$ 45,985	46,507
Grants and contracts	34,148	35,947
Payments for salaries and benefits	(78,134)	(88,204)
Payments to suppliers	(27,811)	(29,696)
Payments for utilities	(3,599)	(2,956)
Payments to students	(8,280)	(9,667)
Auxiliary enterprises	1,805	836
Other	4,280	3,598
Net cash used by operating activities	<u>(31,606)</u>	<u>(43,635)</u>
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	34,781	30,056
Stimulus funds	—	1,842
Net cash provided by noncapital financing activities	<u>34,781</u>	<u>31,898</u>
Cash flows from capital financing activities:		
Purchase of capital assets	(3,103)	(8,299)
Principal paid on capital debt	(1,670)	(1,810)
Interest paid on capital debt	(6,547)	(5,041)
Increase (decrease) in deposits with trustees	12	(422)
Net cash used by capital financing activities	<u>(11,308)</u>	<u>(15,572)</u>
Cash flows from investing activities:		
Interest on investments	303	2
Net cash provided by investing activities	<u>303</u>	<u>2</u>
Net decrease in cash and cash equivalents	<u>(7,830)</u>	<u>(27,307)</u>
Cash and cash equivalents as of beginning of year	21,606	51,118
Cash and cash equivalents as of end of year	<u><u>\$ 13,776</u></u>	<u><u>23,811</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (51,706)	(62,561)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for bad debts	5,013	2,633
Amortization and transfer expense	(2,970)	(3,142)
State paid fringe benefit expense	20,296	21,735
State paid other postemployment health benefits	(4,501)	2,181
Depreciation expense	10,757	10,529
Changes in assets and liabilities:		
Receivables	1,004	(4,760)
Vendor accounts payable and accrued expenses	1,704	743
Other liabilities, current and noncurrent	(1,157)	(463)
Unearned student tuition and fees	425	87
Unearned grant revenue and capital reimbursement	85	357
Net pension liability and related deferrals	(10,519)	(10,903)
Adoption of GASB 87	(37)	(71)
Net cash used by operating activities	<u><u>\$ (31,606)</u></u>	<u><u>(43,635)</u></u>
Noncash transaction:		
State of New Jersey paid fringe benefits	\$ 20,296	21,725
State of New Jersey paid other postemployment benefits	(4,501)	2,181
Lease liability and asset additions	7,015	27,032
SBITA liability and asset additions	—	1,113

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 1,169	5,307
Due from New Jersey City University and other receivables	3,142	2,853
Contributions receivable, net	2,722	3,401
Investments	4,763	4,645
Restricted deposits held by bond trustees	8,859	7,852
Restricted investments	16,503	15,315
Capital assets, net	43,755	45,295
Total assets	\$ 80,913	84,668
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses	\$ 452	340
Donor refund payable	—	5,000
Accrued interest	1,123	1,137
Due to New Jersey City University	1,540	914
Long-term debt, net	46,991	47,993
Total liabilities	50,106	55,384
Net assets:		
Without donor restrictions:		
Foundation operating and board designated	391	(43)
West Campus Housing, LLC	6,562	6,150
Total without donor restrictions	6,953	6,107
With donor restrictions:		
Restricted for specified purpose or passage of time	19,204	18,523
Restricted in perpetuity – endowment	4,650	4,654
Total with donor restrictions	23,854	23,177
Total net assets	30,807	29,284
Total liabilities and net assets	\$ 80,913	84,668

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2023

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Support from public contributions	\$ 164	958	1,122
Development grants and contracts	—	40	40
Contributed services	769	—	769
Investment return, net	606	1,151	1,757
Student housing revenues	5,246	—	5,246
University operational revenue subsidy	120	—	120
Special events	30	15	45
Other income, net	—	1	1
Gift assessment	38	(38)	—
Net assets released from restrictions in satisfaction of program restrictions	1,450	(1,450)	—
Total support and revenues	<u>8,423</u>	<u>677</u>	<u>9,100</u>
Expenses:			
Program services	1,305	—	1,305
Student housing	1,555	—	1,555
Interest expense	2,192	—	2,192
Management and general	835	—	835
Special events	39	—	39
Fundraising	80	—	80
Depreciation and amortization	1,571	—	1,571
Total expenses	<u>7,577</u>	<u>—</u>	<u>7,577</u>
Change in net assets	846	677	1,523
Net assets as of beginning of year	<u>6,107</u>	<u>23,177</u>	<u>29,284</u>
Net assets as of end of year	<u>\$ 6,953</u>	<u>23,854</u>	<u>30,807</u>

See accompanying notes to basic financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2022

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Support from public contributions	\$ 181	1,664	1,845
Development grants and contracts	—	134	134
Contributed services	1,183	—	1,183
Donor refund	(5,000)	—	(5,000)
Investment return, net	(590)	(2,001)	(2,591)
Student housing revenues	3,421	—	3,421
University operational revenue subsidy	2,159	—	2,159
Special events	19	19	38
Other income, net	3	3	6
Fair value adjustment of split interest agreements	—	(262)	(262)
Gift assessment	110	(110)	—
Net assets released from restrictions in satisfaction of program restrictions	2,006	(2,006)	—
Total support and revenues	<u>3,492</u>	<u>(2,559)</u>	<u>933</u>
Expenses:			
Program services	2,581	—	2,581
Student housing	1,898	—	1,898
Interest expense	2,222	—	2,222
Management and general	929	—	929
Special events	45	—	45
Fundraising	205	—	205
Depreciation and amortization	1,571	—	1,571
Total expenses	<u>9,451</u>	<u>—</u>	<u>9,451</u>
Change in net assets	(5,959)	(2,559)	(8,518)
Net assets as of beginning of year	<u>12,066</u>	<u>25,736</u>	<u>37,802</u>
Net assets as of end of year	<u>\$ 6,107</u>	<u>23,177</u>	<u>29,284</u>

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Jersey City University (the University or NJCU) is a public institution of higher education in the State of New Jersey (the State) and an instrumentality of the State with a high degree of autonomy. The University is considered a component unit of the State for financial reporting purposes and its financial statements are included in the State's Annual Comprehensive Financial Report.

Opened in 1929 and granted university status in 1998, NJCU is dedicated to urban programs designed to meet the economic, social and educational needs of the surrounding urban region and beyond. The urban mission is unique among the State's colleges and universities and NJCU has embarked on a plan designed to make it the premier Cooperative Education University in the State. The University offers 41 undergraduate, 27 master and post-master and 1 doctoral program, which are housed in four colleges and schools on a 52-acre campus and a Harborside waterfront location in Jersey City. NJCU has approximately 4,200 undergraduate and 1,600 graduate students, who reflect the social and cultural diversity of the metropolitan area.

New Jersey City University Foundation (the Foundation) is a separate tax-exempt corporation, which serves primarily as a fundraising entity to supplement the resources available to the University in support of its mission. The Foundation is reported as a discretely presented unit in the University's financial report. See note 14 for further details about the Foundation's activities.

During 2015, the Foundation created West Campus Housing, LLC (WCH), a limited liability corporation of which the Foundation is the sole member. The University entered into a 40-year ground lease agreement with WCH for land associated with two existing residence halls and land located at its west campus site. The agreement also provides that WCH be deemed to be the owner of the two existing residence halls for the term of the ground lease.

Liquidity and Capital Resources

The University has had declining enrollment since 2018. Along with the declining enrollment, the University was met with a financial crisis due to prior year decisions that resulted in the Board of Trustees declaring a financial emergency in June 2022. This was deemed necessary to institute immediate cost-containment and right-sizing plans to address the University's historical structural budget deficits and its impact on cash reserves. Management has assessed the University's ability to continue to operate as a going concern for the period of 12-months from the date of the statement of net position, plus an additional 3-months, and has determined that it is probable that the University will be able to meet its obligations.

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

The accounting policies of the University conform to generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) established state and local government financial reporting requirements and set forth the format and contents of the basic financial statements, certain related notes to the financial statements, and required supplementary information including management's discussion and analysis. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35) established standards

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

for external financial reporting for public colleges and universities and requires resources be classified for accounting and reporting purposes into the following net position categories.

- *Net investment in capital assets*: Capital and leased and SBITA assets, net of accumulated depreciation and amortization, respectively, and outstanding principal balances of debt used to finance the acquisition, construction, or improvement of those assets.
- *Restricted – expendable*: Assets whose use by the University is subject to externally imposed stipulations as specified by creditors, grantors or the State that can be fulfilled by actions of the University pursuant to the stipulations, including Perkins loans and restricted deposits held with bond trustees.
- *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. Substantially all unrestricted net position is designated for academic programs, 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.

(ii) *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business-type activity, as defined by GASB 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Foundation reports under the codified standards of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB standards. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at 2039 Kennedy Boulevard, Jersey City, New Jersey 07305.

(iii) *Adoption of Accounting Pronouncements*

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. It defines SBITAs as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government entity is required to establish a right-of-use subscription asset and a corresponding subscription

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

liability. The adoption of GASB 96 at July 1, 2021, resulted in a right-to-use SBITA assets of \$874 with a SBITA liabilities of \$874 in fiscal 2022 restated balances.

	June 30, 2022 Published	June 30, 2022 Restated	Change
Assets			
Noncurrent assets:			
Right-to-use leased and SBITA assets, net	\$ 45,151	45,998	847
Total noncurrent assets	297,055	297,902	847
Total assets	336,766	337,613	847
Liabilities			
Current liabilities:			
Long-term lease and SBITA liabilities	\$ 1,378	1,677	299
Total current liabilities	40,792	41,091	299
Noncurrent liabilities:			
Long-term lease and SBITA liabilities	45,878	46,446	568
Total noncurrent liabilities	334,424	334,992	568
Total liabilities	375,216	376,083	867
Net Position			
Net Investment in capital assets	\$ (146,406)	(146,426)	(20)
Total net position	\$ (146,406)	(146,426)	(20)

	June 30, 2022 Published	June 30, 2022 Restated	Change
Operating expenses:			
Institutional support	\$ 23,665	23,373	(292)
Amortization expense	2,076	2,344	268
Interest expense	2,178	2,221	43
Total operating expenses	153,692	153,668	(24)
Operating loss	(62,585)	(62,561)	24
(Loss) gain before other changes	(1,792)	(1,811)	(19)

(iv) *Accounting Pronouncements Applicable to the University, Issued but Not Yet Effective*

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* (GASB 100). This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 will be effective for fiscal years beginning after June 15, 2023, which is fiscal year 2024. The University is evaluating the impact of this new Statement.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). This Statement updates accounting and financial reporting requirements for compensated absences



Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

and associated salary-related payments to better align the recognition and measurement guidance under a unified model, which results in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. GASB 101 will be effective for fiscal years beginning after December 15, 2023, which is fiscal year 2025. The University is evaluating the impact of this new Statement.

(v) *Use of Estimates*

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

(vi) *Cash and Cash Equivalents*

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less. The University maintains portions of its cash in two funds, a money market account, which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large-scale investment program. Both are interest-bearing accounts from which the funds are available upon demand.

(vii) *Investments*

All investments are reported at fair value based upon quoted or published market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Changes in fair value, including realized and unrealized gains and losses, are reported as unrealized and realized gains (losses) on investments.

(viii) *Other Receivables*

Other receivables include amounts due from the State for appropriations and reimbursement of fringe costs and amounts due from the Foundation and other affiliates for services rendered.

(ix) *Restricted Deposits Held with Bond Trustees*

Restricted deposits held with bond trustees are reported at fair value, based on quoted market prices and consist of money market accounts, U.S. Treasury notes and government securities. Restricted deposits are externally restricted to maintain sinking or reserve funds or to purchase or construct capital assets.

(x) *Capital Assets (excluding intangible right-to-use lease and SBITA assets)*

Capital assets are carried at historical cost or if the asset is donated, at acquisition value on the date the asset was donated. The costs for replacements are capitalized and the replaced items are retired. Gains or losses resulting from disposal of capital assets are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Land improvements	10 years
Buildings and building improvements	25 to 50 years
Equipment and other assets	5 to 15 years



Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

The University does not capitalize equipment with a cost less than \$1,000.

(xi) *Leases and Similar Subscription-based IT Arrangements*

The University is a lessee for various noncancelable leases of buildings and equipment and a lessor for various noncancelable building leases. The University also has noncancelable SBITA arrangements for the right-to-use lease and SBITA assets.

Right-to-use lease assets are reported under capital assets and lease liabilities are reported with long-term debt in the statement of net position.

For lease contracts or SBITA arrangements with a maximum possible term of 12 months or less at commencement the University recognizes expenses based on the lease contracts or SBITA arrangements. For other leases and SBITA arrangements, the University recognizes right-to-use lease and SBITA assets and lease and SBITA liabilities.

Measurement of Lease Amounts

At lease commencement, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the University is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Subscription IT Amounts

At subscription commencement, the University initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

Key Estimates and Judgments

Key estimates and judgements include how the University determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription terms, and (3) lease and subscription payments.

- The University generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate of the lessor/vendor charges is known. The University's incremental borrowing rate for leases and subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.
- The lease or subscription term includes the noncancellable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either the University or

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lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the University and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

- Payments are evaluated by the University to determine if they should be included in the measurement of the lease and subscription IT liabilities, including those payments that require a determination of whether they are reasonably certain of being made.

Remeasurement of Lease and Subscription Amounts

The University monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

(xii) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources refer to the consumption of net position by the University that is applicable to a future reporting period. Deferred inflows of resources refer to the acquisition of net position by the University that is applicable to a future reporting period. Deferred outflows of resources increase the University's net position, similar to assets, while deferred inflows of resources decrease the University's net position, similar to liabilities. The University's deferred outflows of resources represent unamortized amounts from debt refunding and amounts related to changes in the net pension liability. The University's deferred inflows of resources represent amounts related to changes in the net pension liability and the transferor receivables.

(xiii) Net Pension Liability and Related Pension Amounts

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF), and additions to/deductions from PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and TPAF, please refer to the plans' Annual Reports, which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

(xiv) Transferor Receivables and Deferred Inflows

At the time the asset is placed into service, the University initially measures the transferor receivable at the present value of payments expected to be made during the contract term. Subsequently, the transferor receivable is reduced by the principal portion of payments made.

Key estimates and judgments include how the University determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) contract term, and (3) contract payments.

Transferor receivables are reported under assets and deferred inflows or resources in the statement of net position.

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(xv) *Other Post Employment Health Benefits*

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan). The Plan is a single employer defined 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 plan for standalone reporting purposes. For purposes of determining the cost of the University's retirees' other post-employment health benefits and related state funding, information has been provided by the State.

(xvi) *Net Position*

The difference between the University's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, is referred to as the net position in the financial statements of the University. Net position reported as restricted refers to amounts restricted for the payment of future debt service obligations and Federal Perkins Loan Program loans due back to the United States Department of Education. Net position reported as unrestricted refers to the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the aforementioned restricted components of the University's net position.

(xvii) *Revenue Recognition*

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the school year are recorded as unearned student tuition and fees in the accompanying statements of net position.

Grant revenues are comprised primarily of funds received from Federal and State sources and are recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned grant revenue in the accompanying statements of net position.

Revenues from State appropriations are recognized in the fiscal year during which the State appropriates the funds to the University.

(xviii) *Classification of Revenue*

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that primarily have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as appropriations from the State, investment income, interest expense, stimulus funds (see (xx) below) and capital grants.

(xix) *Income Taxes*

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



Notes to the Financial Statements

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(xx) Financial Dependency

Appropriations from the State are the University's largest source of nonoperating revenues. The University is economically dependent on these appropriations to carry on its operations.

(2) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, concentration of credit risk, credit risk and interest rate risk which, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are discussed below.

(a) Cash and Cash Equivalents

The carrying amount of cash and cash equivalents as of June 30, 2023, and 2022 was approximately \$13.8 million and \$21.6 million, respectively, while the amount on deposit with banks was approximately \$14.8 million and \$23.2 million, respectively.

Custodial credit risk associated with the University's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2023, and 2022 were partially insured by Federal Depository Insurance in the amount of \$250,000. Bank balances, in excess of insured amounts of \$14.5 million in 2023 and \$22.9 million in 2022, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund (NJCMF) wherein amounts also contributed by other state entities are combined into a large-scale investment program. The carrying amount and fair value of amounts invested in this program by the University as of June 30, 2023, and 2022 was \$81 and \$78, respectively. The NJCMF is unrated and the majority of its investments as of June 30, 2023, mature in one year or less.

State statutes and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

(b) Investments

Investments consist of the following as of June 30, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Money market fund	\$ 2,729	2,634

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to



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recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2023, and 2022, the University's investments are insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2023, and 2022, the University's investment quality ratings as rated by Moody's were Aaa.

The concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer that exceed 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University's investment policy provides limitations to the diversification to avoid undue risk of large losses over long time periods of the investment portfolio. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 10% of total portfolio assets. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard and Poor's BBB or Moody's Baa or higher). The University was not subject to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day's notice with no material impact on fair value. The final maturity of each security within the portfolio will not exceed five years for intermediate investments and thirty years for long-term investments. All of the University's investments at June 30, 2023, and 2022 had maturities of less than one year and were money market funds.

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds that are restricted under the terms of various long-term debt agreements. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of money market funds and government securities. They include the following as of June 30, 2023, and 2022:

	2023	2022
	(In thousands)	
Construction funds	\$ 27	27
Debt service funds	7,566	7,554
Total restricted deposits	7,593	7,581
Less-current portion	(3,371)	(2,469)
Noncurrent portion	\$ 4,222	5,112

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2023, and 2022,

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the University's deposits held with bond trustees were either insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's. As of June 30, 2023, and 2022, the University's investment quality ratings as rated by Moody's for the U.S. Treasury notes and government securities were AAA and the money market funds are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2023, and 2022, all deposits held with bond trustees had maturities of less than one year.

(4) 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 or published prices for identical assets or liabilities in active markets available at the measurement date.
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for an asset or liability.

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

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

The following is a description of the valuation methodology used for the University's investments measured at fair value:

Money market funds – the fair value of these investments at measurement date is based on the net asset value of this open-end fund which invests in a broad range of U.S. dollar-denominated money market instruments, including government, bank, and commercial obligations and repurchase agreements.

All of the University's cash equivalents, investments and restricted deposits held by trustees as of June 30, 2023, and 2022 were categorized as Level 1.

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(Dollars in thousands)

(5) Capital Assets

The detail of capital assets activity for the years ended June 30, 2023, and 2022 follows:

	June 30, 2022	Additions	Capitalization/ Retirements	June 30, 2023
		(In thousands)		
Depreciable assets:				
Land improvements	\$ 14,450	—	—	14,450
Buildings and building improvements	278,547	1,651	(501)	279,697
Equipment and other assets	62,020	846	(21,976)	40,890
	<u>355,017</u>	<u>2,497</u>	<u>(22,477)</u>	<u>335,037</u>
Less accumulated depreciation:				
Land improvements	(5,637)	(945)	—	(6,582)
Buildings and building improvements	(111,180)	(7,365)	259	(118,286)
Equipment and other assets	(52,558)	(2,447)	21,961	(33,044)
	<u>(169,375)</u>	<u>(10,757)</u>	<u>22,220</u>	<u>(157,912)</u>
Total depreciable assets	185,642	(8,260)	(257)	177,125
Nondepreciable assets:				
Land	31,431	—	—	31,431
Construction in progress	10,952	6,296	(3,902)	13,346
Capital assets, net, excluding leased and SBITA assets	<u>\$ 228,025</u>	<u>(1,964)</u>	<u>(4,159)</u>	<u>221,902</u>

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	June 30, 2021	Additions	Capitalization/ Retirements	June 30, 2022
		(In thousands)		
Depreciable assets:				
Land improvements	\$ 14,450	—	—	14,450
Buildings and building improvements	277,465	2,097	(1,015)	278,547
Equipment and other assets	64,428	3,259	(5,667)	62,020
	<u>356,343</u>	<u>5,356</u>	<u>(6,682)</u>	<u>355,017</u>
Less accumulated depreciation:				
Land improvements	(4,691)	(946)	—	(5,637)
Buildings and building improvements	(104,969)	(7,112)	901	(111,180)
Equipment and other assets	(55,658)	(2,471)	5,571	(52,558)
	<u>(165,318)</u>	<u>(10,529)</u>	<u>6,472</u>	<u>(169,375)</u>
Total depreciable assets	191,025	(5,173)	(210)	185,642
Nondepreciable assets:				
Land	31,431	—	—	31,431
Construction in progress	11,248	3,196	(3,492)	10,952
Capital assets, net, excluding leased and SBITA assets	<u>\$ 233,704</u>	<u>(1,977)</u>	<u>(3,702)</u>	<u>228,025</u>

The major projects included in construction in progress as of June 30, 2023, are the infrastructure expansion and boiler repair projects. The costs to complete the infrastructure project are estimated at \$4.3 million. The University has received \$11.7 million as unearned capital reimbursement from the City of Jersey City (the City) for the infrastructure project and expects to receive approximately \$4.3 million in the future.

(6) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA).

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The following obligations to the NJEFA were outstanding as of June 30, 2023, and 2022:

	<u>Interest rate</u>	<u>2023</u>	<u>2022</u>
		(In thousands)	
NJEFA Revenue Bonds:			
Series 2007 F, due July 1, 2032	3.00–5.00%	\$ 2,645	2,645
Series 2010 G, due July 1, 2040	6.19 %	18,310	18,310
Series 2015 A, due July 1, 2045	2.75–5.25%	35,340	35,340
Series 2016 D, due July 1, 2035	3.00–5.00%	35,885	35,885
Series 2021 A, due July 1, 2036	4.00–5.00%	5,640	5,640
Series 2021 B, due July 1, 2051	4.33–4.43%	38,545	38,545
Total NJEFA Revenue bonds payable		<u>136,365</u>	<u>136,365</u>
Other long-term debt:			
NJEFA Capital Improvement Fund:			
Series 2016 B	3.00–5.50%	1,363	1,430
New Jersey Environmental Infrastructure:			
Trust Loan 2005 A	4.00–5.00%	170	220
Fund Loan 2005 A, net of imputed interest of \$31 and \$51, respectively	— %	314	401
Trust Loan 2013 A	3.00–5.00%	2,155	2,330
Fund Loan 2013 A	— %	5,468	6,033
Other short-term obligations	3.00–7.00%	(2)	63
Total other long-term debt		<u>9,468</u>	<u>10,477</u>
Unamortized bond premiums		<u>8,738</u>	<u>9,399</u>
Total long-term debt		<u>154,571</u>	<u>156,241</u>
Less-current portion		<u>(1,641)</u>	<u>(1,667)</u>
Noncurrent portion	\$	152,930	154,574

In April 2021, the University issued approximately \$5.6 million Series 2021A and \$38.5 million Series 2021B Revenue Refunding Bonds (the Bonds) through the NJEFA to finance the advance refunding of NJEFA's Revenue Bonds, New Jersey City University Issues, Series 2008F and Series 2010F Bonds in their entirety, Series 2007F and 2016D Bonds in partial, to fund a debt service reserve fund for the Bonds and to pay interest on the July 1, 2021 balance of 2016D Bonds and the costs of issuance of the Bonds.

The difference in cash flows between the old and the new debt was \$0.4 million. The deferred loss on refunding of \$4.2 million was capitalized and recorded in deferred outflows of resources in the accompanying statements of net position.

The Bonds and the remaining balance of all other NJEFA Revenue Bonds are secured by a pledge of, lien on and security interest in and to the tuition and fees granted by the University pursuant to the terms of the Security Agreement (Agreement) for the Bonds.

The payments of principal and interest on the Bonds have been guaranteed under an insurance policy issued by Assured Guaranty Municipal Corp. (Assured).



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As long as the Bonds are outstanding, the Agreement prohibits any additional parity or subordinate pledge of and/or security interest in the tuition and fees unless a certain debt service coverage ratio is maintained. However, a subordinated lien on tuition and fees for indebtedness related to the Performing Arts Center Project (PAC Project), as described in note 15, may be provided, subject to approval by Assured.

The Agreement provides that the University is not allowed to incur any new long-term debt, other than the PAC Project indebtedness, without achieving a certain debt service coverage ratio and requires the University to maintain a certain level of days' cash on hand which began in 2023.

(a) Future Minimum Payments

The following is a schedule of future minimum principal and interest payments on the University's long-term debt obligations as of June 30, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		(In thousands)	
Year ending June 30:			
2024	\$ 1,025	6,360	7,385
2025	1,013	6,345	7,358
2026	3,754	6,445	10,199
2027	4,545	6,297	10,842
2028	4,748	6,103	10,851
2029–2033	34,116	26,844	60,960
2034–2038	32,149	18,988	51,137
2039–2043	21,410	12,980	34,390
2044–2048	25,145	7,517	32,662
2049–2051	17,928	1,616	19,544
Total	<u>\$ 145,833</u>	<u>99,495</u>	<u>245,328</u>

(7) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2023, and 2022:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current portion</u>
			(In thousands)		
Unearned capital reimbursement	\$ 11,666	—	—	11,666	—
Other noncurrent liabilities	8,654	70	(1,459)	7,265	5,031
Lease and SBITA liabilities (note 18)	48,123	7,015	(1,916)	53,222	2,096
Long-term debt	156,241	—	(1,670)	154,571	1,641
Total noncurrent liabilities	<u>\$ 224,684</u>	<u>7,085</u>	<u>(5,045)</u>	<u>226,724</u>	<u>8,768</u>



Notes to the Financial Statements

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	June 30, 2021	Additions	Reductions (In thousands)	June 30, 2022	Current portion
Unearned capital reimbursement	\$ 11,666	—	—	11,666	—
Other noncurrent liabilities	9,990	41	(1,377)	8,654	5,688
Lease and SBITA liabilities (note 18)	22,102	27,545	(1,524)	48,123	1,677
Long-term debt	158,057	—	(1,816)	156,241	1,667
Total noncurrent liabilities	\$ 201,815	27,586	(4,717)	224,684	9,032

(8) Retirement Plans

(a) Introduction

The University participates in the State of New Jersey Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits and fall within the scope of GASB 68 which requires participating employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense in their financial statements, unless the plan meets the GASB 68 special funding situation. Under GASB 68, the University has recorded its proportionate share of the PERS plan in its financial statements. With respect to TPAF, the State has determined that it meets the special funding situation of GASB 68 and therefore the University's proportionate share of the net pension liability is recorded by the State and not the University.

The State issues publicly available financial reports that include financial statements, required supplementary information, and detailed information about the PERS and TPAF plans' fiduciary net position. The reports may be obtained by visiting www.state.nj.us/treasury/pensions/annual-reports.shtml or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The University also participates in two defined contribution retirement plans, the Alternative Benefit Program (ABP) and the Defined Contribution Retirement Program (DCRP). Under these plans, participants make annual contributions, and the State, in accordance with annual appropriations, makes employer contributions on behalf of the University. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included within the State fringe benefit appropriations in the accompanying financial statements.

(b) Plan Descriptions

(i) Public Employees' Retirement System (PERS)

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

Notes to the Financial Statements

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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.

(ii) *Teachers' Pension and Annuity Fund (TPAF)*

The vesting and benefit provisions for TPAF 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



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(Dollars in thousands)

available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 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.

(iii) Defined Contribution Plans

The ABP pension plan is a defined contribution program administered by the State of New Jersey, Division of Pensions and Benefits. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

The DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial, provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least \$5,000 annually, are eligible to participate in the program. Participation in this plan is insignificant.

(c) Contributions

The contribution policy for PERS and TPAF is set by N.J.S.A. 43:15A and N.J.S.A 18A:66, respectively, and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State makes employer contributions on behalf of the University. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal years 2023 and 2022, the State's pension contribution was more than the actuarial determined amount.

For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of continuous employment. PERS members were required to contribute 7.5 % of their annual covered salary for the years ended June 30, 2023, and 2022. The State contributes the remaining amounts necessary to pay benefits when due. The contribution requirements of the plan members and the University are established and may be amended by the State. The University's contributions to the PERS plan (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2023, and 2022 were \$8.7 million and \$9.3 million, respectively.

Certain faculty members of the University participate in the TPAF. Under the special funding situation, the State is legally responsible for 100% of the employer contributions. TPAF covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the University's behalf by the State annually at an actuarially determined rate. The University no longer enrolls new employees into the TPAF plan.

(d) Pension Amounts

In accordance with GASB 68, the University reported a liability of \$121.2 million and \$119.3 million as of June 30, 2023, and June 30, 2022, respectively for its proportionate share of the PERS net pension liability. The PERS net pension liability reported at June 30, 2023, was measured as of June 30, 2022



Notes to the Financial Statements

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and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The PERS net pension liability reported at June 30, 2022, was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The University's proportionate share of the respective net pension liabilities was based on actual contributions to PERS on behalf of the University relative to the total contributions of participating state-group employers for the plan for the fiscal years 2022 and 2021 and was 0.541% and 0.552%, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2022 and 2021 was 0.322% and 0.355%, respectively.

For the years ended June 30, 2023, and 2022, pension benefit and expense of (\$0.9) million and (\$1.0) million related to PERS, respectively, was recognized within the functional classifications in the statements of revenues, expenses and changes in net position.

As of June 30, 2023, and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to the PERS pension plan from the following sources (in thousands):

	2023		2022	
	PERS Deferred outflows of resources	PERS Deferred inflows of resources	PERS Deferred outflows of resources	PERS Deferred inflows of resources
Changes in assumptions	\$ 181	8,873	243	16,914
Differences between expected and actual experience	1,955	638	2,901	412
Net difference between projected and actual earnings on pension plan investments	2,928	—	—	3,754
Changes in proportion	1,470	8,069	2,403	8,493
University contributions paid subsequent to the measurement date	8,720	—	9,318	—
Total	\$ 15,254	17,580	14,865	29,573

The \$8,720 and \$9,318 reported as deferred outflows of resources related to PERS pensions at June 30, 2023, and 2022, respectively, resulting from University contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Notes to the Financial Statements

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(Dollars in thousands)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions as of June 30, 2023, will be recognized in pension expense as follows (in thousands):

Year ending June 30:	
2024	\$ (10,096)
2025	(3,719)
2026	(261)
2027	3,054
2028	(24)
Total	<u>\$ (11,046)</u>

The University's proportion of the TPAF net pension liability was based on the ratio of the State's contributions made on behalf of the University towards the actuarially determined contribution amount to total contributions to the TPAF plan, as adjusted by locations who participated in the State's early retirement incentives, for the years ended June 30, 2022 and 2021. The 2023 and 2022 TPAF net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020, respectively, which was rolled forward to June 30, 2022 and 2021, respectively. The University's proportionate share of the TPAF net pension liability for fiscal year 2022 and 2021 was recorded by the State for the fiscal years 2022 and 2021 was \$5.2 million and \$5.0 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2022 and 2021 was 0.010% in both years. The TPAF net pension expense attributable to the University was \$0.1 million and \$0.1 million for the years ended June 30, 2023, and June 30, 2022, respectively, and has been recorded as an operating expense by functional classification and related revenue in the statements of revenues, expenses and changes in net position.

(e) **Defined Benefit Plan Assumptions**

The University's net pension liability for PERS as of June 30, 2023, was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022.

The University's net pension liability for PERS as of June 30, 2022, was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021.

Notes to the Financial Statements

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(Dollars in thousands)

The significant actuarial assumptions used to measure the total pension liability as of June 30, 2023, and June 30, 2022 were as follows:

Actuarial methods and assumptions		
	PERS	TPAF
Inflation rate:		
Price	2.75 %	2.75 %
Wage	3.25	3.25
Salary increases:		
Through 2026	2.75% - 6.55%	2.75% - 5.65%
	based on years of service	based on years of service
Thereafter	2.75% - 6.55%	2.75% - 5.65%
	based on years of service	based on years of service
Investment rate of return	7.00 %	7.00 %
Experience study dates	7/1/2018 - 6/30/2021	7/1/2018 - 6/30/2021

For the July 1, 2021, and July 1, 2020 actuarial valuation dates, pre-retirement mortality rates for PERS were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 and MP-2021, respectively.

For the June 30, 2022, and June 30, 2021 measurement dates, TPAF 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 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. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 and MP-2021, respectively.

(i) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments (7.00% at June 30, 2022, and 2021) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans 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

Notes to the Financial Statements

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(Dollars in thousands)

for each major asset class included in the pension plans' target asset allocation as of June 30, 2022 and 2021 measurement dates are summarized in the following tables:

2022 and 2021 Target asset allocation and long-term expected rate of return				
Asset class	2022		2021	
	PERS & TPAF		PERS & TPAF	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Risk mitigation strategies	3.00	4.91	3.00	3.35
Cash equivalents	4.00	1.75	4.00	0.50
U.S. Treasuries	4.00	1.75	5.00	0.95
Investment grade credit	7.00	3.38	8.00	1.68
High yield	4.00	4.95	2.00	3.75
Private credit	8.00	8.10	8.00	7.60
Real assets	3.00	7.60	3.00	7.40
Real estate	8.00	11.19	8.00	9.15
U.S. Equity	27.00	8.12	27.00	8.09
Non-U.S. developed markets equity	13.50	8.38	13.50	8.71
Emerging markets equity	5.50	10.33	5.50	10.96
Private equity	13.00	11.80	13.00	11.30

(ii) Discount Rate

The discount rate used to measure the PERS and TPAF total pension liability was 7.00% as of June 30, 2022, and 2021. These discount rates for PERS and TPAF are single blended discount rates and are based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2022, and 2021, respectively.

For 2022 and 2021, 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 nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability for PERS and TPAF.

(iii) Sensitivity to the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the collective net pension liability as of June 30, 2023 and 2022 calculated using the discount rate as disclosed above for each plan as well as the University's proportionate share of the collective net pension liability if it

Notes to the Financial Statements

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(Dollars in thousands)

were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the net pension liability			
	1% decrease in discount rate	At current discount rate (In thousands)	1% increase in discount rate
June 30, 2023:			
PERS (6.00%, 7.00%, 8.00%)	\$ 138,303	121,203	106,690
TPAF (6.00%, 7.00%, 8.00%)	6,144	5,240	4,479
June 30, 2022:			
PERS (6.00%, 7.00%, 8.00%)	\$ 136,970	119,341	104,425
TPAF (6.00%, 7.00%, 8.00%)	5,864	4,956	4,193

The TPAF net pension liability shown above represents the State's proportionate share of the net pension liability attributable to the University. It is not included in the net pension liability on the statement of net position because it meets the special funding situation criteria.

(f) *Alternate Benefit Program (ABP)*

The ABP pension plan is a defined contribution retirement program administered by the State of New Jersey Division of Pensions and Benefits. The plan allows enrollees to make contributions to the following carriers: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), AXA Financial, VALIC, MassMutual Retirement Services, MetLife, VOYA Financial Services and Prudential.

Employees enrolled in ABP are faculty members, administrators, and managers of the University.

Enrollment begins the first date of hire for all permanent employees. Temporary employees are enrolled after one year of continuous temporary employment. The ABP provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. The ABP also provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, is established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating University employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution up to the maximum Federal statutory limit. Employer contributions for the ABP are 8%. During the years ended June 30, 2023, and 2022, the

Notes to the Financial Statements

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(Dollars in thousands)

ABP received employer and employee contributions that approximated the following from the University:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Employer contribution	\$ 3,762	4,256
Employee contribution	2,351	2,663
Basis for contribution:		
Participating employee salaries	47,028	53,206

Employer contributions to ABP are paid by the State and are reflected in the accompanying financial statements as appropriations revenue and operating expenses.

(9) Postemployment Benefits Other Than Pensions

(a) *Introduction and Description*

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan). The Plan is a single-employer defined 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 plan for standalone reporting purposes. In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service or on a disability pension from PERS, TPAF, the 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 for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined by GASB 75.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 30, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

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

(b) *OPEB Liability and Expense*

As of June 30, 2023, and June 30, 2022, the State recorded a liability of \$155.3 million and \$190.0 million, respectively, which represents 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. As of June 30, 2023, the University's share was 2.79% and 0.74% of the special funding situation and of the Plan, respectively. As of June 30, 2022, the University's share was 2.80% and 0.76% of the special funding situation and of the Plan, respectively.



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For the years ended June 30, 2023, and 2022, the University recognized OPEB (benefit) expense of (\$4.5) million and \$2.2 million, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University also recognized revenue related to the support provided by the State of (\$4.5) million and \$2.2 million related appropriations for the years ended June 30, 2023, and 2022, respectively.

(c) Actuarial Assumptions

The State's liability associated with the University as of June 30, 2023, was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to the measurement date of June 30, 2022. The State's liability associated with the University as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date of June 30, 2021. Other actuarial assumptions used in this illustration to measure the OPEB liability as of June 30, 2023, and 2022 were as follows:

	2023	2022
Inflation rate	N/A	2.50 %
Discount rate	3.50%	2.16%
Salary increases:		
Through all future years based on years of service	2.75% – 16.25%	
Through 2026		1.55%-15.25%
Thereafter		2.75%-7.00%

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

For the June 30, 2021 and June 30, 2020 actuarial valuations, preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Future disability mortality was based on the Pub-2010 "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-2021. Current disabled retirees' mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies of the State's defined benefit plans, including PERS (July 1, 2018 through June 30, 2021) and ABP (using the experience of the TPAF-July 1, 2018 through June 30, 2021).

Certain actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies of the State's defined benefit plans, including PERS (July 1, 2014 through June 30, 2018) and ABP (using the experience of the TPAF-July 1, 2015 through June 30, 2018).

Health Care Trend Assumptions – The June 30, 2021, valuations initially used a trend rate of 6.25% and decreases to a 4.5% long-term trend rate after seven years for pre-Medicare medical benefits. For

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post-65 medical benefits, the actual fully-insured Medical Advantage trend rates for fiscal year 2023 through 2024 are reflected. For PPO the trend is initially 6.36% in fiscal year 2025, increasing to 14.35% in fiscal year 2026 and decreases to 4.5% after 8 years. For HMO the trend is initially 6.53% in fiscal year 2025, increasing to 15.47% in fiscal year 2026 and decreases to 4.5% after 8 years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to a long-term trend rate after seven years.

The June 30, 2020 valuations initially used a trend rate of 5.65% and decreases to a 4.5% long-term trend rate after seven years for pre-Medicare medical benefits. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.79% in fiscal year 2024, increasing to 13.79% in fiscal year 2025 and decreases to 4.5% after 11 years. For HMO the trend is initially 5.98% in fiscal year 2024, increasing to 15.49% in fiscal year 2025 and decreases to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long-term trend rate after seven years.

(10) Commitments and Contingent Liabilities

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

(11) State of New Jersey Fringe Benefit Appropriations

The State, through separate appropriations, pays certain fringe benefits, primarily health benefits, a matching portion for the pension contributions of current employees and FICA taxes. For the years ended June 30, 2023, and 2022, such payments amounted to approximately \$20.3 million and \$21.7 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

(12) Compensated Absences

The University recorded a liability for compensated absences in the amount of \$5.4 million and \$6.2 million as of June 30, 2023, and 2022, respectively, which included unused vacation, paid leave bank days and accrued compensation days, as well as an estimated vested amount for accrued sick leave.

The liability for accrued vacation time for non-faculty employees was \$3.2 million and \$3.7 million as of June 30, 2023, and 2022, respectively. Employees may also accrue up to four complimentary days per year on days worked that fall on school holidays that are nonpublic holidays.

The liability for paid leave bank days and accrued compensation days totaled \$1.3 million and \$1.4 million as of June 30, 2023, and 2022, respectively.

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. The liability for sick leave balances was \$0.9 million and \$1.1 million as of June 30, 2023, and 2022, respectively, and is included in noncurrent liabilities in the accompanying statements of net position. The University paid \$0.2 million in sick-leave payments for employees who retired during the years ended June 30, 2023, and 2022.

(13) Student Financial Assistance Programs

The University's students receive support from Federal and State student financial assistance programs.



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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 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.

(14) Discretely Presented Component Unit – New Jersey City University Foundation, Inc. and Affiliate

The Foundation is a separate tax-exempt corporation, which serves primarily as a fund-raising entity to supplement the resources available to the University in support of its programs. Since the resources and assets of the Foundation are used exclusively for the benefit of the University, it meets the criteria to be discretely reported as a component unit in the University's financial statements.

During 2015, the Foundation created West Campus Housing, LLC (WCH), a limited liability corporation of which the Foundation is the sole member. The University entered into a ground lease agreement with WCH for land associated with two existing student residence halls and land located at its west campus site. The term of the ground lease is 40 years with no right to renew or extension option. The base annual rent is equal to the surplus cash flow generated by the operation of the student housing facilities and is paid annually upon WCH's certification that the annual debt service ratio has been met. The agreement also provides that WCH be deemed to be the owner of the two existing residence halls for the term of the ground lease. Therefore, the net book value of \$8.9 million related to the building and building improvements of the halls was transferred to WCH in 2016. Upon termination of the ground lease and full repayment of the related debt, all rights, title and interest in the West Campus Housing Facility shall revert to the University. There were no rental payments for the years ended June 30, 2023, and 2022.

In connection with the ground lease agreement, in March 2015 WCH issued \$50.6 million in revenue bonds through the New Jersey Economic Development Authority (NJEDA) to finance the construction of a new residence hall and renovation of the existing housing facilities. A 425-bed residence hall opened in July 2016 on the west campus, while improvements to the existing housing facilities were completed in 2017. WCH is solely responsible for repayment of the bonds. The University has no obligation to pay debt service on the financing.

In connection with the NJEDA bonds, WCH is subject to certain restrictive covenants, including provisions relating to certain debt ratios. The Debt Service Coverage Ratio (DSCR) requirement under Section 4.12 of the Trust Indenture is not less than 1.00 to 1.00. If the DSCR falls below 1.00 to 1.00, the DSCR must equal or exceed 1.00 to 1.00 by the end of the next succeeding Annual Period or failure to do so will constitute an Event of Default. In addition, per Section 6.2 of the Loan Agreement, if the DSCR falls below 1.20 to 1.00, WCH is to hire a Rate Covenant Consultant and make any recommendations as the Rate Covenant Consultant believes appropriate to enable WCH to achieve the DSCR of at least 1.20 to 1.00 for the subsequent Annual Period. WCH is in compliance with the DSCR requirements provided under the Continuing Disclosure Agreement Section 4.12 and Section 6.2 of the Loan Agreement in fiscal 2023.

The University acts as WCH's agent by collecting student housing fees and related charges under the student housing agreements, which totaled \$5.2 million in 2023 and \$3.4 million in 2022 and depositing them with the bond trustee pursuant to the bond documents for payment of debt service and operating expenses. The University also provides certain administrative, resident life, security and other maintenance services to WCH's student housing facilities and pays for student housing utility costs, which are to be reimbursed by WCH as operating expenses. These costs totaled \$0.9 million and \$1.1 million during the years ended June 30, 2023, and 2022. In addition, the University contributed \$0.8 million in contributed services to WCH in 2023 and 2022. The University has provided an operating subsidy to WCH for fiscal year 2023 of \$0.1 million and fiscal year 2022 of \$2.2 million, which was funded through the University



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receipt of funding under the ARP Act Minority Serving Institution (\$1.2 million) and the ARP Act Higher Education Emergency Relief Fund (HEERF) (\$0.9 million).

During the years ended June 30, 2023, and 2022, the Foundation distributed \$0.6 million and \$1.3 million in the form of scholarships and program support. The University contributed \$0.8 million and \$0.9 million in contributed services to the Foundation during the years ended June 30, 2023, and 2022, respectively. The University recognized expenses procured and disbursed for the Foundation totaling \$0.6 million and \$0.9 million in 2023 and 2022, respectively.

The Foundation records its net assets in accordance with FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* (ASC 958-205). ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act.

The Foundation’s net assets with donor restrictions are subject to purpose restrictions for scholarships and awards. Net assets with donor restrictions are designated for the following purposes:

	2023	2022
	(In thousands)	
Scholarships	\$ 7,685	7,705
Student and other activities	11,518	10,818
Donor restricted endowment in perpetuity	4,651	4,654
Total net assets with donor restrictions	\$ 23,854	23,177

(15) University Development Programs and Public-Private Partnerships

(a) University Place

The University is working to enhance the environment for teaching, learning, living and working. Developed in conjunction with the city as part of its Redevelopment Plan, University Place (UP) is a master mixed-use redevelopment plan with seven components that is designed to transform the University’s 22-acre west campus neighborhood into a university urban village that will include residential units, a supermarket, restaurants and parking. The plan was developed under the 2009 Economic Stimulus Act and in partnership with several private developers and the city.

In July 2015, the University submitted three Public Private Partnership applications to the NJEDA for the development of UP which also included development agreements and ground leases that were executed by the University with CRT Holdings, LLC (Crossroads Companies), HC West Campus I LLC and HC West Campus II LLC (collectively, Claremont) and KKF University Enterprises, LLC. (KKF). The UP-development plan includes the 425-bed WCH student housing facility (the first component previously discussed), another 600 units of residential housing, 120,000 square feet of retail space and various surface and parking facilities to accommodate 1,300 vehicles. Simultaneously, the University sold general obligation bonds to finance and develop the Phase I of an infrastructure project, which consisted of streets, landscape, streetscape, water management systems and utilities and was

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

completed in 2019. The University is now partnering with the city to develop Phase II of the UP roads and infrastructure.

(i) *Pre-Payment of Ground Lease Income*

Pursuant to the executed agreements mentioned above, each developer was required to remit prepaid ground lease rent payments to the University for the development of UP, excluding the student housing facility and the University-developed infrastructure. These prepayments were calculated at 1% of the projected development cost of \$238 million.

The University's lease receivables are measured at the present value of lease payments expected to be received from each developer. The prepaid amounts received have effectively reduced the rents owed to the University from the various developers. The variability of prepaid rents is commensurate to the various development milestones achieved by each developer, which includes approvals from the City, County and the State.

The deferred inflow of resources is recorded for the lease receivables at the time the asset is placed into service and amortized over the term of the contract.

(ii) *Development Fee*

In 2014, the University engaged Strategic Development Group (SDG), a real estate development firm, to advise the University and the Board of Trustees on various development matters related to the School of Business and UP. A former member of the Foundation's Board of Directors is also the key officer of SDG and its affiliate real estate project management company, which are both involved in the development of University Place. In fiscal year 2022, the University incurred expenses of \$0.4 million, in monthly retainer fees, pertaining to real estate consulting and project management services related to UP. Due to the deteriorating operating results and cash flow constraints of the University, the UP has been placed on hold. Therefore, the University terminated its agreement with SDG effective October 2022.

(iii) *Rivet Apartment Project*

In August 2018, Rivet, a 163-unit apartment and retail project developed by Claremont and the Hampshire Companies, was completed as the second component of UP. Rivet 1 has a transferor receivable of \$4.4 million at a rate of 5% as of June 30, 2023. Rivet 1 has a transferor receivable of \$4.7 million at a rate of 5% as of June 30, 2022. Rivet 2 has a transferor receivable of \$5.8 million at a rate of 5% as of June 30, 2023. Rivet 2 has a transferor receivable of \$6.6 million at a rate of 5% as of June 30, 2022.

(iv) *City Line Apartment Projects*

In October 2019, City Line West, a 149-unit apartment project developed by KKF was completed as the third component of UP. City Line East has a transferor receivable of \$4.0 million at a rate of 5% as of June 30, 2023. City Line East has a transferor receivable of \$3.8 million at a rate of 5% as of June 30, 2022. City Line West has a transferor receivable of \$3.6 million at a rate of 5% as of June 30, 2023. City Line West has a transferor receivable of \$3.4 million at a rate of 5% as of June 30, 2022.

(v) *Performing Arts Center*

In July 2019, the Board of Trustees approved the development of the Center for Music, Dance and Theater (CMDT) and the Caroline and Frank Guarini Sr. Performing Arts Center (PAC). The PAC consists of the proposed construction of three projects comprising: (i) the PAC; (ii) the CMDT; and



Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

(iii) three restaurants, to be known as Restaurant Row. The three projects will be constructed on land located on the University's West Campus, also known as University Place. at an estimated cost of between \$54 – \$60 million, exclusive of capitalized interest, reserves and issuance expenses.

Upon completion of the PAC projects, the Foundation expects to apply certain available monies earmarked for the PAC projects and borrow, or cause a newly created special purpose entity, to borrow, certain funds (the "PAC Loan") expected to be between \$47 and \$50 million for the purpose of acquiring certain portions of the PAC projects that are expected to be financed by the developer.

The University had entered into a Facility Lease dated as of August 1, 2019 between WCPAC LLC, a New Jersey nonprofit corporation whose sole member is the Foundation, as landlord, and the University, as tenant, as the same may be amended from time to time, under which the University shall be required to make lease payments to WCPAC LLC in respect of its use and occupancy of the PAC and CMDT portions of the PAC projects, which lease payments will not commence until project completion and receipt of a certificate of occupancy, and will be in an amount sufficient to satisfy the PAC's Loan repayment obligations. This Facility Lease may be amended to reflect the ultimate financing structure of the related PAC projects.

However, due to the deteriorating operating results and cash flow constraints of the University, the UP has been placed on hold until a strategic real estate analysis is completed by CBRE. CBRE is a global real estate firm that has been engaged by the University to review the University's real estate holdings and make recommendations to the Board of Trustees and senior leadership team. The term of the engagement is approximately 12 months, with an option to renew for an additional 6 months.

(vi) Roadway Phase II

The West Campus infrastructure and roadway project (the roadway project), which improves the connection of the main campus to the West Campus, is expected to be completed at a cost of \$16.0 million as part of the UP development. The University has received \$11.7 million from the City as unearned capital reimbursement pursuant to an Infrastructure Agreement with the City. The project is expected to be completed in 2024 with additional funding from the City of approximately \$4.3 million.

The Infrastructure Agreement with the City is considered a voluntary nonexchange transaction. There is a contingency in the Infrastructure Agreement in which the City will determine ownership of the roadway once the project is completed. Accordingly, funds received from the City under this agreement have been reported as unearned. The University is currently under negotiations to finalize the terms of the transfer with the City.

(b) Fort Monmouth Satellite Campus

Agreements have been reached between the State agency that is redeveloping the Fort Monmouth property in Monmouth County and KKF, which call for KKF to purchase, renovate and then lease it to the University as a satellite campus for nursing, business and other programs for juniors and seniors who have completed two years at Brookdale Community College (Brookdale) and other area community colleges. The University currently offers programs to Brookdale students at its Higher Education Center in Wall, New Jersey pursuant to an affiliation agreement. Space leased by the University from Brookdale has reached capacity. In an effort to meet growing demand for these programs offered by a four-year public institution in Monmouth County, the University has entered into



Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

a 40-year lease agreement effective July 2021 with KKF. The newly renovated building on the former site of Fort Monmouth for use as a satellite campus for juniors and seniors who have completed two years at Brookdale and other community colleges. Programs on the Fort Monmouth campus began in the Fall of 2021. The financing agreement between KKF and its lender has been completed. Annual lease payments are approximately \$1.6 million for the first five years and approximately \$1.8 million thereafter.

(16) Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to students, faculty and staff; and natural disasters. The University purchased and funds property and casualty insurances through a joint insurance program with the nine State Public Colleges and Universities. The University's risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State (including tort liability, auto liability, trustees and officers' liability, workers' compensation, unemployment, temporary and long-term disability, unemployment liability, life insurance and employee retirement.

All-Risk Property Insurance provides coverage for buildings, plants, and equipment, and business interruption to the extent that losses exceed \$100,000 per occurrence with a maximum per occurrence limit of \$2 billion for the policy period. Starting July 1, 2022 the flood deductible applying to select campus buildings became \$500,000. Commercial Crime Insurance coverage provides limits of liability of: \$5,000,000 for Employee Theft, Computer Fraud, and Funds Transfer Fraud Coverages, subject to \$150,000 retention; \$500,000 limits of liability for Premises, In Transit, Forgery, Money Orders and Counterfeit Currency Fraud, Credit Card, and Client Coverages, subject to \$50,000 retention; and \$150,000 limit of liability for Social Engineering Fraud Coverage, subject to \$150,000 retention. Student Blanket Professional and General Liability Insurance provides coverage for students in curriculum-based practicums/internships with a limit of liability of \$2,000,000 each occurrence, \$4,000,000 in the aggregate. The University also maintains a Fine Arts Insurance Policy that insures all permanent fine arts on campus, as well as temporary loan exhibitions that take place in the University art galleries to the extent that losses exceed \$1,000 for each separate occurrence of loss with a limit of liability of \$500,000.

As an instrumentality of the State, the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State or against 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 on an annual basis. All of the State self-funded programs are statutory with an annual appropriation provided by the legislature.

(17) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. In response, various governmental agencies mandated stringent regulations and guidelines to help organizations promote the health and safety of their organizations.

In connection with this event, the University's students, faculty and staff were transitioned to remote operations. In addition, the University received an allocation of \$8.3 million from HEERF in fiscal year 2020 and \$0.6 million in MSI aid. Refunds and waivers are included in student aid expense in the statements of revenues, expenses and changes in net position. Although the student housing facilities are operated by WCH, they are intended to be part of the integrated University campus. Students are part of the total University experience through contracting with the University, inclusive of selecting a dormitory. Therefore,



Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

the University has determined that it is financially responsible for the student housing refunds related to the pandemic due to the implicit contract between the University and the student. In fiscal year 2020, the University spent \$5.5 million of the funds through a combination of \$3.9 million in student refunds, \$0.9 million in refunds for housing \$0.4 million in refunds for meals, and \$0.3 million in institutional expenses. In fiscal year 2021, the University utilized \$1.5 million in institutional expenses, \$1.6 million in housing subsidies, and \$0.3 million in student refunds.

In fiscal year 2021, the University received \$14.2 million in HEERF II funding through the CRSSA and \$0.9 million in additional MSI Aid. The University utilized \$7.9 million for lost revenues in fiscal year 2021, \$3.3 million for student refunds, and \$0.9 million for housing subsidies. In fiscal year 2022, the University utilized \$2.1 million for institutional expenses and \$0.9 million for student refunds. The University also received \$3.0 million in GEERF funds and utilized the entire balance towards University scholarships. The University also received \$6.9 million and \$1.8 million in CRF I and II funds, respectively. The funds were utilized to cover salary expenses of \$8.2 million and institutional COVID related expenses of \$0.5 million. The University also received \$24.6 million through the ARP in HEERF III funds in fiscal year 2021.

In fiscal year 2022, the University utilized \$6.1 million for student refunds, \$0.9 million for housing subsidies and \$5.3 million for institutional expenses. In fiscal year 2023, the University utilized \$6.2 million for student refunds and \$6.1 million for institutional expenses.

In fiscal year 2022, the University received \$1.5 million in additional MSI aid funding through the CRSSA and \$0.5 million through the ARP in HEERF III funds. The University utilized \$1.3 million for housing subsidies, \$0.1 million for student refunds and \$0.1 million for institutional expenses in fiscal year 2022. The balance of \$0.5 million was utilized in fiscal year 2023 for student refunds.

(18) Leases and Subscription (SBITA)

- (a) As discussed in note 1(b)(xi), the University is a lessee for various noncancelable leases of buildings and equipment. The University also has noncancelable SBITAs for the right-to-use IT hardware and software.

In December 2014, the University entered into a 20-year lease agreement in a building located at the Harborside Financial Center in Jersey City to house the University's School of Business. In April 2021, the University entered into an amendment to the lease agreement for additional space. Rental payments for the additional space of \$0.7 million began in October 2022. The discount rate used was 5%.

In 2023, the University also entered into a 40-year lease for a renovated building at a satellite campus on the former site of Fort Monmouth effective July 2021, with annual lease payments of approximately \$1.5 million for the first five years and approximately \$1.8 million thereafter. The discount rate used was 5%.

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

A summary of the right-to-use asset activity during the years ended June 30, 2023 and 2022 is as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>June 30, 2023</u>
		(In thousands)		
Lease assets:				
Buildings and building improvements	\$ 48,755	7,015	—	55,770
SBITA assets	<u>1,113</u>	<u>—</u>	<u>—</u>	<u>1,113</u>
Total	<u>49,868</u>	<u>7,015</u>	<u>—</u>	<u>56,883</u>
Less accumulated amortization:				
Buildings and building improvements	(3,604)	(2,595)	—	(6,199)
SBITA assets	<u>(266)</u>	<u>(305)</u>	<u>—</u>	<u>(571)</u>
	<u>(3,870)</u>	<u>(2,900)</u>	<u>—</u>	<u>(6,770)</u>
Total lease and SBITA assets, net	<u>\$ 45,998</u>	<u>4,115</u>	<u>—</u>	<u>50,113</u>
	<u>June 30, 2021 (Restated)</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>June 30, 2022</u>
		(In thousands)		
Lease assets:				
Buildings and building improvements	\$ 21,723	27,032	—	48,755
SBITA assets	<u>—</u>	<u>1,113</u>	<u>—</u>	<u>1,113</u>
Total	<u>21,723</u>	<u>28,145</u>	<u>—</u>	<u>49,868</u>
Less accumulated amortization:				
Buildings and building improvements	(1,526)	(2,078)	—	(3,604)
SBITA assets	<u>—</u>	<u>(266)</u>	<u>—</u>	<u>(266)</u>
	<u>(1,526)</u>	<u>(2,344)</u>	<u>—</u>	<u>(3,870)</u>
Total lease and SBITA assets, net	<u>\$ 20,197</u>	<u>25,801</u>	<u>—</u>	<u>45,998</u>

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

Future annual lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		(In thousands)	
Year ending June 30:			
2024	\$ 2,096	2,613	4,709
2025	2,095	2,508	4,603
2026	2,072	2,403	4,475
2027	2,125	2,300	4,425
2028	2,248	2,191	4,439
2029–2033	13,333	9,085	22,418
2034–2038	8,294	5,875	14,169
2039–2043	2,728	4,919	7,647
2044–2048	3,501	4,146	7,647
2049–2053	4,493	3,154	7,647
2054–2058	5,766	1,881	7,647
2059–2063	4,471	371	4,842
Total	<u>\$ 53,222</u>	<u>41,446</u>	<u>94,668</u>

(19) Subsequent Events

The University has evaluated events and transactions subsequent to June 30, 2023 and through September 13, 2024 the date on which the financial statements were issued. There are no significant subsequent events which would require recognition or disclosure in the accompanying financial statements.

In June 2023, the Senate of the State of New Jersey passed new legislation requiring greater oversight of public institutions of higher education (NJ Bill S3406, https://www.njleg.state.nj.us/bill-search/2022/S3406/bill-text?f=S3500&n=3406_S1).

Notes to the Financial Statements

At June 30, 2023 and 2022

(Dollars in thousands)

This legislation "requires public institutions of higher education to submit an annual fiscal monitoring report; authorizes the Secretary of Higher Education to appoint a State monitor to oversee fiscal and governance operations of certain institutions.

The State legislation states that the monitor "would be responsible for: the fiscal oversight of the institution; the development and implementation of recommendations for restructuring the institution offered by the governing board of the institution; ensuring the development and implementation of an acceptable plan to address deficiencies at the institution; oversight of all staffing; overriding any actions taken by the president of the institution or by vote of the governing board; attending all meetings of the board; meeting with the board on a quarterly basis; reporting directly to the secretary; and making recommendations to the Legislature."

The monitor is "required to issue a fiscal accountability plan to the secretary listing the benchmarks, remedial actions, and capacity and fiscal controls the institution needs to meet and implement to end State monitor oversight. The State monitor is further required to issue progress reports to the institution and the secretary."

As a result of this legislation, a State-appointed fiscal monitor was appointed for New Jersey City University in September.

NJCU received an appropriation from the State of New Jersey of \$10 million in stabilization funding which was received in January 2024 and March 2024.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
June 30, 2023 and 2022
(In thousands)

	Public Employees' Retirement System								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 8,720	9,318	6,607	5,370	4,599	3,769	2,780	2,218	1,295
Contributions in relation to the contractually required contributions	8,720	9,318	6,607	5,370	4,599	3,769	2,780	2,218	1,295
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—	—	—
University employee covered-payroll (University year end)	\$ 20,781	22,561	23,371	24,249	24,447	23,781	25,182	24,987	25,432
Contributions as a percentage of employee covered payroll	41.96 %	41.30 %	28.27 %	22.15 %	18.81 %	15.85 %	11.04 %	8.88 %	5.09 %

Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Proportionate Share of the Net Pension Liability
June 30, 2023 and 2022
(In thousands)

	Public Employees' Retirement System								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
University proportion of the net pension liability – State Group	0.541 %	0.552 %	0.583 %	0.570 %	0.584 %	0.588 %	0.576 %	0.574 %	0.574 %
University proportion of the net pension liability – Total Plan	0.322	0.355	0.335	0.319	0.319	0.308	0.287	0.295	0.295
University proportionate share of the net pension liability	\$ 121,203	119,342	129,669	131,190	138,407	150,813	169,296	136,182	114,911
University employee covered-payroll (measurement date)	20,781	22,561	23,371	24,447	23,781	25,182	24,987	25,432	26,170
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	\$ 583.2 %	529.0 %	554.8 %	536.6 %	582.0 %	598.9 %	677.5 %	535.5 %	439.1 %
Plan fiduciary net position as a percentage of the total pension liability	46.41 %	51.52 %	42.90 %	42.40 %	40.45 %	36.78 %	31.20 %	38.21 %	42.72 %

Notes

Changes in benefit terms – There were no significant changes in PERS benefits for the June 30, 2022 measurement date (actuarial valuation as of July 1, 2021).
Changes in assumptions – The following lists the significant changes in assumptions for PERS between the July 1, 2021 valuation and the July 1, 2013 valuation:

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Experience study period	7/1/2018-6/30/2021	7/1/2014-6/30/2018	7/1/2014-6/30/2018	7/1/2014-6/30/2018	7/1/2011-6/30/2014	7/1/2011-6/30/2014	7/1/2011-6/30/2014	7/1/2008-6/30/2011	7/1/2008-6/30/2011
Inflation rate	2.75 %	2.75 %	2.75 %	2.75 %	2.25 %	2.25 %	3.08 %	3.04 %	3.01 %
Projected salary increases, 2017–2026 (based on age)	2.75%-6.55%	2.00%-6.00%	2.00%-6.00%	2.00%-6.00%	1.65%-4.15%	1.65%-4.15%	1.65%-4.15%	2.15%-4.40%	2.15%-4.40%
Projected salary increases, thereafter (based on age)	2.75%-6.55%	3.00%-7.00%	3.00%-7.00%	3.00%-7.00%	2.65%-5.15%	2.65%-5.15%	2.65%-5.15%	3.15%-5.40%	3.15%-5.40%
Investment rate of return	7.00 %	7.00 %	7.00 %	7.00 %	7.00 %	7.00 %	7.65 %	7.90 %	7.90 %
Discount rate	7.00	7.00	7.00	6.28	5.66	5.00	3.98	4.90	5.39
Mortality table	Pub-2010	Pub-2010	Pub-2010	Pub-2010	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000

Teachers' Pension and Annuity Fund

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University proportion of the net pension liability	— %	— %	— %	— %	— %	— %	— %	— %	— %
University proportionate share of the net pension liability	\$ —	—	—	—	—	—	—	—	—
State's proportionate share of the net pension liability	5,240	4,956	7,743	7,824	8,477	9,531	11,231	39,065	38,968
Total net pension liability	5,240	4,956	7,743	7,824	8,477	9,531	11,231	39,065	38,968
University employee covered-payroll	—	—	—	—	—	56	129	123	122
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	\$ — %	— %	— %	— %	— %	0.0 %	0.0 %	0.0 %	0.0 %
Plan fiduciary net position as a percentage of the total pension liability	32.29 %	35.52 %	24.60 %	26.95 %	26.40 %	25.41 %	22.33 %	28.71 %	33.64 %

Notes

Changes in benefit terms – There were no significant changes in TPAF benefits for the June 30, 2022 measurement date (actuarial valuation as of July 1, 2021).
Changes in assumptions – The following lists the significant changes in assumptions for the TPAF between the July 1, 2021 valuation and the July 1, 2013 valuation:

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Experience study period	7/1/2018-6/30/2021	7/1/2015-6/30/2018	7/1/2015-6/30/2018	7/1/2015-6/30/2018	7/1/2012-6/30/2015	7/1/2012-6/30/2015	7/1/2012-6/30/2015	7/1/2009-6/30/2012	7/1/2009-6/30/2012
Inflation rate	2.75 %	2.75 %	2.75 %	2.75 %	2.25 %	2.25 %	2.50 %	2.50 %	2.50 %
Projected salary increases, 2017–2026	2.75%-5.65%	1.55%-3.05%	1.55%-4.55%	1.55%-4.55%	1.55%-4.55%	Varies based on experience	Varies based on experience	Varies based on experience	Varies based on experience
Projected salary increases, thereafter	2.75%-5.65%	2.75%-4.25%	2.75%-5.65%	2.75%-5.65%	2.00%-5.45%	Varies based on experience	Varies based on experience	Varies based on experience	Varies based on experience
Investment rate of return	7.00 %	7.00 %	7.00 %	7.00 %	7.00 %	7.00 %	7.65 %	7.90 %	7.90 %
Discount rate	7.00	7.00	5.40	5.60	4.86	4.25	3.22	4.13	4.68
Mortality table	Pub-2010	Pub-2010	Pub-2010	Pub-2010	RP-2006	RP-2006	RP-2006	RP-2000	RP-2000

Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
June 30, 2023 and 2022
(In thousands)

	2023	2022	2021	2020	2019	2018
University's proportionate share of the collective total OPEB liability	— %	— %	— %	— %	— %	— %
University's proportionate share of the collective OPEB liability	\$ —	—	—	—	—	—
State's proportionate share of the collective OPEB liability associated with the University	155,282	190,009	224,873	146,809	192,695	225,294
Total proportionate share of the collective OPEB liability	<u>\$ 155,282</u>	<u>190,009</u>	<u>224,873</u>	<u>146,809</u>	<u>192,695</u>	<u>225,294</u>
University's covered-employee payroll (for the year ended as of the measurement date)	\$ 61,015	70,628	71,721	71,465	68,523	57,576
University's proportionate share of the collective OPEB liability as percentage of the employee covered payroll.	— %	— %	— %	— %	— %	— %

Information provided for Required Supplementary Information will be provided for ten years as the information becomes available.
For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*.
For 2023, the discount rate changed from 2.16% to 3.50%. The mortality tables utilized Pub-2010 and scale MP-2021.
For 2022, the discount rate changed from 2.21% to 2.16%. The mortality tables utilized Pub-2010 and scale MP-2021.
For 2021, the discount rate changed to 2.21% from 3.50%. The mortality tables utilized Pub-2010 and Scale MP-2020.
For 2020, the discount rate changed to 3.50% from 3.87%. The mortality tables utilized changed from RP-2006 in 2018 to Pub-2010 in 2019.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2023

State of New Jersey grantor/ pass-through grantor/program or cluster title	Grant/ account number	Grant award	Grant period	Current year expenditures
Student Financial Assistance cluster:				
N.J. Department of State:				
Higher Education Student Assistance Authority:				
Tuition Aid Grant Program	23-100-074-2405-007	\$ 13,172,473	Jul. 1, 2022 to Jun. 30, 2023	\$ 13,172,473
Governor's Urban Scholarship	23-100-074-2405-329	2,000	Jul. 1, 2022 to Jun. 30, 2023	2,000
New Jersey Student Tuition Assistance Reward Scholarship	23-100-074-2405-313	13,750	Jul. 1, 2022 to Jun. 30, 2023	13,750
Office of the Secretary of Higher Education:				
Educational Opportunity Fund – Article III – Academic Year (FY22)	23-100-074-2401-001	799,500	Jul. 1, 2022 to Jun. 30, 2023	567,166
Educational Opportunity Fund – Article III – Summer (FY22)	22-100-074-2401-001	413,315	Jul. 1, 2021 to Aug. 31, 2022	250,074
Educational Opportunity Fund – Article III – Summer (FY23)	23-100-074-2401-001	304,250	Jul. 1, 2022 to Aug 31, 2023	60,595
Total Student Financial Assistant cluster		14,705,288		14,066,058
N.J. Department of Labor and Workforce Development:				
Youth Corps	AJMY23N	520,000	Jul. 1, 2022 to Jun. 30, 2023	509,424
Total for N.J. Department of Labor and Workforce Development		520,000		509,424
N.J. Department of State:				
Office of the Secretary of Higher Education:				
College Bound	800930-0004	270,000	Aug. 23, 2022 to Aug. 22, 2023	199,707
New Jersey Career Accelerator Internship Grant Program	None	13,614	Apr. 4, 2022 to Aug. 31, 2022	13,614
Hunger Free Campus Grant	23-100-074-2400-064	75,000	Feb. 9, 2023 to Jun.30, 2023	15,259
Total Office of the Secretary of Higher Education		358,614		228,580
Educational Opportunity Fund – Article IV – Academic Year (FY22)	22-100-074-2401-002	641,943	Jul. 1, 2021 to Jun. 30, 2022	34,864
Educational Opportunity Fund – Article IV – Academic Year (FY23)	23-100-074-2401-002	641,943	Jul. 1, 2022 to Jun. 30, 2023	638,942
Educational Opportunity Fund – Article IV – Summer (FY22)	23-100-074-2401-001	32,161	Jul. 1, 2022 to Jun. 30, 2023	32,161
Educational Opportunity Fund Special Project	23-100-074-2401-001	12,300	Jul. 1, 2022 to Jun. 30, 2023	12,300
Total Education Opportunity Fund		1,328,347		718,267
Total N.J. Department of State		1,686,961		946,847
N.J. Department of Education:				
Minority Teacher Development Grant	21-TE04-G03	249,873	May 1, 2021 to Jun. 30, 2022	10,286
Total N.J. Department of Education		249,873		10,286
N.J. Department of the Treasury:				
Higher Education Administration:				
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	23-100-074-2403-001	33,913,000	Jul. 1, 2022 to Jun. 30, 2023	33,913,000
Fringe Benefits Other than FICA for Senior Public Colleges and Universities	23-000-000-0000-002	14,974,024	Jul. 1, 2022 to Jun. 30, 2023	14,974,024
FICA (Social Security Tax) for Senior Public Colleges and Universities	23-000-000-0000-003	5,180,486	Jul. 1, 2022 to Jun. 30, 2023	5,180,486
Total N.J. Department of Treasury		54,067,510		54,067,510
Total expenditures of State of New Jersey awards		\$ 71,229,632		\$ 69,600,125

See accompanying notes to schedule of expenditures of State of New Jersey awards.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Notes to Schedule of Expenditures of State of New Jersey Awards
Year Ended June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of State of New Jersey awards (the SESA) includes the State of New Jersey grant activity of New Jersey City University (the University) and is presented on the accrual basis of accounting. The information in the SESA is presented in accordance with the requirements of New Jersey Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (NJOMB 15-08). The New Jersey City University Foundation (the Foundation) is reported as a discretely presented component unit in the University's basic financial statements. The Foundation did not receive or expend State of New Jersey awards during fiscal year 2023.

Because the SESA presents only a selected portion of the operations of the University, they are not intended to and do not present the financial position, changes in net position, or cash flows of the University.

(2) Indirect Cost Rate

The University has elected not to use a de minimis indirect cost rate on the State of New Jersey programs.

(3) Amounts Passed through to Subrecipients

The University did not pass State of New Jersey awards to subrecipients during the year ended June 30, 2023.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

The Board of Trustees
New Jersey City University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 13, 2024.

Our report includes a reference to other auditors who audited the financial statements of New Jersey City University Foundation, Inc. and affiliate (the Foundation), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no



instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Short Hills, New Jersey
September 13, 2024



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Independent Auditors' Report on Compliance for Each Major State of New Jersey Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

The Board of Trustees
New Jersey City University:

Report on Compliance for Each Major State of New Jersey Program

Opinion on Each Major State of New Jersey Program

We have audited the New Jersey City University's (the University), a component unit of the State of New Jersey, compliance with the types of compliance requirements identified as subject to audit in the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplement) that could have a direct and material effect on each of the University's major State of New Jersey programs for the year ended June 30, 2023. The University's major State of New Jersey programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State of New Jersey programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State of New Jersey Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (New Jersey OMB Circular 15-08). Our responsibilities under those standards and the New Jersey OMB Circular 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State of New Jersey program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's State of New Jersey programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not



absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major State of New Jersey program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State of New Jersey program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State of New Jersey program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated September 13, 2024, which contained unmodified opinions on those financial statements with an emphasis of matter paragraph regarding the University's adoption of Governmental Accounting Standard's Board (GASB) Statements No. 96, *Subscription-Based Information Technology Arrangements*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of State of New Jersey awards for the year ended June 30, 2023 is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08, and is not a required part of the 2023 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 basic financial statements or to the 2023 basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of State of New Jersey awards is fairly stated in all material respects in relation to the 2023 basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
December 5, 2024

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinions were issued on the basic financial statements of the business-type activities and the discretely presented component unit of New Jersey City University, a component unit of the State of New Jersey, as of and for the year ended June 30, 2023.**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major State of New Jersey programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **2023-001**
- (e) Type of report issued on compliance for major State of New Jersey programs:
 - **Unmodified – Grants-In-Aid Appropriations to Senior Public Colleges and Universities**
 - **Unmodified – Fringe Benefits Other Than FICA For Senior Public Colleges and Universities**
- (f) Audit findings that are required to be reported in accordance with New Jersey OMB Circular 15-08: **2023-001**
- (g) Major programs:
 - Grants-In-Aid Appropriations to Senior Public Colleges and Universities – 23-100-074-2403-001
 - Fringe Benefits Other Than FICA For Senior Public Colleges and Universities – 23-000-000-0000-002
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,088,004**
- (i) Auditee qualified as a low-risk auditee for State of New Jersey awards: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(3) Findings and Questioned Costs Relating to State of New Jersey Awards

2023-001 Reporting

Fringe Benefits Other Than FICA For Senior Public Colleges and Universities

State of New Jersey Grant Number and Year: 23-000-000-0000-002 (July 1, 2022 – June 30, 2023)

Statistically Valid Sample: The sample was not intended to be, and was not, a statistically valid sample.

Prior Year Finding: Not applicable

Finding Type: Significant Deficiency

Criteria

The State of New Jersey (the State) funds the employer's share of fringe benefits, other than FICA (which is handled separately), for public employees at New Jersey's senior public institutions whose positions are authorized as State-funded by the annual Appropriations Act. Institutions reimburse the State for the fringe benefit costs of employees beyond the number authorized in the annual Appropriations Act, whether funded from State or non-State sources.

All employees' benefits are initially funded by State funds. The senior public colleges and universities must reimburse the State on a quarterly basis for fringe benefit payments made on behalf of employees beyond the number authorized in the annual Appropriations Act, whether these employees' salaries are funded from State or non-State sources. The senior public colleges and universities are required to submit these reimbursements no later than the 30th of the month following the end of each quarter. Accompanying each reimbursement should be a quarterly fringe reimbursement calculation, on form NJOMB-FRINGE, "Quarterly Fringe Benefits Reimbursement Calculation."

Additionally, in accordance with State of New Jersey requirements, the University shall maintain internal controls over State of New Jersey programs designed to provide reasonable assurance that transactions are executed in compliance with State of New Jersey statutes, regulations, and the terms and conditions of the State of New Jersey award that could have a direct and material effect on a State of New Jersey program.

Condition and Context

The University submitted four quarterly fringe benefit reimbursement reports to the State of New Jersey during fiscal year 2023. The December 31, 2022 and the June 30, 2023 reports were selected for testwork, however, the University reported an inaccurate number for the number of State-Funded FTE and Non-State-Funded FTE positions. The dollar amount reported for those individuals was accurate however the FTE reported to the State of New Jersey was not accurate. The University did not go over the allowable FTE figure as outlined in the State Appropriation Handbook.

The proper review of these reports did not occur as designed by the control.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

Cause

The University's policies and procedures did not operate as designed to ensure the University appropriately reviewed the reports for accuracy.

Effect

The University could be reimbursed fringe benefit costs for Non-State-Funded FTE positions by the State of New Jersey.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the University strengthen its controls over the fringe benefit reporting process. We also recommend that the University ensure that internal controls in place surrounding the review of all of the reporting requirements are performed as designed and that documentation supporting the amounts reported is adequately maintained, along with evidence that the information was adequately reviewed by someone other than the preparer with knowledge of the subject matter.

Views of Responsible Official

The University agrees with this finding and will be reviewing and documenting the fringe benefit reporting process. The University will be validating the current reports for accuracy of reporting staff in the current category along with validating the FTE calculations. In addition, the University will document proof of review by someone other than the preparer.