KPMG

# FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**FAIRLEIGH DICKINSON UNIVERSITY**

# Table of Contents

KPMG LLP
New Jersey Headquarters
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# Independent Auditors' Report

The Board of Trustees
Fairleigh Dickinson University:

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson University (the University), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairleigh Dickinson University at June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 1(u) to the consolidated financial statements, in 2019, Fairleigh Dickinson University adopted new accounting guidance Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 15, 2019

**FAIRLEIGH DICKINSON UNIVERSITY**

Consolidated Statements of Financial Position

June 30, 2019 and 2018

(In thousands of dollars)

| Assets | | 2019 | 2018 |
|---|---|---|---|
| Cash and cash equivalents | $ | 65,901 | 83,778 |
| Restricted cash and cash equivalents | | 12,050 | 8,304 |
| Student accounts receivable, net of allowance for doubtful accounts of $14,361 and $14,066 in 2019 and 2018, respectively | | 5,029 | 5,486 |
| Accounts receivable and other current assets | | 5,426 | 4,528 |
| Contributions receivable, net | | 5,831 | 2,521 |
| Student loans receivable, net of allowance for doubtful accounts of $2,927 and $2,745 in 2019 and 2018, respectively | | 5,759 | 7,157 |
| Investments, at fair value | | 146,169 | 123,720 |
| Property, plant and equipment, net | | 187,949 | 187,496 |
| Total assets | $ | 434,114 | 422,990 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | $ | 15,578 | 13,617 |
| Accrued salaries and liabilities for compensated absences | | 7,055 | 8,208 |
| Deferred tuition revenues | | 4,257 | 3,621 |
| Other liabilities | | 6,779 | 6,130 |
| U.S. government grants refundable | | 9,759 | 9,665 |
| Long-term debt, net | | 61,093 | 66,743 |
| Post-retirement benefits liability | | 21,619 | 25,091 |
| Asset retirement obligations | | 15,009 | 14,350 |
| Total liabilities | | 141,149 | 147,425 |
| **Net Assets** | | | |
| Without donor restrictions | | 227,893 | 218,801 |
| With donor restrictions | | 65,072 | 56,764 |
| Total net assets | | 292,965 | 275,565 |
| Total liabilities and net assets | $ | 434,114 | 422,990 |

See accompanying notes to consolidated financial statements.

**FAIRLEIGH DICKINSON UNIVERSITY**

Consolidated Statements of Activities

Years ended June 30, 2019 and 2018

(In thousands of dollars)

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Operating revenues, gains and other support: | | | | | | |
| Tuition and fees | $ 281,557 | — | 281,557 | 284,000 | — | 284,000 |
| Less scholarships, tuition grants and aid | (111,878) | — | (111,878) | (106,380) | — | (106,380) |
| Net tuition and fees | 169,679 | — | 169,679 | 177,620 | — | 177,620 |
| Contributions | 2,323 | 2,990 | 5,313 | 6,397 | 1,937 | 8,334 |
| New Jersey State aid | 243 | — | 243 | 284 | — | 284 |
| Contracts and grants | 3,612 | — | 3,612 | 3,635 | — | 3,635 |
| Investment return-endowment spending rate and other | 4,588 | 739 | 5,327 | 3,751 | 609 | 4,360 |
| Other sources | 4,146 | 15 | 4,161 | 5,951 | 59 | 6,010 |
| Auxiliary enterprises | 34,766 | — | 34,766 | 34,608 | — | 34,608 |
| Less scholarships, tuition grants and aid | (1,038) | — | (1,038) | (1,054) | — | (1,054) |
| Total revenues, gains and other support | 218,319 | 3,744 | 222,063 | 231,192 | 2,605 | 233,797 |
| Net assets released from restrictions | 1,174 | (1,174) | — | 1,081 | (1,081) | — |
| Total operating revenues, gains and other support | 219,493 | 2,570 | 222,063 | 232,273 | 1,524 | 233,797 |
| Expenses: | | | | | | |
| Educational and general: | | | | | | |
| Instruction | 78,192 | — | 78,192 | 80,030 | — | 80,030 |
| Academic support | 36,063 | — | 36,063 | 36,685 | — | 36,685 |
| Student services | 41,056 | — | 41,056 | 41,129 | — | 41,129 |
| Institutional support | 33,345 | — | 33,345 | 32,061 | — | 32,061 |
| Research and other | 964 | — | 964 | 860 | — | 860 |
| Total educational and general expenses | 189,620 | — | 189,620 | 190,765 | — | 190,765 |
| Auxiliary enterprises | 23,358 | — | 23,358 | 23,805 | — | 23,805 |
| Total expenses and losses | 212,978 | — | 212,978 | 214,570 | — | 214,570 |
| Increase in net assets from operating activities | 6,515 | 2,570 | 9,085 | 17,703 | 1,524 | 19,227 |
| Nonoperating: | | | | | | |
| Contributions | — | 6,510 | 6,510 | — | 2,166 | 2,166 |
| Change in fair value of interests in split interest agreements | — | (11) | (11) | — | (48) | (48) |
| Investment return in excess of (less than) endowment spending rate | 321 | (373) | (52) | 1,318 | 1,442 | 2,760 |
| Transfer between net assets | — | — | — | (3) | 3 | — |
| Post-retirement medical plan changes other than net periodic cost | 3,535 | — | 3,535 | 13,360 | — | 13,360 |
| State bond grant revenue | — | — | — | 84 | — | 84 |
| Multi-employer pension plan charge | (1,667) | — | (1,667) | — | — | — |
| Net assets released from restrictions – for capital | 388 | (388) | — | 159 | (159) | — |
| Increase in net assets from nonoperating activities | 2,577 | 5,738 | 8,315 | 14,918 | 3,404 | 18,322 |
| Increase in net assets | 9,092 | 8,308 | 17,400 | 32,621 | 4,928 | 37,549 |
| Net assets: | | | | | | |
| Beginning of year | 218,801 | 56,764 | 275,565 | 186,180 | 51,836 | 238,016 |
| End of year | $ 227,893 | 65,072 | 292,965 | 218,801 | 56,764 | 275,565 |

See accompanying notes to consolidated financial statements.

**FAIRLEIGH DICKINSON UNIVERSITY**

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands of dollars)

| | | 2019 | 2018 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Increase in net assets | $ | 17,400 | 37,549 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | | |
| Depreciation and amortization | | 13,131 | 12,822 |
| Bond amortization | | 53 | 53 |
| Provision for doubtful student accounts receivable | | 1,302 | 1,405 |
| Change in allowance for doubtful student loans receivable | | 182 | 7 |
| Gifts, donations and grants restricted for capital improvements and endowment | | (6,510) | (2,135) |
| Loss on disposal of property, plant and equipment | | 64 | 16 |
| Gain on sale of property | | — | (1,607) |
| Net realized and unrealized gains on investments | | (1,483) | (4,010) |
| Post-retirement medical plan changes other than net periodic cost | | (3,535) | (13,360) |
| Changes in operating assets and liabilities: | | | |
| Student accounts receivable | | (845) | (1,329) |
| Accounts receivable and other current assets | | (898) | (885) |
| Contributions receivable | | (1,428) | 40 |
| Accounts payable and accrued liabilities | | 1,286 | 2,127 |
| Accrued salaries and liabilities for compensated absences | | (1,153) | (2,170) |
| Deferred tuition revenues | | 636 | 71 |
| Post-retirement benefits liability | | 63 | 960 |
| Other liabilities | | 649 | 738 |
| Net cash provided by operating activities | | 18,914 | 30,292 |
| Cash flows from investing activities: | | | |
| Deposits to restricted cash and cash equivalents | | (28,845) | (26,218) |
| Distributions from restricted cash and cash equivalents | | 25,099 | 26,228 |
| Proceeds from student loans collections | | 1,419 | 1,292 |
| Student loans issued | | (203) | (691) |
| Proceeds from sale of investments | | 29,041 | 26,312 |
| Purchases of investments | | (50,007) | (26,411) |
| Proceeds from sale of property | | — | 1,625 |
| Purchases of property, plant and equipment | | (12,314) | (7,889) |
| Net cash used in investing activities | | (35,810) | (5,752) |
| Cash flows from financing activities: | | | |
| Gifts, donations and grants restricted for capital improvements | | 4,628 | 1,496 |
| Principal payments of debt | | (5,703) | (5,649) |
| Increase (decrease) in U.S. government grants refundable | | 94 | (180) |
| Net cash used in financing activities | | (981) | (4,333) |
| Net (decrease) increase in cash and cash equivalents | | (17,877) | 20,207 |
| Cash and cash equivalents: | | | |
| Beginning of year | | 83,778 | 63,571 |
| End of year | $ | 65,901 | 83,778 |
| Supplemental information: | | | |
| Interest paid | $ | 2,326 | 2,514 |
| Noncash gifts-in-kind | | 1,325 | 780 |
| Increase in accounts payable for property, plant, and equipment | | 675 | 594 |

See accompanying notes to consolidated financial statements.

## (1) Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the University), New Jersey's largest private university, is a nonsectarian, coeducational institution offering programs on the undergraduate, graduate and professional levels. The University educates approximately 13,000 students per year, including a strong international student population. Founded in 1942, the University now maintains two major campuses in northern New Jersey, the Metropolitan Campus and the Florham Campus, and campuses in Wroxton, England, and Vancouver, British Columbia, Canada. The University provides instruction at additional locations throughout New Jersey, and learning opportunities at select locations throughout the United States and study-abroad in a variety of locations overseas.

The University offers a wide range of programs, delivered in-person and online, including degree, certificate and continuing-education programs; undergraduate, graduate and doctoral degree programs; and professional-level programs, as well as nondiploma, nondegree and certificate programs. Degrees awarded range from the associate to the Ph.D. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, pharmacy, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

### *(a) Income Taxes*

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University's wholly owned subsidiary, Harbinger Corporation, currently inactive, is subject to income tax.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded.

### *(b) Basis of Presentation*

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation (the University's Vancouver Campus), a wholly owned subsidiary, which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.



(Continued)

### *(c) Net Assets*

In the accompanying consolidated financial statements, the University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- **With Donor Restrictions** – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

  Also included in this category are net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets for either a specific purpose or the general use of the University. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in note 10.

Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed stipulations that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as net assets released from restrictions. Revenues with donor restrictions received and expended during the same fiscal year are recorded as revenues and expenses without donor restrictions in the consolidated statements of activities.

### *(d) Agency Transactions*

Agency transactions such as externally provided tuition aid grants, federal direct loans, federal supplemental educational opportunity grants, the federal pell grant program and others received by government agencies and provided to students are not included in the consolidated financial statements. Agency receipts and disbursements were $95,862 and $95,797, respectively, in 2019 and $99,288 and $99,287, respectively, in 2018.

### *(e) Cash and Cash Equivalents*

Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased, except for those held for long-term investment.

### *(f) Restricted Cash and Cash Equivalents*

Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use. These funds are primarily cash and U.S. treasuries and are considered Level 1 in the fair value hierarchy (see note 1(t) below).



(Continued)

### *(g) Investments*

The fair value of marketable investments, which consists of debt and equity securities, is based upon quoted market prices at year-end. Investments in mutual and commingled funds are stated at estimated fair value based on the published net asset value (NAV) of funds. For funds that do not have a readily determinable fair value, these funds' reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein. The NAV is provided by the investment managers, and evaluated for reasonableness by the University.

The consolidated statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are calculated using the average cost method to determine the cost of securities.

### *(h) Student Accounts Receivable and Allowance for Doubtful Accounts*

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

### *(i) Property, Plant and Equipment*

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, generally, 15 to 60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Contributions restricted by donors for the acquisition and/or construction of land, buildings and equipment are reported as revenues with donor restrictions in nonoperating activities. These contributions are reclassified to net assets without donor restrictions upon acquisition of the assets or when the constructed assets have been placed in service.



(Continued)

### *(j) U.S. Government Grants Refundable*

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying consolidated statements of financial position as a liability.

### *(k) Tuition and Fees*

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned. Amounts received in advance for tuition and fees that are not earned in the current year are included in deferred tuition revenues and are recognized as revenue in the subsequent year.

### *(l) Scholarships, Tuition Grants and Aid*

The policy of the University has been to award internal scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid are netted against tuition and fees.

### *(m) Impairment*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value based on estimated undiscounted future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2019 and 2018.

### *(n) Endowment Spending Rate*

The University's endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. The revenues from applying this endowment spending rate policy are recorded in the operating revenues section in the consolidated statements of activities based on the existence or absence of donor-imposed restrictions. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

### *(o) Operating Measure*

The operating activities of the University include all revenues, gains and other support and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the 4.5% – 5.0% spending rate (amounting to $4,036 and $3,666 for the years ended June 30, 2019 and 2018, respectively, which represents a rate of 5% for both years) while nonoperating activities include endowment returns (less than) in excess of the spending rate. Nonoperating activities include contributions and grants for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. Nonoperating activities also include the change in fair value of interests in split interest agreements, transfer between net assets, post-retirement medical plan changes other than net periodic costs, state bond grant revenue, multi-employer pension plan charge and net assets released from restrictions for capital.

### *(p) Use of Estimates*

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include liabilities for postretirement benefits, the allowance for doubtful student accounts and loans receivable, valuation of investments, functional allocation of expenses, and the asset retirement obligations. Actual results could differ from those estimates.

### *(q) Advertising*

All advertising costs are expensed in the year they are incurred. The amount totaled $2,002 in 2019 and $1,768 in 2018.

### *(r) Allocation of Expenses*

Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of $31,757 and $32,096 in fiscal years 2019 and 2018, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $2,379 and $2,567 in fiscal years 2019 and 2018, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $30,287 and $32,840 in fiscal years 2019 and 2018, respectively, were allocated functionally based on salary expenses.

### *(s) Asset Retirement Obligations*

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The University used a discount rate of 4.0% and an inflation rate of 3.0% in 2019 and 2018. The liability recorded at June 30, 2019 and 2018 was $15,009 and $14,350, respectively.

### *(t) Fair Value Accounting*

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices or published net asset values in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same terms of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

***(u) New Accounting Pronouncements***

The University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. The significant requirements of ASU 2016-14 include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; and quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position.

(In thousands of dollars)

The effect on the University's net asset balances at June 30, 2018 as a result of implementing ASU 2016-14 are as follows:

| | | ASU 2016-14 Classifications | | |
|---|---|---|---|---|
| | | **Without donor restrictions** | **With donor restrictions** | **Total net assets** |
| As previously presented: | | | | |
| Unrestricted | $ | 218,801 | — | 218,801 |
| Temporarily restricted | | — | 33,218 | 33,218 |
| Permanently restricted | | — | 23,546 | 23,546 |
| Total net assets | $ | 218,801 | 56,764 | 275,565 |

### *(v) Future Accounting Standards*

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)*. The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which an entity expects to be entitled in exchange for goods and services. The University plans to adopt ASU No. 2014-09 for the year ending June 30, 2020.

The FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This updates current guidance about whether a transfer of cash or other assets, or the reduction, settlement, or cancellation of liabilities, should be accounted for as a contribution or an exchange transaction. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of a promisor's obligation to transfer assets. The University plans to adopt ASU No. 2018-08 for the year ending June 30, 2020.

The FASB issued ASU No. 2016-18, *Statement of Cash Flows*: Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The University plans to adopt ASU No. 2016-18 for the year ending June 30, 2020.

The University is evaluating the impact of each of these new standards on its consolidated financial statements.

### *(w) Subsequent Events*

The University has performed an evaluation of subsequent events through October 15, 2019, the date the consolidated financial statements were issued and has determined that there are no subsequent events for disclosure.

## (2) Liquidity and Availability of Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a revolving credit facility. See note 7 for more information about the University's revolving credit facility.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used to make new loans.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

(In thousands of dollars)

As of June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

| | | 2019 |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | $ | 65,901 |
| Restricted cash and cash equivalents | | 12,050 |
| Student accounts receivable, net | | 5,029 |
| Accounts receivable and other current assets | | 5,426 |
| Contributions receivable | | 5,831 |
| Student loans receivable, net | | 5,759 |
| Investments | | 146,169 |
| Endowment payout | | 4,213 |
| Total financial assets at June 30, 2019 | | 250,378 |
| Less amounts not available to meet general expenditures within one year: | | |
| Restricted cash and cash equivalents | | (12,050) |
| Prepaid expenses | | (2,185) |
| Contributions receivable expected after one year | | (2,927) |
| Student loans receivable, net | | (5,759) |
| Investments restricted for debt service, renewal, and replacement | | (6,679) |
| Endowment return restricted for scholarships and other | | (19,826) |
| Board-designated endowed scholarships | | (11,942) |
| Board-designated endowment | | (31,840) |
| Donor-restricted for future capital projects | | (3,685) |
| Donor-restricted perpetually for endowment | | (28,017) |
| Financial assets available to meet general expenditures within one year | $ | 125,468 |

As described in note 1(n), the spending of endowment return is limited to 4.5% - 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. Under this policy, the expected distribution available during fiscal 2020 is $4,213. The University also has a $5,000 aggregate revolving credit facility which it could draw upon in the event of an anticipated liquidity need. See note 7 for additional details about the revolving credit facility.

### (3) Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. Conditional promises are recorded as contributions when donor stipulations are substantially met.

(In thousands of dollars)

Interests in split interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of $339 and $128 at June 30, 2019 and 2018, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $168 and $160 at June 30, 2019 and 2018, with a liability for future payments to other beneficiaries included at an estimated amount of $6 and $8 at June 30, 2019 and 2018, respectively.

The components of contributions receivable at June 30 are as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Unconditional promises to give | $ | 5,839 | 2,469 |
| Interests in split interest agreements | | 507 | 288 |
| | | 6,346 | 2,757 |
| Less discount to present value | | (515) | (235) |
| | | 5,831 | 2,522 |
| Less allowance for uncollectibles | | — | (1) |
| Net contributions receivable | $ | 5,831 | 2,521 |

Discount rates ranged as follows at June 30:

| | 2019 | 2018 |
|---|---|---|
| Split interest agreements | 3.75%–9.2% | 3.75%–9.2% |
| Unconditional promises to give | 5.4%–6.7% | 4.2%–6.4% |

(In thousands of dollars)

Unconditional promises to give and interests in split interest agreements at June 30 are expected to be realized in the following periods:

| | | 2019 | 2018 |
|---|---|---|---|
| Within one year | $ | 2,128 | 755 |
| Between one to five years | | 3,196 | 1,478 |
| More than five years | | 507 | 288 |
| | $ | 5,831 | 2,521 |

At June 30, 2019 and 2018, approximately 53% and 51% of the gross contributions receivable was due from 3 donors.

Expenses related to fundraising activities are $3,455 and $3,707 for the years ended June 30, 2019 and 2018, respectively.

## (4) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs.

The following is an analysis of student loans receivable aging as of June 30:

| | | 2019 | 2018 |
|---|---|---|---|
| Past due: | | | |
| 1–89 days | $ | 722 | 940 |
| Greater than 90 days | | 112 | 233 |
| Collections and Litigation | | 3,147 | 2,899 |
| Total past due | | 3,981 | 4,072 |
| Current | | 4,705 | 5,830 |
| Total gross student loans receivable | | 8,686 | 9,902 |
| Less allowance for doubtful receivables | | 2,927 | 2,745 |
| Total net student loans receivable | $ | 5,759 | 7,157 |

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's receivable includes the amounts due from current and former students. Loans disbursed under the federal government loan programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

(In thousands of dollars)

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's annual analysis.

## (5) Investments

Investments, which are recorded at fair value, at June 30, consist of:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Fair value** | **Cost** | **Fair value** | **Cost** |
| U.S. government securities | $ 35,618 | 35,262 | 19,706 | 19,923 |
| Corporate stocks: | | | | |
| Equities-nonmarketable | 30 | 30 | 30 | 30 |
| Total corporate stocks | 30 | 30 | 30 | 30 |
| Corporate stock funds: | | | | |
| Multi-strategy equity fund | 18,578 | 8,100 | 19,884 | 9,240 |
| International equity mutual funds | 16,680 | 16,841 | 17,046 | 16,190 |
| Domestic equity mutual funds | 14,424 | 12,755 | 13,988 | 12,406 |
| Small cap commingled funds | 4,083 | 3,963 | 4,203 | 3,920 |
| Total stock funds | 53,765 | 41,659 | 55,121 | 41,756 |
| Total corporate stocks and stock funds | 53,795 | 41,689 | 55,151 | 41,786 |
| Corporate bond funds: | | | | |
| Fixed income mutual funds | 17,883 | 17,690 | 15,444 | 15,581 |
| Total corporate bond funds | 17,883 | 17,690 | 15,444 | 15,581 |
| Other investments: | | | | |
| Certificates of deposit | 21,826 | 21,767 | 16,222 | 16,493 |
| Multi-asset fund | 4,040 | 4,228 | 4,056 | 4,158 |
| Real asset mutual funds | 6,371 | 6,823 | 6,708 | 6,528 |
| Hedge fund | 6,636 | 6,200 | 6,433 | 6,200 |
| Total other investments | 38,873 | 39,018 | 33,419 | 33,379 |
| Total investments | $ 146,169 | 133,659 | 123,720 | 110,669 |

Included in U.S. government securities at June 30, 2019 and 2018 is $6,679 and $6,602, respectively, restricted for debt service and renewal and replacement. At June 30, 2019 and 2018, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $173 and $167, respectively.

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2019, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

| | Total fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments: | | | | |
| U.S. government securities | $ 35,618 | — | 35,618 | — |
| Equities – nonmarketable | 30 | — | — | 30 |
| Corporate stock funds: | | | | |
| International equity mutual funds | 16,680 | 16,680 | — | — |
| Domestic equity mutual funds | 14,424 | 14,424 | — | — |
| Fixed income mutual funds | 17,883 | 17,883 | — | — |
| Other Investments: | | | | |
| Certificates of deposit | 21,826 | — | 21,826 | — |
| Real asset mutual funds | 6,371 | 6,371 | — | — |
| Total | 112,832 | $ 55,358 | 57,444 | 30 |
| Investments reported at NAV or its equivalent: | | | | |
| Multi-strategy equity fund (a) | 18,578 | | | |
| Hedge fund (b) | 6,636 | | | |
| Small cap commingled fund (c) | 4,083 | | | |
| Multi-asset fund (d) | 4,040 | | | |
| Total investments | $ 146,169 | | | |
| Cash and cash equivalents: | | | | |
| Short term investments, primarily U.S. government obligations | $ 1,473 | — | 1,473 | — |
| Contributions receivable: | | | | |
| Interest in split interest agreements | 507 | — | — | 507 |
| | $ 1,980 | — | 1,473 | 507 |

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2018, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

| | Total fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments: | | | | |
| U.S. government securities | $ 19,706 | — | 19,706 | — |
| Equities – nonmarketable | 30 | — | — | 30 |
| Corporate stock funds: | | | | |
| International equity mutual funds | 17,046 | 17,046 | — | — |
| Domestic equity mutual funds | 13,988 | 13,988 | — | — |
| Fixed income mutual funds | 15,444 | 15,444 | — | — |
| Other Investments: | | | | |
| Certificates of deposit | 16,222 | — | 16,222 | — |
| Real asset mutual funds | 6,708 | 6,708 | — | — |
| Total | 89,144 | $ 53,186 | 35,928 | 30 |
| Investments reported at NAV or its equivalent: | | | | |
| Multi-strategy equity fund (a) | 19,884 | | | |
| Hedge fund (b) | 6,433 | | | |
| Small cap commingled fund (c) | 4,203 | | | |
| Multi-asset fund (d) | 4,056 | | | |
| Total investments | $ 123,720 | | | |
| Cash and cash equivalents: | | | | |
| Short term investments, primarily U.S. government obligations | $ 1,468 | — | 1,468 | — |
| Contributions receivable: | | | | |
| Interest in split interest agreements | 288 | — | — | 288 |
| | $ 1,756 | — | 1,468 | 288 |

The following are investment objectives for investments valued at net asset value:

(a) The investment objective of the Multi-Strategy Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index. Redemption frequency is monthly with a notice period at end of month.

(b) The hedge fund seeks to generate strong absolute returns by diversifying risk and maintaining a low correlation to broad asset classes across a market cycle. They allocate across geographies and hedge fund strategies. Redemption frequency is quarterly with a 90 day notice period.

(In thousands of dollars)

(c) The small cap commingled fund focuses on high quality companies with a proven record of above average rates of profitability that sell at a discount relative to the overall small cap market. The fund believes that a company with a history of above average profitability is likely to have a strong and sustainable position within a market niche. These types of companies typically generate strong cash flows that can be used to build the value of the business, or in some other way benefit the shareholder. Redemption frequency is monthly with a notice period of seven days.

(d) The Fund seeks to provide concentrated exposure to the best asset allocation ideas in the equity and fixed income markets. Redemption frequency is monthly with a notice period of thirty days.

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

| | Other | Interest in split interest agreements |
|---|---|---|
| Fair values at June 30, 2017 | $ 30 | 339 |
| Total losses (realized/unrealized) | — | (51) |
| Fair values at June 30, 2018 | 30 | 288 |
| Total gains (realized/unrealized) | — | 219 |
| Fair values at June 30, 2019 | $ 30 | 507 |

Realized and unrealized losses in the table above are included in investment return in excess of the endowment spending amount in the consolidated statements of activities.



(Continued)

(In thousands of dollars)

## (6) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

| | | 2019 | 2018 |
|---|---|---|---|
| Land and land improvements | $ | 26,277 | 21,847 |
| Buildings and building improvements | | 280,814 | 277,670 |
| Furniture and equipment | | 47,869 | 45,185 |
| Construction in progress | | 4,840 | 3,794 |
| | | 359,800 | 348,496 |
| Less accumulated depreciation: | | | |
| Buildings and building improvements | | (139,473) | (131,761) |
| Furniture and equipment | | (32,378) | (29,239) |
| | | (171,851) | (161,000) |
| Property, plant and equipment, net | $ | 187,949 | 187,496 |

Depreciation of property, plant, and equipment for the years ended June 30, 2019 and 2018 amounted to $12,472 and $12,192, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2019 and 2018 was $925 and $896, respectively.

The University had unfulfilled commitments for the years ended June 30, 2019 and 2018 of $434 and $614, respectively.

## (7) Revolving Credit Facility

At June 30, 2019, the University has a $5,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2020. The interest rate is 200 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn (2.51% and 2.72% at June 30, 2019 and 2018, respectively). The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under this agreement in fiscal years 2019 and 2018.

The Credit Agreement contains certain covenants that, among other things, place limitations on the University. For the year ended June 30, 2019, the most restrictive of these provisions required that the University’s change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2019 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to $0 for a period of at least 30 consecutive days at any one time prior to the expiration of the Credit Agreement. For the years ended June 30, 2019 and 2018, the University was in compliance with these covenants.

(In thousands of dollars)

## (8) Long-Term Debt, Net

Long-term debt at June 30 consists of:

| | | 2019 | 2018 |
|---|---|---|---|
| Mortgages payable, privately held: | | | |
| Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement | $ | 8,725 | 9,385 |
| Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement | | 550 | 605 |
| Higher Education Facilities Revenue Refunding Bonds of 2014, Series B due serially through 2032, interest of 3.65% through 2029, adjusted thereafter based on terms stated in the loan agreement | | 40,215 | 42,575 |
| Higher Education Facilities Revenue Refunding Bonds of 2015, Series B due serially through 2023, interest from 2.41% subject to adjustment per terms of loan agreement | | 9,905 | 12,185 |
| Other debt: | | | |
| Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75% | | 527 | 778 |
| NJEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5% | | 232 | 242 |
| NJEFA Capital Improvement Fund, 2016 Series B, due serially through 2037, interest from 3% to 5.5% | | 1,321 | 1,366 |
| Other, payable in semi-annual installments of $17 including interest through 2021, interest at 3% | | 33 | 75 |
| | | 61,508 | 67,211 |
| Add unamortized bond premium | | 42 | 45 |
| Less deferred bond issuance costs | | (457) | (513) |
| Net long-term debt | $ | 61,093 | 66,743 |

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (note 5) with the trustee, having an aggregate fair value of $9,293 and $9,204 at June 30, 2019 and 2018, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.



(Continued)

(In thousands of dollars)

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of gross revenues without donor restrictions. The University was in compliance with these restrictive covenants for the years ended June 30, 2019 and 2018.

Interest expense was $2,379 and $2,567 in fiscal years 2019 and 2018, respectively.

As of June 30, 2019, the total principal payments due over the next five fiscal years and thereafter are:

| | | |
|---|---|---|
| 2020 | $ | 5,876 |
| 2021 | | 6,059 |
| 2022 | | 5,967 |
| 2023 | | 6,178 |
| 2024 | | 4,020 |
| Thereafter | | 33,408 |
| | $ | 61,508 |

## (9) Postretirement Benefits

### *(a) Retirement Plan*

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions.

All faculty, nonunion and clerical employees make contributions to the plan in addition to the contributions made by the University. The University's contributions to the plan for the years ended June 30, 2019 and 2018 were $6,551 and $6,576, respectively.

### *(b) Medical Plan*

The University sponsors a defined benefit postretirement medical plan (the Plan) that covers all of its full-time tenured faculty (or those on the tenured track) and certain administrators. The employees eligible to receive benefits are those who have attained age 62 with 10 years of continuous tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

The University recognized the difference between the benefit obligations and any plan assets of the University's defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to net assets without donor restrictions and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

On September 1, 2017, the University adopted an amendment to the Plan with an effective date of January 1, 2018. Medicare-eligible retirees receiving coverage through AARP Plan F and a prescription drug plan provided through United Healthcare are now to be covered through a United Healthcare

(In thousands of dollars)

Medicare Advantage Group PPO Plan. The amendment resulted in a decrease to the accumulated postretirement benefit obligation of approximately $8,784 relating to prior service cost, which will be amortized over the average years of service until full eligibility of plan participants.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended June 30, 2019 and 2018 and statements of the funded status both years.

| | | 2019 | 2018 |
|---|---|---|---|
| Change in accumulated postretirement benefit obligation (APBO): | | | |
| APBO at July 1 | $ | 25,091 | 37,491 |
| Service cost | | 626 | 889 |
| Interest cost | | 925 | 1,159 |
| Retiree contributions | | 384 | 499 |
| Amendments/Curtailments/Special Termination | | — | (8,784) |
| Benefits paid | | (1,246) | (1,558) |
| Actuarial gain | | (4,161) | (4,605) |
| APBO at June 30 | $ | 21,619 | 25,091 |
| Change in plan assets: | | | |
| University's contribution | $ | 862 | 1,059 |
| Retiree contributions | | 384 | 499 |
| Benefits paid | | (1,246) | (1,558) |
| Net change in plan assets | $ | — | — |

| | | 2019 | 2018 |
|---|---|---|---|
| Funded status of the plan: | | | |
| APBO in excess of plan assets | $ | 21,619 | 25,091 |
| Accrued liabilities | | 21,619 | 25,091 |
| Periodic costs recognized in expense: | | | |
| Service cost | $ | 626 | 889 |
| Interest cost | | 925 | 1,159 |
| Amortization of prior service credit | | (729) | (607) |
| Amortization of net actuarial loss | | 103 | 578 |
| Net postretirement expense | $ | 925 | 2,019 |



(Continued)

(In thousands of dollars)

The amount recorded from net assets without donor restrictions into net periodic benefit cost in 2019 was net actuarial gain of $3,535.

| | | 2019 | 2018 |
|---|---|---|---|
| Weighted average assumptions used to determine benefit obligations at end of year: | | | |
| Discount rate | | 3.58 % | 4.20 % |
| Rate of compensation increase | | N/A | N/A |
| Healthcare cost trend: | | | |
| Increase from current to next fiscal year: | | | |
| Pre-65 medical | | 8.25 | 8.00 |
| Post-65 medical | | 4.75 | 5.00 |
| Prescription drug | | 9.00 | 10.25 |
| Ultimate rate of decline | | 3.784 | 3.886 |
| Year that the ultimate rate is attained | | 2075 | 2075 |
| Amounts recognized in accumulated net assets without donor restrictions: | | | |
| Net actuarial (gain) | $ | (5,502) | (1,967) |

Estimated amount that will be amortized from accumulated net assets without donor restrictions into net periodic benefit cost in 2020 relates to an actuarial gain of $729.

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

| | | 1% Point increase | 1% Point decrease |
|---|---|---|---|
| Effect on the accumulated postretirement benefit obligation | $ | 4,382 | (3,390) |

(In thousands of dollars)

| | 2019 | 2018 |
|---|---|---|
| Weighted average assumptions used to determine the net periodic benefit cost at beginning of year: | | |
| Discount rate (see below) | 4.20 % | 3.93 % |
| Expected return on plan assets | N/A | N/A |
| Rate of compensation increase | N/A | N/A |
| Healthcare cost trend: | | |
| Increase from current to next fiscal year: | | |
| Pre-65 medical | 8.00 | 8.50 |
| Post-65 medical | 5.00 | 5.70 |
| Prescription drug | 10.25 | 10.50 |
| Ultimate rate of decline | 3.886 | 3.886 |
| Year that the ultimate rate is attained | 2075 | 2075 |

As a result of the amendment, the Plan was re-measured at September 1, 2017 using a discount rate that was also 3.93%.

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

| | 1% Point increase | 1% Point decrease |
|---|---|---|
| Effect on total service and interest cost components | $ 452 | (325) |

*Expected Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | Postretirement benefits |
|---|---|
| Fiscal year: | |
| 2020 | $ 737 |
| 2021 | 747 |
| 2022 | 801 |
| 2023 | 855 |
| 2024 | 882 |
| Years 2025–2029 | 4,719 |



(Continued)

Expected benefit payments is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2019 are the same as expected benefit payments.

## (10) Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of 147 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

(In thousands of dollars)

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The University has a policy of appropriating for distribution each year 4.5% – 5.0% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2019, the endowment net asset composition by type of fund consisted of the following:

| | | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|---|
| Donor-restricted funds | $ | — | 47,861 | 47,861 |
| Board-designated funds | | 43,782 | — | 43,782 |
| Underwater endowments | | — | (18) | (18) |
| Total funds | $ | 43,782 | 47,843 | 91,625 |

Changes in the endowment net assets for the fiscal year ended June 30, 2019, consisted of the following:

| | | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|---|
| Endowment net assets at beginning of year | $ | 44,264 | 43,449 | 87,713 |
| Investment return: | | | | |
| Investment income | | 1,283 | 1,279 | 2,562 |
| Net appreciation (realized and unrealized) | | 250 | 367 | 617 |
| Total investment gain | | 1,533 | 1,646 | 3,179 |
| Contributions | | — | 4,241 | 4,241 |
| Appropriation of endowment assets for expenditure | | (2,015) | (2,021) | (4,036) |
| Other transfers | | — | 528 | 528 |
| Endowment net assets at end of year June 30, 2019 | $ | 43,782 | 47,843 | 91,625 |

(In thousands of dollars)

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following:

| | | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|---|
| Donor-restricted funds | $ | — | 43,449 | 43,449 |
| Board-designated funds | | 44,264 | — | 44,264 |
| Underwater endowments | | — | — | — |
| Total funds | $ | 44,264 | 43,449 | 87,713 |

Changes in the endowment net assets for the fiscal year ended June 30, 2018, consisted of the following:

| | | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|---|
| Endowment net assets at beginning of year | $ | 42,748 | 40,552 | 83,300 |
| Investment return: | | | | |
| Investment income | | 1,207 | 1,154 | 2,361 |
| Net appreciation (realized and unrealized) | | 2,181 | 2,082 | 4,263 |
| Total investment gain | | 3,388 | 3,236 | 6,624 |
| Contributions | | — | 656 | 656 |
| Change in fair value of interests in split-interest agreements | | — | (45) | (45) |
| Appropriation of endowment assets for expenditure | | (1,872) | (1,794) | (3,666) |
| Other transfers | | — | 844 | 844 |
| Endowment net assets at end of year June 30, 2018 | $ | 44,264 | 43,449 | 87,713 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. The University has a policy that permits spending from underwater funds. As of June 30, 2019, funds with an original gift value of $734, were underwater by $18. There were no deficiencies of this nature as of June 30, 2018.

(In thousands of dollars)

## (11) Composition of Net Assets

### *(a) Without Donor Restrictions*

Net assets without donor restrictions consist of the following at June 30:

| | | 2019 | 2018 |
|---|---|---|---|
| Board-designated endowed scholarships | $ | 11,942 | 12,074 |
| Board-designated general endowment | | 31,840 | 32,190 |
| Net investment in plant | | 111,847 | 106,403 |
| Undesignated | | 72,264 | 68,134 |
| | $ | 227,893 | 218,801 |

### *(b) Donor Restrictions*

Net assets with donor restrictions consist of the following at June 30:

| | | 2019 | 2018 |
|---|---|---|---|
| Restricted by time or purpose: | | | |
| Split interest agreements | $ | 501 | 279 |
| Endowment return restricted for scholarships and other | | 19,826 | 19,903 |
| Scholarships | | 3,272 | 2,761 |
| Buildings and equipment | | 3,685 | 2,079 |
| University programs and other | | 9,771 | 8,196 |
| | | 37,055 | 33,218 |
| Perpetual restriction: | | | |
| Pledges-endowed scholarships | | 1,827 | 504 |
| Endowments-scholarships | | 22,793 | 19,659 |
| Endowments-endowed chairs and other | | 3,345 | 3,335 |
| Other-scholarships | | 52 | 48 |
| | | 28,017 | 23,546 |
| Total net assets with donor restrictions | $ | 65,072 | 56,764 |

(In thousands of dollars)

## (12) Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

| | 2019 | | |
|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total |
| Net interest and dividend income | $ 3,053 | 739 | 3,792 |
| Net realized and unrealized gains (losses) | 1,856 | (373) | 1,483 |
| Total return on investments | 4,909 | 366 | 5,275 |
| Less investment return designated for current operations: | | | |
| Endowment return-spending rate | 3,297 | 739 | 4,036 |
| Other investment return | 1,291 | — | 1,291 |
| Investment return in excess of (less than) endowment spending amount | $ 321 | (373) | (52) |

| | 2018 | | |
|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total |
| Net interest and dividend income | $ 2,501 | 609 | 3,110 |
| Net realized and unrealized gains | 2,568 | 1,442 | 4,010 |
| Total return on investments | 5,069 | 2,051 | 7,120 |
| Less investment return designated for current operations: | | | |
| Endowment return-spending rate | 3,057 | 609 | 3,666 |
| Other investment return | 694 | — | 694 |
| Investment return in excess of endowment spending amount | $ 1,318 | 1,442 | 2,760 |



(Continued)

(In thousands of dollars)

## (13) Expenses by natural and functional classification

Expenses consisted of the following at June 30:

| | Programs | | | | | Support | | |
|---|---|---|---|---|---|---|---|---|
| | Instruction | Academic support | Student services | Research and other | Auxiliary enterprises | Institutional support | 2019 Total expenses | 2018 Total Expenses |
| Salaries | $ 50,207 | 16,081 | 17,262 | 319 | 2,303 | 13,561 | 99,733 | 99,194 |
| Benefits | 13,777 | 5,631 | 5,809 | 68 | 217 | 4,785 | 30,287 | 32,840 |
| Occupancy | 5,282 | 3,121 | 4,490 | 4 | 6,362 | 2,220 | 21,479 | 22,224 |
| Contract Services | 966 | 2,639 | 3,205 | 204 | 7,365 | 7,283 | 21,662 | 20,626 |
| Depreciation and amortization | 3,543 | 2,703 | 2,794 | 1 | 3,215 | 875 | 13,131 | 12,822 |
| Supplies, telephone, shipping | 1,093 | 3,305 | 2,197 | 13 | 289 | 2,003 | 8,900 | 8,415 |
| Interest | 127 | 80 | 449 | — | 1,696 | 27 | 2,379 | 2,567 |
| Other | 3,197 | 2,503 | 4,850 | 355 | 1,911 | 2,591 | 15,407 | 15,882 |
| Total expenses | $ 78,192 | 36,063 | 41,056 | 964 | 23,358 | 33,345 | 212,978 | 214,570 |

## (14) Commitments and Contingencies

At June 30, 2019, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating $21,738. These obligations are payable for the following fiscal years ending:

| | |
|---|---|
| 2020 | $ 3,427 |
| 2021 | 2,849 |
| 2022 | 2,813 |
| 2023 | 2,818 |
| 2024 | 2,851 |
| 2025 and thereafter | 6,980 |
| | $ 21,738 |

Equipment, software, and space rental expenses for the years ended June 30, 2019 and 2018 were $5,095 and $5,585, respectively.

The University is involved in various legal proceedings, which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures that would be absorbed by the University, in management's opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

## (15) Concentration of Credit Risk

Financial instruments that potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, student accounts receivable and investments. The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits of $250 at June 30, 2019 and 2018, which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that their financial institutions are viable entities, and therefore, risk of loss is minimized. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University's student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments, and believes that credit risk is limited.