

**William Paterson University
of New Jersey**

(A Component Unit of the State of New Jersey)

Financial Statements

June 30, 2020 and 2019

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

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Independent Auditors' Report

To the Board of Trustees of
William Paterson University of New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of William Paterson University of New Jersey, a component unit of the State of New Jersey, (the University) and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of William Paterson University of New Jersey Foundation, Inc. (the Foundation), which is a discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of William Paterson University of New Jersey and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 19, Schedules of University's Proportionate Share of the Net Pension Liability, Schedules of University Contributions and Schedules of University's Proportionate Share of the Total OPEB Liability on pages 57 through 59 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Iselin, New Jersey
January 29, 2021

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

Introduction

The Management's Discussion and Analysis report (MDA) provides a comprehensive overview of the financial position of The William Paterson University of New Jersey (the University) as of June 30, 2020 and 2019, and changes in its financial position for the fiscal years then ended with selected comparative information for the year ended June 30, 2018. Since this management's discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements and footnotes, which follow the MDA report. Unless otherwise indicated, years (2020, 2019 and 2018) in this report refer to the fiscal years ending June 30.

The University's audited financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. It includes discreet presentation of the basic audited financial statements for the WPUNJ Foundation (Statements of Financial Position, the Statements of Activities and the Statements of Cash Flows). The footnotes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Financial Highlights

The fiscal year 2020 financial statements reflect impacts of the COVID-19 pandemic and related business interruptions. The campus closure in March 2020, required refunds to be paid to students of \$5.0 million for housing, meals, parking, and course lab fees. Additional expenditures were made for the necessary technology to conduct classes and administrative activities remotely. State appropriation funding was reduced by half starting in April 2020. Student payments on accounts receivable slowed and there was essentially no revenue from auxiliary enterprises for the quarter ending June 30, 2020.

The University responded by putting budget caps and cutbacks in place and applied for federal and state relief funds. Funding from the CARES act totaling \$9.7 million was received with half designated for direct payments to students and half for COVID-related institutional expenses, and another segment of \$0.8 million was received for other institutional costs.

The University's financial position remains strong with total assets of \$492.5 million as of June 30, 2020, a decrease of \$15.6 million from fiscal year 2019 and a cumulative decrease of \$31.1 million from fiscal year 2018. Total liabilities were \$357.3 million as of June 30, 2020, a decrease of \$17.5 million from fiscal year 2019 and a cumulative decrease of \$45.1 million from fiscal year 2018. As of June 30, 2020, net position was \$116.3 million, \$8.5 million less than fiscal year 2019 and \$13.9 million less than fiscal year 2018.

The deficit balances in net position relate primarily to entries required under GASB 68 for the University's proportionate share of State pension liability, deferred outflows, deferred inflows and pension expense.

In recent years, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. These GASB statements require the University to report certain items of liability, deferred outflows, deferred inflows, revenue and expense in the financial statements. GASB Statement No. 68 requires reporting of pension liability, deferred outflows, deferred inflows, and pension expense, while GASB 75 requires reporting of revenue and expense. The items reported in the University's financial statements are unique in that none of the funding and transacting activities of the plans occur at the University level; rather they are conducted entirely by the State.

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GASB Statement No. 68 was adopted in 2015 and requires participating employees of multi-employer cost sharing pension plans to report their proportionate share of net pension liability, pension expense, and the related deferred outflows and inflows of resources on their financial statements. The unfavorable impact of GASB 68 can be seen primarily in two sections of the University's financial statements: liabilities and unrestricted net position. The University is reporting \$149.3 million of net pension liability as of June 30, 2020, a decrease of \$10.1 million from fiscal year 2019 and a cumulative decrease of \$25.0 million from fiscal year 2018. Although this liability is now reflected on the University's Statement of Net Position, the State of New Jersey asserts that these are reporting entries only and do not reflect the responsibility for future payment by the University of these liabilities, which remains with the State.

These sections of the 2020 financial statements are impacted by the requirements of GASB Statement No 68:

- *Noncurrent liabilities:* Net pension liability as of June 30, 2020 was \$149.3 million, a decrease of \$10.1 million from June 30, 2019. This liability makes up 42 percent of the University's total liabilities.
- *Deferred outflows and inflows of resources:* Deferred outflows was \$18.9 million as of June 30, 2020, a decrease of \$8.5 from June 30, 2019; and deferred inflows was \$37.7 million, as of June 30, 2020, an increase of \$1.8 million from June 30, 2019.
- *Current year operating expense:* Fiscal year 2020 includes \$45,935 for pension expense associated with the State pension plan. This expense is allocated to the functional expense lines in the Statement of Revenues, Expenses, and Changes in Net Position. In fiscal year 2019, the expense amount was \$2.4 million.
- *Unrestricted net position:* The cumulative total of GASB 68 impact to unrestricted net position as of June 30, 2020 is a (deficit) of (\$172.0) million.

GASB Statement No. 75 was adopted during fiscal year 2018. Similar to GASB No. 68, GASB No. 75 focuses on participating employees reporting their proportionate share of certain items relating to a long term benefit plan, in this case other post-employment benefits (OPEB) provided by the State of New Jersey State Health Benefit State Retired Employees Plan. The plan pays health care benefits for state employees who have met minimum service requirements. Different from GASB No. 68 however, the University is not required to report OPEB liability because of a technical classification whereby a "special funding situation" as defined by GASB No. 75 is deemed relevant. The University must record and report its proportionate share of OPEB expense along with the associated revenue reflecting the State's legal obligation to pay for these benefits. The University's proportionate share of OPEB liability was \$186.1 million and \$244.4 million as of June 30, 2020 and June 30, 2019, respectively, and its share of OPEB expense (with corresponding revenue) was \$1.1 million and \$11.2 million for fiscal year 2020 and 2019, respectively.

These sections of the 2020 financial statements are impacted by the requirements of GASB Statement No 75:

- *Current year operating expense:* Fiscal year 2020 includes \$1.1 million for OPEB benefits expense representing the University's proportionate share of the State's plan expenses. The expense is allocated to the functional expense lines in the Statement of Revenues, Expenses, and Changes in Net Position, and is fully offset by an equal amount of State appropriation revenue in the Nonoperating Revenues (Expenses) section of the Statement of Revenues, Expenses, and Changes in Net Position.
- *Current year nonoperating revenues (expenses):* Beginning with fiscal year 2018, this section includes a third line of State support reflecting the State's obligation to pay the OPEB expenses reported under operating expense. The fiscal year 2020 nonoperating revenue for the State's OPEB benefits is \$1.1 million.

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During fiscal year 2018, the University implemented its Cash and Investments Policy which was approved during fiscal year 2017 by the Board of Trustees. Excess operating cash, largely earmarked for capital projects as per the University's long term capital plan, was transferred from money market funds into the three-tiered portfolio structure outlined in the policy. The structure ensures adequate operating cash while optimizing investment earning opportunities and safeguarding principal.

The Investment in Capital Assets portion of net position, \$217.2 million as of June 30, 2020, reflects a decrease of \$0.5 million from fiscal year 2019 and a cumulative increase of \$2.1 million from fiscal year 2018. This increase in net position reflects achievements in connection with the University's capital plan, offset by depreciation and spend-down of construction cash held in escrow. The renovations of Preakness Hall (formerly Hunziker Hall) and Hunziker Wing were completed in 2018 and 2019. Construction of Skyline Hall, the University's new residence hall, began during fiscal year 2018 and was fully operational by the start of the fall 2019 semester. The project was partially (75 percent) funded by series 2017B bonds issued in August 2017.

During fiscal year 2019 the University purchased a building at 1800 Valley Road and work is underway to prepare the facility for academic use. Improvement of the University's residential facilities has been a priority – in addition to the newly constructed Skyline Hall, upgrades were made for lighting, flooring, window treatments and washer-dryer equipment in multiple residence halls. Significant historic renovation was done on Hobart Manor's exterior. Several buildings have received new HVAC units, hot water heating systems, or boilers. Over the past several years, thirty all-gender bathrooms have been created throughout campus.

The Preakness Hall and Hunziker Wing renovations totaled \$30.7 million. In September 2016, the University was awarded \$7.1 towards the Hunziker renovations from the New Jersey Higher Education Capital Facilities Grant Program. New money included in the 2015C bond series of \$20.0 million was used during fiscal years 2018 and 2019 to fund the Hunziker renovations, with the remaining \$2.9 million coming from University reserves earmarked for capital projects. The University was successful in receiving State approval to transfer unused State Bond funds from the University Hall project to the Preakness Hall and Hunziker Hall project thus reducing the amount of University funds needed to complete the project.

Skyline Hall was completed for the total cost of \$35.6 million. The project was funded by series 2017B bonds (\$30.0 million) and the remainder paid from earmarked University reserves.

Statements of Net Position

The Statements of Net Position present the University's financial position as of a point in time, reflecting current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and total net position reported under three separate classifications.

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Assets and liabilities are generally measured using current values. However, capital assets are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities and net position (in thousands) at June 30, 2020, 2019 and 2018 follows:

Statements of Net Position Summary

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 93,851	\$ 98,896	\$ 124,115
Noncurrent assets:			
Capital assets, net	398,315	408,890	399,365
Other	308	302	72
Total assets	<u>492,474</u>	<u>508,088</u>	<u>523,552</u>
Deferred outflows	<u>18,890</u>	<u>27,387</u>	<u>35,286</u>
Liabilities:			
Current liabilities	32,363	30,297	31,750
Noncurrent liabilities	<u>324,973</u>	<u>344,495</u>	<u>370,663</u>
Total liabilities	<u>357,336</u>	<u>374,792</u>	<u>402,413</u>
Deferred inflows	<u>37,714</u>	<u>35,873</u>	<u>26,242</u>
Net position:			
Net investments in capital assets	217,236	217,716	215,128
Restricted for Debt service	7,790	8,450	8,150
Unrestricted	<u>(108,712)</u>	<u>(101,356)</u>	<u>(93,094)</u>
Total net position	<u>\$ 116,314</u>	<u>\$ 124,810</u>	<u>\$ 130,184</u>

Current and Noncurrent Assets and Liabilities

Current assets consist primarily of cash and cash equivalents, restricted deposits held by bond trustees, investments, and accounts receivables. Noncurrent assets consist of capital assets and noncurrent portion of loans receivable. Current liabilities consist primarily of accounts payable and accrued expenses, deferred revenue and current portion of bonds payable and other long-term debt, while noncurrent liabilities consist primarily of bonds payable, net pension liability, and other long-term debt.

Assets

At June 30, 2020, the University had total assets of \$492.5 million, a decrease of \$15.6 million from \$508.1 million at June 30, 2019. The decrease in capital assets accounts for \$10.6 million of the total assets decrease and was caused by depreciation of \$15.6 million partially offset by increases for new capital projects.

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Other notable changes within assets are tied to impacts of the COVID-19 pandemic. Cash and investments at June 30, 2020 were \$6.3 million lower and \$4.7 million lower than June 30, 2019, respectively. These decreases resulted from reduced State appropriations, \$3.4 million, a drop-off of student payments on accounts, delayed State FICA reimbursements, and excess operating expenses over revenues. Campus housing closures and the resulting refunds paid to students impacted cash and investments, however this was largely recovered by the institutional portion of CARES funds received during June, 2020. The increase in student accounts receivables of \$1.4 million reflects an increase in balances receivable of \$1.8 million partially offset by a \$0.4 million increase in allowance for doubtful accounts. The increase in grants receivable of \$4.6 million reflects the student portion of CARES funds receivable (with the related \$4.1 million payable to students included in the balance sheet liabilities). The increase to the State of NJ receivable of \$0.7 million reflects the State's delayed payment of FICA reimbursements.

At June 30, 2019, the University had total assets of \$508.1 million, a decrease of \$15.5 million from \$523.6 million at June 30, 2018. Capital assets increased \$9.5 million due to increased construction and was offset by multiple decreases: restricted deposits held by bond trustees, \$16.6 million, reflecting drawdowns for construction of the new residence hall; cash and investments, \$4.0 million; NJ State appropriation receivable, \$3.2 million; and Perkins loans receivable, \$1.0 million reflecting liquidation of the Perkins loan program.

Deferred Outflows and Inflows of Resources

As of June 30, 2020, the deferred outflows of resources and deferred inflows of resources were \$18.9 million and \$37.7 million, respectively.

The source of deferred outflows is primarily GASB 68 pension related, however in fiscal years 2020 and 2019 the total deferred outflows of \$18.9 and \$27.4, respectively, includes \$3.9 and \$4.1, respectively, relating to advance refunding of the 2008C bond issue.

Liabilities

At June 30, 2020, the University had total liabilities of \$357.3 million, a decrease of \$17.5 million from \$374.8 million at June 30, 2019. The decrease is comprised of lower net pension liability, \$10.1 million, and paydown of bonds and other debt, \$10.1 million, offset by an increase in accounts payable and accrued expenses of \$2.7 million. There was a general decrease in accounts payable and accrued expenses of \$1.4 million reflective of spending caps and reductions in response to COVID-19, however that reduction was offset by a one-time payable of \$4.1 million for student portion CARES grant funding.

At June 30, 2019, the University had total liabilities of \$374.8 million, a decrease of \$27.6 million from \$402.4 million at June 30, 2018. The decrease is comprised of net pension liability decrease, \$14.9 million; pay down of bonds and other debt, \$9.7 million; accounts payable and accrued expenses decrease, \$2.4 million; and a \$1.2 million decrease in U.S. Government grants refundable liability due to liquidation of the Perkins loan program.

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Net Position

Net position reflects the residual interest in the University's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. Net position consists of three major categories: net investment in capital assets, expendable restricted net assets, and unrestricted net position.

Net investment in capital assets - Includes the University's capital assets (property, plant and equipment), net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these assets.

Expendable restricted net assets - Assets available for expenditure by the University, but only in accordance with restrictions placed on their use by external entities.

Unrestricted net position - Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the University and include resources that may be designated for specific purposes as determined by management or the Board.

Components of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net investment in capital assets	\$ 217,235,677	\$ 217,716,398	\$ 215,127,685
Expendable restricted for Debt service	7,790,000	8,450,000	8,150,000
Unrestricted:			
University unrestricted	63,329,576	70,639,628	73,714,084
Proportionate share of NJ pension liability	<u>(172,041,699)</u>	<u>(171,995,764)</u>	<u>(166,807,686)</u>
	<u>(108,712,123)</u>	<u>(101,356,136)</u>	<u>(93,093,602)</u>
Total net position	<u>\$ 116,313,554</u>	<u>\$ 124,810,262</u>	<u>\$ 130,184,083</u>

Net position at June 30, 2020, 2019 and 2018 was \$116.3, \$124.8 and \$130.2 million, respectively. From fiscal year 2019 to 2020, net position decreased \$8.5 million and from fiscal year 2018 to 2019, it decreased \$5.4 million.

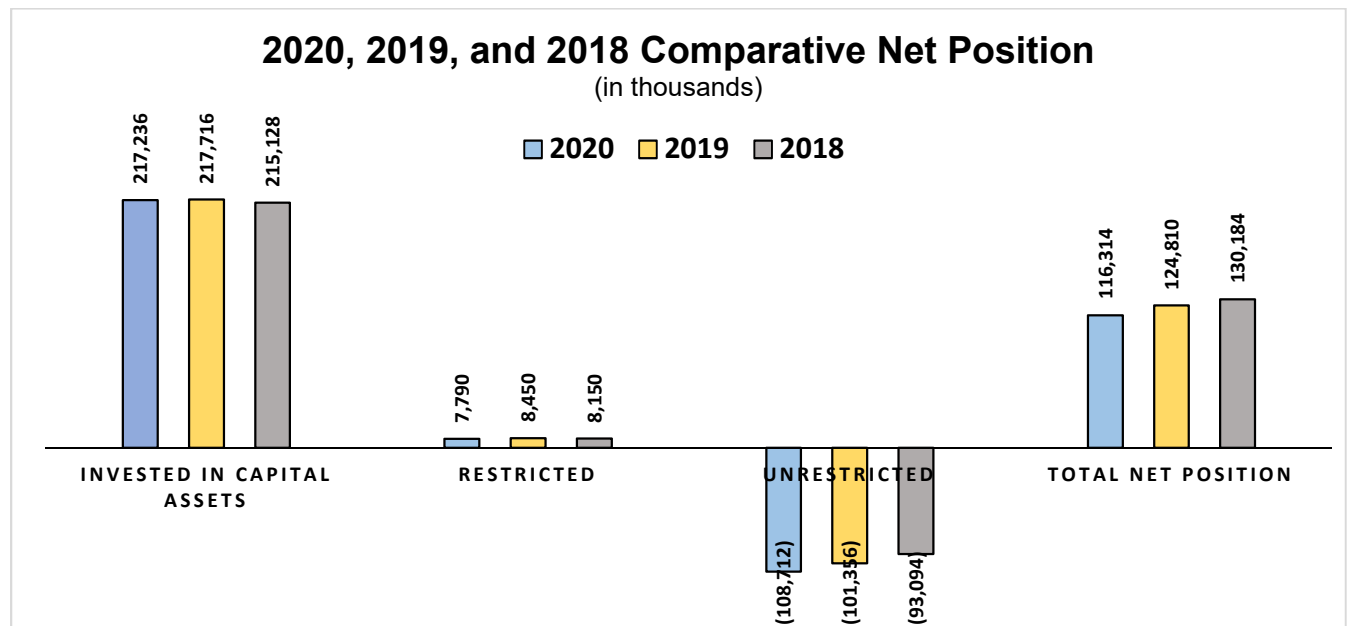
The FY20 overall decrease in net position of \$8.5 million, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, consists of a decrease of \$4.4 million in operating revenues (\$5.4 million decrease in campus housing offset by \$2.0 million increase in tuition revenue; along with decreases in grants and auxiliary enterprise revenues of \$0.5 million each); a \$9.8 million decrease in operating expenses (comprised of decreases in GASB 75/OPEB expense and general operating expense of \$10.1 million and \$4.6 million respectively, offset by the one-time expense of student CARES awards in 2020, \$4.9 million); and a decrease in nonoperating revenues of \$4.6 million (comprised of decreases in GASB75/OPEB revenue of \$10.1 million and State appropriation revenue of \$3.3 million, offset by one-time emergency relief grant funds of \$10.5 million).

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GASB 68 expense in fiscal year 2020 was minimal at \$45,935 due to significant decreases in net pension liability and deferred outflows.

The FY19 overall decrease in net position of \$5.4 million, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, consists of the GASB 68 pension expense of \$2.4 million and net decrease from operations of \$3.0 million. The \$3.0 million decrease reflects \$3.9 million capital grants revenue offset by \$6.9 million deficit from combined operating and nonoperating revenues and expenses.



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as operating, nonoperating, or capital grants and gifts. Revenues received and expenses incurred as a result of the University providing goods and services to its students and other constituencies are considered operating. Nonoperating revenues are primarily those received for which goods and services are not directly provided. The University's financial reporting model classifies state appropriations and gifts as nonoperating revenues. The operating deficit demonstrates the University's dependency on state support, capital grants, and other nonoperating revenues. Nonoperating activity also includes investment income and expense.

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A summary of the University's revenues, expenses, and changes in net position (in thousands) for the years ended June 30, 2020, 2019 and 2018 follows:

Summary of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Net student revenue	\$ 100,072	\$ 103,447	\$ 103,906
Other	44,071	45,067	44,362
Total operating revenues	144,143	148,514	148,268
Operating expenses	222,446	232,228	245,204
Operating loss	(78,303)	(83,714)	(96,936)
Nonoperating revenues (expenses):			
State appropriations	60,689	74,090	78,574
Emergency relief grants	10,468	-	-
Other	5,127	6,043	2,870
Interest expense	(6,498)	(5,721)	(5,395)
Net total nonoperating revenues	69,786	74,412	76,049
Capital grants and gifts	21	3,927	5,906
Decrease in net position*	(8,496)	(5,375)	(14,981)
Net position, beginning of year	124,810	130,185	145,166
Net position, end of year	<u>\$ 116,314</u>	<u>\$ 124,810</u>	<u>\$ 130,185</u>

*Categories of decrease in net position:

Operating and nonoperating net total expenses	\$ (8,471)	\$ (6,889)	\$ (10,534)
GASB 68 pension expense	(46)	(2,413)	(10,353)
GASB 75 OPEB expense	(1,111)	(11,207)	(16,134)
GASB 75 OPEB revenue	1,111	11,207	16,134
Capital grants and gifts	21	3,927	5,906
Net total decrease in net position	<u>\$ (8,496)</u>	<u>\$ (5,375)</u>	<u>\$ (14,981)</u>

William Paterson University of New Jersey

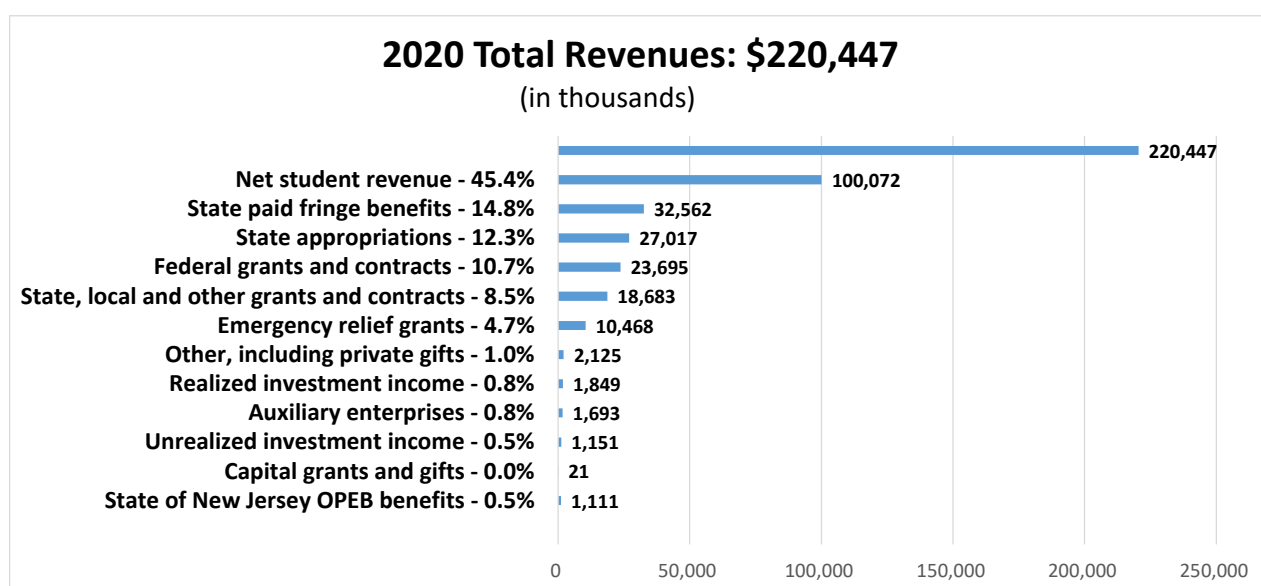
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Revenues

Revenues are classified as operating, nonoperating, or capital grants and gifts. A summary of the University's revenues (in thousands) for the years ended June 30, 2020, 2019 and 2018 follows:

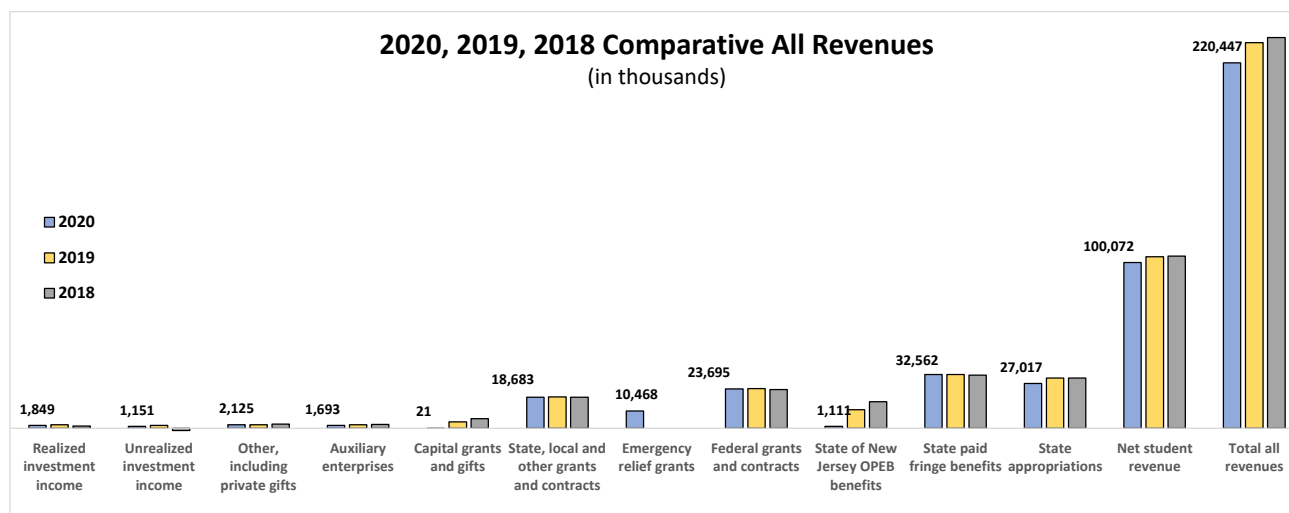
Operating, Nonoperating and Capital Revenues:

	2020	2019	2018
Operating revenues:			
Net student revenue	\$ 100,072	\$ 103,447	\$ 103,906
Federal grants and contracts	23,695	23,918	23,407
State local and other grants and contracts	18,683	18,981	18,631
Auxiliary enterprises	1,693	2,168	2,324
Total operating revenues	144,143	148,514	148,268
Nonoperating revenues:			
State appropriations	27,017	30,357	30,357
State paid fringe benefits	32,562	32,526	32,083
Emergency relief grants	10,468	-	-
State paid OPEB benefits	1,111	11,207	16,134
Investment income	1,849	2,132	1,472
Unrealized investment gain (loss)	1,151	1,789	(1,203)
Other, including private gifts	2,125	2,123	2,600
Total nonoperating revenues	76,283	80,134	81,443
Capital grants and gifts	21	3,927	5,906
Total operating, nonoperating and capital revenues	\$ 220,447	\$ 232,575	\$ 235,617



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Operating Revenues

Operating revenues consist of student revenues, government grants and contracts, and auxiliary enterprises.

Gross student tuition and fees were \$126.8 million, \$124.9 million and \$123.7 million for the years ended June 30, 2020, 2019, and 2018, respectively. This revenue was generated by the following number of students, resident students and meal plan participants:

Student Enrollment:

Total Enrollment (FTE's):

	2020	2019	2018
Annualized Fall and Spring	7,498	7,663	7,743
Summer II (July-August 2019, 2018, 2017)	300	300	328
Summer I (May-June 2020, 2019, 2018)	362	315	317
Winter	71	68	80
Total enrollment	8,231	8,346	8,468
Residential students	1,858	1,972	1,900
Meal plan participants	1,808	1,922	1,854

Net student revenue, comprised of tuition and fees and residence life less scholarship allowances, was \$100.1 million for the year ended June 30, 2020, a decrease of \$3.4 million from fiscal year 2019 due to the COVID-19 related decrease of \$5.4 million in residence life revenue partially offset by an increase in tuition and fees revenue of \$2.0 million.

For the year ended June 30, 2019, net student revenue was \$103.4 million, a decrease of \$0.5 million from fiscal year 2018 due to an increase in student related revenues (tuition, fees, room, board and meals) of \$0.5 million, decreased student aid and scholarship allowance of \$2.8 million and partially offset by a 2.0 percent increase in tuition rates.

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Tuition and fees revenue, a component of net student revenue, was \$126.8 million in fiscal year 2020, \$2.0 million higher than fiscal year 2019. Tuition and fees revenue was \$124.9 million in fiscal year 2019, \$1.2 million higher than fiscal year 2018. These increases reflect slight decreases in enrollment offset by tuition and housing rate increases.

Revenues from federal grants and contracts decreased \$0.2 million during fiscal year 2020 to \$23.7 million due to slightly decreased Pell grants related to enrollment fluctuations. In 2019, revenues from federal grants and contracts was \$23.9 million, an increase of \$0.5 million over 2018.

State, local and other grants and contracts decreased for the year ended June 30, 2020 by \$0.3 million, reflecting a decrease in the State TAG financial aid awards of \$0.2 million and decreased other grants of \$0.1 million. In 2019, revenues from state, local and other grants and contracts increased \$0.4 million over 2018, reflecting an increase in the State TAG financial aid awards of \$0.5 million and decreased other grants of \$0.2 million.

Revenue from auxiliary enterprises consists of bookstore and vending machine commissions, revenue from athletic programs, facilities rentals, food service sales and other related revenue. Revenue from auxiliary enterprise activities was \$1.7 million for the year ended June 30, 2020, a decrease of \$0.5 million from fiscal year 2019 reflecting lower hospitality revenues due to COVID-19 related decreases in food service and bookstore revenues. In 2019, revenue from auxiliary enterprise activities was \$2.2 million, a decrease of \$0.2 million from fiscal year 2018.

Nonoperating Revenues

The University's primary source of nonoperating revenue is State of New Jersey appropriations for general operations and fringe benefits. The general operations appropriation was \$27.0 million in fiscal year 2020, a decrease of \$3.3 million from fiscal year 2019 due to COVID-19 related cuts in the fourth quarter. The general operations appropriation had remained the same in fiscal year 2019 and 2018 at \$30.4 million. The fringe benefits appropriation was \$32.6 million, \$32.5 million and \$32.1 million for the years ended June 30, 2020, 2019, and 2018, respectively. State paid OPEB benefits was \$1.1 million, \$11.2 million and \$16.1 million in fiscal years 2020, 2019 and 2018, respectively.

The University received \$10.4 million in emergency relief grants relating to the COVID-19 pandemic in fiscal year 2020. The Higher Education Emergency Relief Fund (HEERF), authorized by Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided \$9.7 million, fifty percent of which was paid directly to students and the remainder applied to institutional costs associated with responding to special operating needs created by the pandemic. As a minority-serving institution, the University also received \$0.7 million under Section 18004(a)(2) of the CARES Act.

Capital Grants and Gifts

Final capital grant funding from the State of New Jersey's "Building our Future" bond issue was received in fiscal years 2020 and 2019. This \$30 million grant was the primary (75 percent) funding source for University Hall and partially funded the Preakness Hall and Hunziker Wing renovations. For the years ending June 30, 2020 and June 30, 2019, \$21 thousand and \$3.9 million, respectively, were received as capital grants.

Expenses

Operating expenses are reported by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. Total operating expenses for the year ended June 30, 2020 was \$222.4 million, a decrease of \$9.8 million from fiscal year 2019. Operating expenses include GASB 68 pension expense of \$45,935 in fiscal year 2020 and \$2.4 million in fiscal year 2019, along with GASB 75 OPEB expense of \$1.1 million in fiscal year 2020 and \$11.2 million in fiscal year 2019.

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For fiscal year 2020, the salaries increase of \$0.2 million represents general increases to salaries for annual increases and filling of vacancies. The overall benefits decrease in fiscal year 2020 of \$12.7 million is explained primarily by decreases in GASB 68 pension expense, \$2.4 million, and GASB 75/OPEB expense of \$10.1 million.

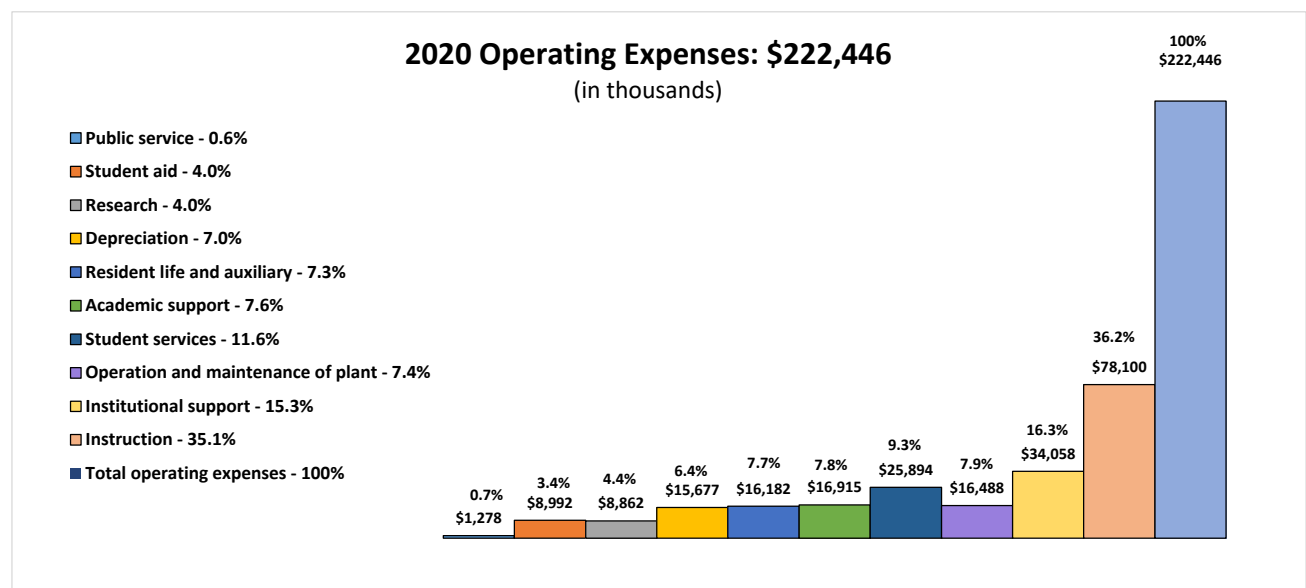
Other operating expenses in fiscal year 2020 include a one-time expense of \$4.9 million for student CARES awards relating to COVID-19. This was a pass through expense, with the offsetting revenue included in emergency relief grants in nonoperating revenues. Otherwise, operating expenses were down \$4.2 million as a result of efforts to cut costs in response to COVID-19. Costs were down in most categories including salaries and benefits, \$2.2 million, hospitality, \$0.7 million; data processing, \$0.5 million; utilities, \$0.4 million; and maintenance, \$0.3 million. Depreciation increased \$0.8 million due to the completion of Skyline Residence Hall.

Functionally, the overall \$9.8 million decrease was located mainly in instruction (\$6.0 million), institutional support (\$3.7 million), operations and maintenance (\$1.8 million), residence life-auxiliary enterprises (\$1.7 million), research (\$1.3 million), and academic support (\$1.2 million). Student services increased \$4.4 million due to the \$4.9 million student CARES awards.

For fiscal year 2019, the salaries increase of \$0.3 million represents general increases to salaries for annual increases and filling of vacancies, \$6.0 million, offset by a decrease due to nonrecurrence of the prior year union contract settlements, \$5.7 million. Decreased GASB 75 expense accounted for lower benefits expense of \$4.9 million.

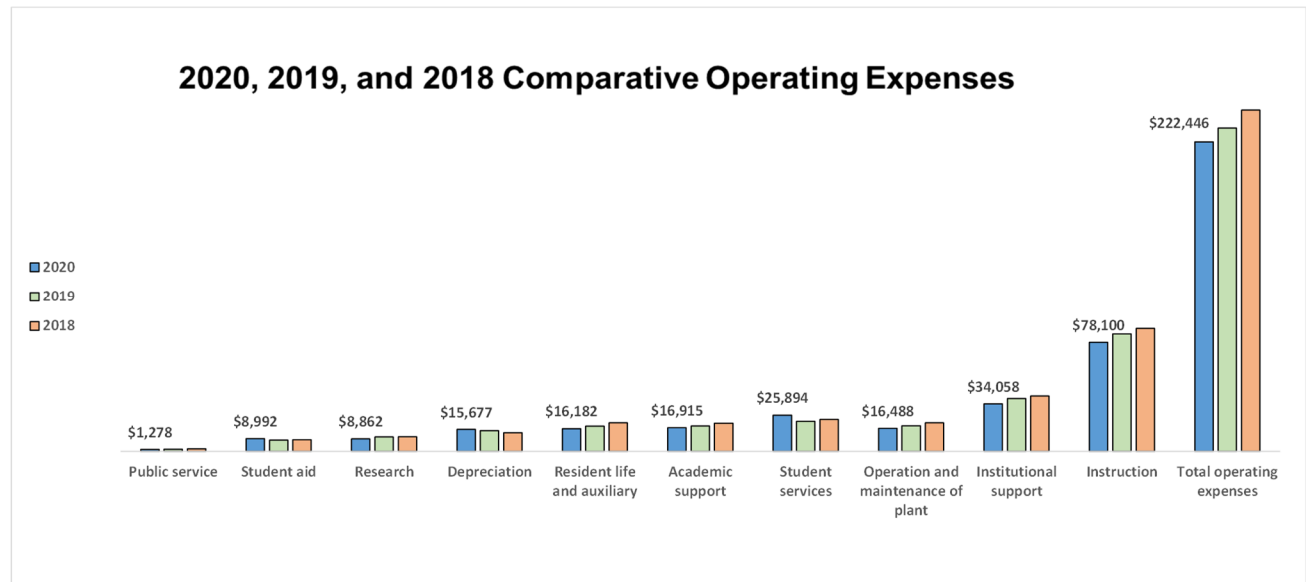
Other operating expense increases were legal settlement (\$1.3 million), data processing (\$0.9 million), official reception (\$0.2 million), rentals (\$0.1 million), maintenance (\$0.1 million), and depreciation (\$1.6 million). These increases were offset by decreases in accounts receivable write-offs (\$0.7 million), grant-related expenses (\$0.9 million), subscriptions and memberships (\$0.3 million), utilities (\$0.3 million), and equipment (\$2.4 million).

Functionally, the overall \$13.0 million decrease was located mainly in instruction (\$4.0 million), academic support (\$1.9 million), student services (\$1.3 million), institutional support (\$1.9 million), operations and maintenance (\$2.2 million), and residence life-auxiliary enterprises (\$2.4 million). These decreases were offset by an increase in depreciation (\$1.6 million).



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Functional vs. Natural Classification of Expenses (without GASB 68 or GASB 75)

Exclusive of the impacts of GASB 68 and GASB 75, the allocation of operating expenses to natural classifications has remained proportionately constant over the years ended June 30, 2020, 2019, and 2018, with salaries at 56-57 percent, fringe benefits at 16 percent, supplies and services at 19-22 percent and depreciation at 6-7 percent. In fiscal year 2019, salaries and fringe benefits (non-GASB 68 related) increased \$0.4 million and in fiscal year 2018 increased \$6.3 million.

Operating Expenses: Functional vs. Natural Classifications

	2020		2019		2018	
Functional Classification						
Instruction	\$ 77,426	35.0 %	\$ 78,002	35.7 %	\$ 77,936	35.6 %
Research	8,847	4.0	9,984	4.6	10,108	4.6
Academic support	16,770	7.6	16,960	7.8	17,716	8.1
Public service	1,270	0.6	1,457	0.7	1,660	0.8
Student services	25,713	11.6	20,152	9.2	20,121	9.2
Institutional support	34,206	15.5	34,788	15.9	33,632	15.4
Operation and maintenance of plant	16,290	7.4	17,114	7.8	17,146	7.8
Student aid	8,992	4.1	7,991	3.7	8,278	3.8
Residence life and auxiliary	16,100	7.3	17,319	7.9	18,853	8.6
Depreciation	15,677	7.1	14,841	6.7	13,267	6.1
Total operating expenses	221,289	<u>100.2 %</u>	218,608	<u>100.0 %</u>	218,717	<u>100.0 %</u>
GASB 68 impact	46		2,413		10,353	
GASB 75 impact	1,111		11,207		16,134	
	<u>\$ 222,446</u>		<u>\$ 232,228</u>		<u>\$ 245,204</u>	

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	2020		2019		2018	
Natural Classification						
Salaries and wages	\$ 123,365	57.0 %	\$ 123,139	56.3 %	\$ 122,727	56.1 %
Fringe benefits	34,930	16.1	35,153	16.1	35,063	16.0
Supplies and services	42,435	19.6	45,475	20.9	47,660	21.8
Depreciation	15,677	7.3	14,841	6.7	13,267	6.1
Total operating expenses	216,407	100.0 %	218,608	100.0 %	218,717	100.0 %
Student relief expenses	4,882		-		-	
GASB 68 impact	46		2,413		10,353	
GASB 75 impact	1,111		11,207		16,134	
	<u>\$ 222,446</u>		<u>\$ 232,228</u>		<u>\$ 245,204</u>	

Nonoperating Expense

Nonoperating expense consists of interest on capital asset-related debt of \$6.5 million, \$5.7 million and \$5.4 million for the years ended June 30, 2020, 2019 and 2018, respectively. The \$0.8 million increase in 2020 reflects an overall decrease in interest expense of \$0.4 million offset by a decrease in the amount of capitalized interest of \$1.2 million. Interest expense was capitalized for the Hunziker project during 2017 and 2018; and for Skyline during 2018 and 2019.

Unrealized investment gains during 2020 and 2019 reflect market valuation changes driven by interest rate fluctuations, however these gains are not expected to be realized as long as bonds are held to maturity. The University's portfolio is structured so that all bonds are held to maturity.

Capital Assets and Debt Activities

At June 30, 2020, the University's investment in capital assets was \$398.3 million, net of accumulated depreciation of \$243.8 million. Debt related to these capitalized assets was \$178.1 million. During fiscal year 2020 the University had total capital additions of \$5.1 for improvement and restoration projects.

At June 30, 2019, the University's investment in capital assets was \$408.9 million, net of accumulated depreciation of \$228.1 million. Debt related to these capitalized assets was \$187.5 million. During fiscal year 2019 the University had total capital additions of \$24.4 million, mainly for final costs of Skyline Hall (\$17.5 million), the purchase of 1800 Valley Road (\$1.8 million), HVAC upgrades to several buildings (\$3.2 million), and other improvements and restoration projects.

The University issued four new bond series over the fiscal years 2016 – 2019. On August 18, 2015, the University issued Series 2015C New Jersey Educational Facilities Authority Revenue Bonds for par value of \$45,695,000. The issue refunded all of the University's 2005E principal balance and provided \$20 million of new money for use towards Preakness Hall and Hunziker Wing renovations. On July 27, 2016, Series 2016E was issued for a par value of \$60,755,000, partially refunding remaining principal on the 2008C bonds. On August 9, 2017, Series 2017B was issued for par value of \$27,065,000 for the construction of Skyline Hall. Finally, on May 13, 2019, the 2019A series was issued for par value of \$5,070,000 to refinance the remaining portion of 2008C bonds.

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In June of 2019, Fitch released a publication titled 'U.S. Public Finance College and University Rating Criteria' which outlined changes to Fitch's rating criteria. At the same time, a number of Universities (including WPUNJ) were placed on 'Under Criteria Observation' (UCO) status pending review of ratings under the new guidelines. The reviews were completed in November 2019 for five New Jersey State Universities, with four of the five being downgraded. WPUNJ was downgraded from A with a stable outlook to A- with a negative outlook. Challenging demographics and effectively flat State operating support were cited as fundamental criteria underlying the downgrade.

Planning for capital projects in response to new priorities or unanticipated needs is evaluated against the current Facilities Master Plan, which was approved by the Board of Trustees in 2003. As mandated by State statute, the University submits its updated Annual Capital Improvement Program Request. As part of the submission, the Facilities Master Plan is updated to reflect cost escalation, add new deferred maintenance projects and report completed deferred maintenance projects. To keep the Master Plan current, several mini-master plans have been completed. In 2005, an athletic zone plan was developed with a number of major improvements executed over several years. In 2012, the University commissioned a core academic zone master plan concentrated on the six academic buildings in the heart of the campus. The plan, accepted by the University's Board of Trustees in spring 2012, provides the road map to upgrade and/or replace the six original classroom buildings on the campus. The plan provided a foundation for submission of capital project funding applications to the State, resulting in the \$30.0 million grant awarded to WPUNJ for University Hall and \$7.1 million grant awarded for the Hunziker building renovations. In 2014, a residential zone plan was completed and as a result the University was able to construct a new residence hall (Skyline Hall) which opened in the fall of 2019. The University is also moving forward with renovation projects to upgrade its existing residence halls. The University will continue to supplement funding for its capital and deferred maintenance projects with its own funds.

A summary of the University's capital assets (in thousands) at June 30, 2020, 2019 and 2018 follows:

Capital Assets

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 7,256	\$ 7,256	\$ 7,256
Construction in progress	7,670	41,230	55,715
Infrastructure	18,837	18,837	18,837
Buildings and improvements	563,851	525,885	487,903
Equipment	43,806	43,119	42,256
Artwork	690	681	675
	<u>642,110</u>	<u>637,008</u>	<u>612,642</u>
Total			
Less accumulated depreciation	<u>243,795</u>	<u>228,118</u>	<u>213,277</u>
Total capital assets, net	<u>\$ 398,315</u>	<u>\$ 408,890</u>	<u>\$ 399,365</u>

The University continues to demonstrate sound, conservative fiscal management as evidenced by its careful stewardship of resources and its constant monitoring of revenues and expenditures. Changing demographics and dependency on State funding are challenges that the University has so far overcome with prudent management and more recently an actively managed strategic plan. The depth of net position reserve provides financial security and flexibility to respond to the business requirements associated with business development, new strategic goals and transition.

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The State's colleges and universities play a pivotal role in establishing New Jersey as a leader in human, economic and technological development. The financial condition of The William Paterson University of New Jersey is tied to that of the State of New Jersey. A crucial element to the University's future will be the level of appropriations, as there is a direct relationship between the level of State support and the University's ability to control tuition costs. State appropriations received in the years ended June 30, 2020 and 2019 were \$27.0 and \$30.4 million, respectively. The fiscal year 2019 appropriation of \$30.4 million was approximately the same amount as received in the year ended June 30, 1993 (and fiscal years since then) aside from contractually obligated and state paid fringe benefits which are tied directly to negotiated arrangements. With an expectation of less reliance on state support while understanding its public role in serving the state, the University's goal is to increase student recruitment, enrollment and retention, and diversify its revenues. Mindful of the difficult economic times in the state and the nation, the University carefully monitors its expenditures and has positioned itself so that future tuition and fee increases can be limited while still investing in additional academic and student support resources to handle the growth in enrollment. Annual tuition and fee charges were increased approximately 2 percent for each of the past nine years.

As noted previously, the University adopted a strategic plan in 2012. This plan helps identify the academic programs for growth in enrollment and academic reputation, helps identify student support services to improve student academic profile, retention and graduation rates, and helps identify diversified revenue sources. The University has commenced an implementation plan to attain the goals of the strategic plan and has allocated since 2012 about \$8.6 million for strategic initiatives put forward through a bottoms-up transparent budget process.

The University continues to monitor its financial health with the Board of Trustees' adoption of Key Performance Indicators, including ratios developed for rating agency analysis of colleges and universities. Other assessment tools such as national surveys are utilized to ensure its delivery of student academic and support services at high level of quality.

The University has a well-established pattern of adapting and responding to an ever changing business environment. University enrollments nationwide have been declining, and WPUNJ has responded over the past 6 years with targeted recruitment updates and constructive approaches to right-sizing budgets. New revenue streams have been implemented and academic departments have found ways to improve and modernize programs while consolidating and cutting costs at the same time.

COVID-19 presented new challenges in which the University found more opportunity to evolve and improve. Navigating the sudden reduction of revenue streams, including State appropriations and campus housing revenue, required agility and adaptation. High priority was given to achieving the technology requirements of delivering classes remotely and accommodating students in need. Furlough programs were developed equitably across all categories of faculty and staff in a way that layoffs could be avoided. Emergency federal and state grants were tapped to mitigate revenue losses and provide aid to students. Spending and hiring limits were put in place during the last quarter of fiscal year 2020 to cut operating expenses. Many of the technology solutions developed for remote operations were discovered to be relevant business process improvements with longer term value. By the end of the year, the fiscal year 2020 revenue losses and technology expenses had been offset by reduced operating expense and emergency grant revenue.

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While the State has provided relatively stable direct state appropriations in recent years, the University continues to operate with a lack of sufficient state support. It continues to meet the goals of its mission statement by reviewing opportunities for revenue growth or cost reductions. In the spring of 2020, the University implemented WP Online, a fully online degree program offering graduate degrees in business, education and nursing, and a bachelor's degree in nursing. The program went live in July, 2020 and immediately exceeded revenue expectations. The University has increased revenue from noncredit courses and external grant funding and from its off-campus program at Mercer County College. Revenue streams continue with the rental of rooftops for telecommunications equipment, increased summer classroom and camp rental activities and billing insurance companies for the Health and Wellness Center services provided to our students. The investment advisors hired by the University to manage and increase the yield on our liquid operating cash has resulted in the doubling of earned interest income. The William Paterson University of New Jersey Foundation continues to expand its fund raising efforts as a means to supplement revenue from tuition and state support. It is nearing its goal of raising \$10 million for scholarships. The University completed a new residence hall in fiscal year 2020 and renovated two major academic classroom buildings to meet growing needs and maintain current standards, while continuing to monitor the increasing operating costs and the increasing demand for institutional scholarships.

Questions concerning any of the information contained in this report or request for additional information should be addressed to William Paterson University Office of the Vice President for Administration and Finance, 300 Pompton Road, Wayne, New Jersey 07470.

William Paterson University of New Jersey

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William Paterson University of New Jersey

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	\$ 12,265,634	\$ 18,574,090
Restricted deposits held by bond trustees	11,164,315	12,012,408
Investments	<u>52,229,585</u>	<u>56,965,707</u>
Receivables:		
Students, less allowance for doubtful accounts of \$1,386,159 in 2020 and \$971,382 in 2019	7,547,051	6,103,765
Loans, net	26,789	26,770
State of New Jersey	2,313,272	1,650,857
Gifts, grants and contracts	7,080,267	2,447,047
Other receivables	<u>1,121,162</u>	<u>1,024,912</u>
Total receivables	18,088,541	11,253,351
Prepaid expenses	<u>103,359</u>	<u>90,219</u>
Total current assets	<u>93,851,434</u>	<u>98,895,775</u>
Noncurrent assets:		
Loans, net	308,071	302,981
Capital assets, net	<u>398,314,554</u>	<u>408,889,728</u>
Total noncurrent assets	<u>398,622,625</u>	<u>409,192,709</u>
Total assets	492,474,059	508,088,484
Deferred outflows of resources	<u>18,889,846</u>	<u>27,386,590</u>
Total assets and deferred outflows of resources	<u>511,363,905</u>	<u>535,475,074</u>
Liabilities and Deferred Inflow of Resources		
Current liabilities:		
Accounts payable and accrued expenses	16,095,005	13,358,975
Compensated absences	4,212,372	3,283,562
Bonds payable	7,790,000	8,450,000
Other long-term debt	625,406	684,644
Unearned revenue	<u>3,640,040</u>	<u>4,519,810</u>
Total current liabilities	<u>32,362,823</u>	<u>30,296,991</u>
Noncurrent liabilities:		
Bonds payable	170,263,971	179,032,820
Other long-term debt	2,399,500	3,005,865
Compensated absences	2,389,759	2,459,278
U.S. government grants refundable	595,166	595,166
Net pension liability	<u>149,325,002</u>	<u>159,401,375</u>
Total noncurrent liabilities	<u>324,973,398</u>	<u>344,494,504</u>
Total liabilities	<u>357,336,221</u>	<u>374,791,495</u>
Deferred inflows of resources, pension	<u>37,714,130</u>	<u>35,873,317</u>
Net Position		
Net investment in capital assets	217,235,677	217,716,398
Restricted for debt service	7,790,000	8,450,000
Unrestricted	<u>(108,712,123)</u>	<u>(101,356,136)</u>
Total net position	<u>\$ 116,313,554</u>	<u>\$ 124,810,262</u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Student revenues:		
Student tuition and fees	\$ 126,843,434	\$ 124,882,189
Residence life	16,803,444	22,233,769
Less scholarship allowances	<u>(43,574,914)</u>	<u>(43,669,285)</u>
Net student revenues	100,071,964	103,446,673
Federal grants and contracts	23,694,948	23,918,268
State, local, and other grants and contracts	18,683,063	18,981,697
Auxiliary enterprises	<u>1,693,078</u>	<u>2,167,835</u>
Total operating revenues	<u>144,143,053</u>	<u>148,514,473</u>
Operating Expenses		
Instruction	78,099,584	84,116,794
Research	8,862,324	10,210,773
Academic support	16,915,175	18,104,710
Public service	1,277,906	1,525,082
Student services	25,894,515	21,488,803
Institutional support	34,057,750	37,771,685
Operating and maintenance of plant	16,488,046	18,261,898
Student aid	8,992,185	7,991,466
Residence life and auxiliary enterprises	16,181,958	17,915,368
Depreciation	<u>15,676,643</u>	<u>14,841,692</u>
Total operating expenses	<u>222,446,086</u>	<u>232,228,271</u>
Net operating loss	<u>(78,303,033)</u>	<u>(83,713,798)</u>
Nonoperating Revenues (Expenses)		
State of New Jersey appropriations	27,016,900	30,357,000
State of New Jersey paid fringe benefits	32,561,859	32,525,938
State of New Jersey paid OPEB benefits	1,110,696	11,206,961
Emergency relief grants	10,468,357	-
Private gifts	1,052,083	912,501
Investment income	1,848,852	2,132,316
Net unrealized investment gain	1,151,083	1,788,577
Interest on capital asset-related debt	(6,497,977)	(5,720,095)
Other nonoperating revenues, net	<u>1,073,219</u>	<u>1,210,136</u>
Net nonoperating revenues	<u>69,785,072</u>	<u>74,413,334</u>
Loss before other revenues	(8,517,961)	(9,300,464)
Other Revenues		
Capital grants and gifts	<u>21,253</u>	<u>3,926,643</u>
Decrease in net position	(8,496,708)	(5,373,821)
Net Position, Beginning	<u>124,810,262</u>	<u>130,184,083</u>
Net Position, Ending	<u><u>\$ 116,313,554</u></u>	<u><u>\$ 124,810,262</u></u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Student tuition and fees	\$ 81,359,626	\$ 80,702,650
Federal, state, and local grants and contracts	37,744,791	43,017,677
Payments to suppliers	(35,038,112)	(39,600,187)
Payments to employees	(122,178,585)	(122,982,403)
Payments for employee benefits	(16,929,549)	(15,947,934)
Payments for student aid	(8,980,390)	(7,812,609)
Residence life	16,803,444	22,233,769
Auxiliary enterprises	1,693,078	2,167,835
Net cash used in operating activities	<u>(45,525,697)</u>	<u>(38,221,202)</u>
Cash Flows From Noncapital Financing Activities		
Private gifts	937,851	912,501
State of New Jersey appropriations	40,464,243	47,754,906
Emergency relief grants	10,468,357	-
Other receipts	1,073,219	1,210,136
Net cash provided by noncapital financing activities	<u>52,943,670</u>	<u>49,877,543</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(6,900,146)	(26,232,243)
Capital appropriations, grants and gifts received	21,253	4,008,753
Principal payments on asset related capital debt	(10,094,452)	(9,771,249)
Interest payments on capital asset-related debt	(6,594,095)	(6,004,536)
Increase in restricted deposits held by bond trustees	(14,906,114)	(16,135,615)
Decrease in restricted deposits held by bond trustees	15,754,207	32,754,062
Net cash used in capital and related financing activities	<u>(22,719,347)</u>	<u>(21,380,828)</u>
Cash Flows Provided by Investing Activities		
Proceeds from sales of investments	36,707,642	57,616,466
Purchases of investments	(29,563,576)	(37,989,121)
Interest, dividends and realized gains	1,848,852	2,132,316
Net cash provided by investing activities	<u>8,992,918</u>	<u>21,759,661</u>
Net (decrease) increase in cash and cash equivalents	(6,308,456)	12,035,174
Cash and Cash Equivalents, Beginning	<u>18,574,090</u>	<u>6,538,916</u>
Cash and Cash Equivalents, Ending	<u>\$ 12,265,634</u>	<u>\$ 18,574,090</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Net operating loss	\$ (78,303,033)	\$ (83,713,798)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Provision for doubtful accounts	(414,777)	995,741
State appropriations paid fringe benefits	17,784,974	18,990,256
State of New Jersey paid OPEB benefits	1,110,696	11,206,961
Depreciation expense	15,676,643	14,841,692
Net unrealized investment gain	(1,151,083)	(1,788,577)
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
Receivables	(5,767,774)	130,383
Deferred outflow of resources	8,496,744	7,899,850
Accounts payable and accrued expenses	5,297,952	(2,039,393)
Compensated absences	859,291	95,090
Unearned revenue	(879,770)	432,066
Net pension liability	(10,076,373)	(14,903,200)
Deferred inflow of resources, pension	1,840,813	9,631,727
Net cash used in operating activities	<u>\$ (45,525,697)</u>	<u>\$ (38,221,202)</u>
Supplemental Disclosure of Noncash Financing Activities		
Purchases of property and equipment in accounts payable	<u>\$ 94,250</u>	<u>\$ 1,892,927</u>
Refunding bonds payable	<u>\$ -</u>	<u>\$ 5,070,000</u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,592,379	\$ 4,935,430
Investments	24,177,945	22,631,523
Promises to give, net	3,441,634	1,558,197
Interest receivable	25,661	40,473
Prepaid expenses and other assets	2,659	-
	<u>33,240,278</u>	<u>29,165,623</u>
Total assets	<u>\$ 33,240,278</u>	<u>\$ 29,165,623</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 195,758	\$ 2,488
Grants payable	86,597	105,456
Annuities payable	200,050	385,329
Deferred revenue	18,500	1,500
	<u>500,905</u>	<u>494,773</u>
Total liabilities	<u>500,905</u>	<u>494,773</u>
Net Assets		
Without donor restrictions	6,092,847	5,489,124
With donor restrictions	26,646,526	23,181,726
	<u>32,739,373</u>	<u>28,670,850</u>
Total net assets	<u>32,739,373</u>	<u>28,670,850</u>
Total liabilities and net assets	<u>\$ 33,240,278</u>	<u>\$ 29,165,623</u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.

Statements of Activities

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Support:		
Scholarships	\$ 101,604	\$ 187,653
Fundraising	1,094,349	960,258
Campus activities	77,719	87,921
Development	366,047	202,355
Community activities	495	77
Capital campaigns	824	2,185
Investment activities	219,440	548,030
	<u>1,860,478</u>	<u>1,988,479</u>
Total support		
	1,860,478	1,988,479
Net assets released from restrictions	<u>2,331,836</u>	<u>2,038,901</u>
	<u>4,192,314</u>	<u>4,027,380</u>
Grants and Expenses:		
Scholarships and grants	1,288,312	1,290,019
Campus activities	964,948	991,794
Capital campaigns	2,885	6,528
Community activities	-	1,077
Management and development	286,135	294,668
Fundraising	1,046,311	891,845
	<u>3,588,591</u>	<u>3,475,931</u>
Total expenses and other deductions		
	3,588,591	3,475,931
Change in net assets without donor restrictions	<u>603,723</u>	<u>551,449</u>
Changes in Net Assets With Donor Restrictions		
Scholarships	3,773,599	1,151,968
Fundraising	96,949	125,222
Campus activities	680,267	971,247
Development	5,804	70,316
Community activities	1,215	1,000
Capital campaigns	1,860	1,870
Investment activities	1,236,942	1,239,927
	<u>5,796,636</u>	<u>3,561,550</u>
Total support		
	5,796,636	3,561,550
Net assets released from restrictions	<u>(2,331,836)</u>	<u>(2,038,901)</u>
	<u>3,464,800</u>	<u>1,522,649</u>
Change in net assets with donor restrictions		
	3,464,800	1,522,649
Increase in net assets	4,068,523	2,074,098
Net Assets, Beginning	<u>28,670,850</u>	<u>26,596,752</u>
Net Assets, Ending	<u>\$ 32,739,373</u>	<u>\$ 28,670,850</u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 4,068,523	\$ 2,074,098
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gain on sale of investments	(547,034)	(507,282)
Unrealized gain on investments	(468,651)	(892,323)
Bad debt expense	11,296	44,030
Change in operating assets and liabilities:		
Promises to give	(1,894,733)	(85,852)
Interest receivable	14,812	(3,326)
Prepaid expenses and other assets	(2,659)	-
Accounts payable and accrued expenses	193,270	(579,354)
Grants payable	(18,859)	(85,247)
Annuities payable	(185,279)	(18,033)
Deferred revenue	17,000	(16,975)
Net cash provided by (used in) operating activities	<u>1,187,686</u>	<u>(70,264)</u>
Cash Flows From Investing Activities		
Purchase of investments	(8,560,881)	(4,855,769)
Proceeds from disposition of investments	<u>8,030,144</u>	<u>3,974,678</u>
Net cash used in investing activities	<u>(530,737)</u>	<u>(881,091)</u>
Net increase (decrease) in cash and cash equivalents	656,949	(951,355)
Cash and Cash Equivalents, Beginning	<u>4,935,430</u>	<u>5,886,785</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,592,379</u>	<u>\$ 4,935,430</u>

See notes to financial statements

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

1. Nature of Operations

Organization

William Paterson University of New Jersey (the University) is a comprehensive public, coeducational institution of higher education located in the Township of Wayne and Boroughs of Haledon and North Haledon, Passaic County, New Jersey. The University was founded in 1855 as the Paterson Normal School and was granted University status in June 1997. The University offers 56 undergraduate, 28 masters, 2 doctoral, 1 post baccalaureate undergraduate certificate and 21 graduate certificates in five colleges: Arts and Communication; Business; Education; Humanities and Social Sciences; and Science and Health. For the fall semester of the 2019 - 2020 and 2018 - 2019 academic years, approximately 8,600 and 8,700, respectively, part time and full time undergraduate students attended the University and approximately 1,500 part time and full time graduate students attended the University. The University's mission includes maintaining a tradition of leadership in general education and multiculturalism, and a commitment to promoting student success, academic excellence, diversity and community outreach with opportunities for lifelong learning.

The University is recognized as a public institution by the State of New Jersey (the State). Under the law, the University is an instrumentality of the State with a high degree of autonomy. State of New Jersey appropriations are the University's largest sources of nonoperating revenue. The University is economically dependent on these appropriations to carry on its operations. The University is considered a component unit of the State for financial reporting purposes. Accordingly, the University's financial statements are included in the State's Comprehensive Annual Financial Report.

Reporting Entity

The operations of William Paterson University of New Jersey Foundation, Inc. (the Foundation) are included in the accompanying basic financial statements as a discretely presented component unit.

The University has determined the Foundation should be included in the University's financial statements as a discretely presented component unit. A component unit is a legally separate organization for which the University is financially accountable or closely related.

The Foundation is a legally separate corporation with an independent board of trustees and acts primarily as a fund raising entity to provide additional funding to support the educational goals of the University. The Foundation has received a determination letter from the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Since the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the University or its constituents, and the University is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the Foundation and the economic resources are significant to the University, the Foundation is therefore discretely presented in the University's basic financial statements.

As of June 30, 2020 and 2019, the University has a receivable of \$203,844 and \$123,067, respectively, from the Foundation. For the years ended June 30, 2020 and 2019, the University recognized revenue of \$1,973,259 and \$2,156,493, respectively, as Foundation gifts and grants. A copy of the financial statements of the Foundation can be obtained from the Office of Institutional Advancement, 300 Pompton Road, Wayne, New Jersey 07474.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB). No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

2. Summary of Significant Accounting Policies

Basis of Presentation

The University classifies for accounting and reporting purposes into the following net position categories:

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted for debt service*: Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net position is reserved for academic and other programs and capital programs.

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

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short term investments deposited in the State of New Jersey Cash Management Fund (the Fund) which has an average maturity of less than 90 days.

Restricted Deposits Held by Bond Trustees

Restricted deposits held by bond trustees restricted for capital and debt service are recorded in the financial statements at fair value, which is based on quoted market price and consist of money market accounts, U.S. Treasury obligations and government issues.

Investments

All investments are measured at fair value at the statements of net position date. Investment income or loss (including interest, dividends, realized gains and losses and change in unrealized gains and losses) is reported as a nonoperating activity.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

Receivables

Student receivables consist of tuition and fees charged to current and former students. State of New Jersey receivables and gifts, grants and contracts receivables are amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources. Loans receivable consist of funds loaned to students under federal loan programs.

Receivables are reported at net realizable value. Receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Capital Assets

Capital assets are recorded at historical cost. Donated capital assets are recorded at fair value at the date of donation. Capital assets, with the exception of land, artwork and construction in progress, are depreciated on the straight-line method over their estimated useful lives as follows:

	<u>Useful Lives</u>
Infrastructure	25-50 years
Building and improvements	15-45 years
Equipment	5-10 years

In accordance with the University's capitalization policy, only those items with a cost of more than \$5,000 are capitalized.

Revenue Recognition

Revenues from student tuition and fees and residence life are presented net of scholarship allowances applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as student aid and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the fiscal year are recorded as unearned revenue in the accompanying financial statements, and totaled \$2,225,018 at June 30, 2020 and \$3,410,234 at June 30, 2019.

Grants and contracts revenue is comprised mainly of funds received from grants from the Federal government, State of New Jersey and local sources and is recognized upon meeting the eligibility requirements for recognition which is generally as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreements are included in unearned revenue in the accompanying financial statements and totaled \$1,415,022 at June 30, 2020 and \$1,109,576 at June 30, 2019.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

Scholarship Allowances

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

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

Classification of Revenue and Expense

The University's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (a) student tuition and fees and residence life, net of scholarship allowances, (b) auxiliary enterprises and (c) most Federal, State, local and other grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State of New Jersey appropriations, emergency relief grants, net investment income and gifts. Interest expense is reported as a nonoperating activity.

Compensated Absences

The liability is calculated based upon employees' accrued vacation leave as of the statements of net position date, an estimated vested amount for accrued sick leave and the estimated cost of Alternative Benefit Plan (ABP) salary and sick leave. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50 percent 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. Prior to 1991, the State of New Jersey reimbursed the University for payments made to retiring employees for accrued sick leave; however, from 1991 through the current fiscal year, the State of New Jersey did not make such reimbursements. The University paid \$214,789 and \$226,345 in sick leave payments for employees who retired during the years ended June 30, 2020 and 2019, respectively.

New Accounting Pronouncements

The GASB has approved the following:

Statement No. 87, *Leases*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 96, *Subscription-Based Information Technology Arrangements*

The statements listed above through Statement No. 92 had their required effective dates postponed by one year with the issuance of Statement No. 95, postponement of effective dates of certain authoritative guidance, with the exception of Statement No. 87 which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements. University management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

Income Taxes

The University is exempt from federal income taxes under IRC Section 115.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Bank balances and cash on hand	\$ 4,542,626	\$ 6,286,962
Money market accounts	6,403,004	10,987,014
State of New Jersey Cash Management Fund	<u>1,320,004</u>	<u>1,300,114</u>
Total	<u>\$ 12,265,634</u>	<u>\$ 18,574,090</u>

Custodial credit risk associated with the University's cash and cash equivalents include 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, 2020 and 2019 were partially insured by the Federal Depository Insurance Corporation (FDIC) in the amount of \$250,000. Bank deposits in excess of insured amounts of \$4.3 million in 2020 and \$6.0 million in 2019 were collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes. Chapter 64 of Title 18A allows banking institutions to cover total public funds on deposit in excess of federal insurance. The non-insured, non-collateralized portion of cash and equivalents was \$7.7 million and \$12.3 million in 2020 and 2019, respectively.

The University participates in the Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The carrying amount of cash and cash equivalents in the Fund was approximately \$1.3 million, as of June 30, 2020 and 2019, which represented the amount on deposit with the Fund. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

The Fund is unrated and has a maturity of less than 90 days. Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury, foreign governments, 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.

4. Restricted Deposits Held by Bond Trustees

Restricted deposits held by bond trustees include restricted accounts held by financial institutions, under the terms of various obligations. The restricted deposits held by bond trustees under bond indenture agreements are maintained for the following:

	<u>2020</u>	<u>2019</u>
Project and construction fund	\$ 1,207	\$ 1,207
Debt service fund for principal and interest	11,124,386	11,996,557
Cost of issuance fund	878	10,092
Excess rental pledge	<u>37,844</u>	<u>4,552</u>
	<u>\$ 11,164,315</u>	<u>\$ 12,012,408</u>

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the Authority). As of June 30, 2020 and 2019, restricted deposits held by bond trustees were invested in the following, all of which have maturity dates of less than one year:

	<u>2020</u>	<u>2019</u>
	<u>Level 1</u>	<u>Level 1</u>
Money market accounts	\$ 1,207	\$ 212,261
U.S. treasury bills and government obligations	11,163,108	11,800,147
Total	<u>\$ 11,164,315</u>	<u>\$ 12,012,408</u>

The University's restricted deposits held by bond trustees are subject to various risks. Among these risks are interest rate risk and credit risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Within restricted deposits are investments subject to interest rate risk with a maturity of less than one year.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy requires that the overall average quality rating of the portfolio's domestic fixed income holdings will be at least "AA", as rated by the Standard and Poor's or Moody's rating agency.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fair value measurement is further defined in Note 5.

The valuation methods for recurring fair value measurements are as follows:

- Money market accounts are recorded at the quoted cost which approximates fair value as a level one input.
- U.S. treasury bills are valued at closing price reported on the active market on which the individual securities are traded or for identical assets as a level one input.

5. Investments

The University holds excess operating cash in an investment portfolio structured to secure adequate ongoing operating funds while optimizing earnings and minimizing risk on funds earmarked for longer term purposes. All investment activities are conducted in accordance with the University's Cash and Investments policy. The Finance, Audit and Institutional Development (FAID) Committee, The Vice President for Administration and Finance and Associate Vice President for Finance and Controller are accountable for the execution and implementation of the Cash and Investments policy. External investment managers are accountable for managing the funds in compliance with the Cash and Investments policy and in accordance with applicable laws.

The overall investment objective is to preserve principal cash balance, maintain appropriate liquidity for current use and conservatively optimize earnings on excess cash. Diversification as to liquidity, maturity, market and risk is achieved by structuring the portfolio in three tiers: liquidity, contingency and core. Allocations and restrictions of the tiers are defined in the Cash and Investments policy.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

The University's investments consist of the following as of June 30, 2020 and 2019:

Investment Type	Fair Value	
	2020	2019
U.S. Equity (ETF)	\$ 3,031,867	\$ 2,985,428
Non-U.S. Equity (ETF)	2,013,241	2,131,930
Corporate Bonds	20,991,933	22,068,079
U.S. Government Bonds	14,205,939	11,530,347
U.S. Agency Bonds	7,409,502	7,456,735
Asset-Backed Securities	3,158,616	5,576,997
Certificates of Deposit	1,418,487	5,216,191
Grand total	<u>\$ 52,229,585</u>	<u>\$ 56,965,707</u>

University investments are exposed to various risks such as interest risk, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the market value will occur in the near term which could affect the amounts reported in the statements of financial position.

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 prioritizes the inputs valuation methods into three Levels (Levels 1, 2 and 3).

Level 1 - Observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices in inactive markets, or whose values are based on models, but the inputs to those models are observable either directly or indirectly for the whole term of the asset or liability.

Level 3 - Valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs (Level 3). If the fair value of an asset or liability (Level 1) measured are categorized from different levels of the fair value hierarchy, the measurement is categorized in the lowest level input that is significant to the entire measurement.

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

ETF (Exchange Traded Funds) (U.S. and non-U.S.) equities were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets.

All of the following categories were classified in Level 2 of the hierarchy as they are valued using quoted prices in inactive markets: Corporate Bonds, U.S. Government Bonds, U.S. Agency Bonds, Asset-Backed Securities and Certificates of Deposit.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

The following table summarizes the University's investments measured by the hierarchy levels as of June 30, 2020 and 2019:

Investment Type	Investments Measured at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Fair Value
U.S. Equity (ETF)	\$ 3,031,867	\$ -	\$ -	\$ 3,031,867
Non-U.S. Equity (ETF)	2,013,241	-	-	2,013,241
Corporate Bonds	-	20,991,933	-	20,991,933
U.S. Government Bonds	-	14,205,939	-	14,205,939
U.S. Agency Bonds	-	7,409,502	-	7,409,502
Asset-Backed Securities	-	3,158,616	-	3,158,616
Certificates of Deposit	-	1,418,487	-	1,418,487
Total	\$ 5,045,108	\$ 47,184,477	\$ -	\$ 52,229,585

Investment Type	Investments Measured at Fair Value at June 30, 2019			
	Level 1	Level 2	Level 3	Fair Value
U.S. Equity (ETF)	\$ 2,985,428	\$ -	\$ -	\$ 2,985,428
Non-U.S. Equity (ETF)	2,131,930	-	-	2,131,930
Corporate Bonds	-	22,068,079	-	22,068,079
U.S. Government Bonds	-	11,530,347	-	11,530,347
U.S. Agency Bonds	-	7,456,735	-	7,456,735
Asset-Backed Securities	-	5,576,997	-	5,576,997
Certificates of Deposit	-	5,216,191	-	5,216,191
Total	\$ 5,117,358	\$ 51,848,349	\$ -	\$ 56,965,707

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University projects its cash requirements and arranges for investments accordingly. The average maturity is up to three years.

The following table summarizes the maturities of investments in year that are subject to interest rate risk as of June 30, 2020 and 2019:

Investment Type	2020				
	Fair Value	Less Than 1	1 - 5	6 - 10	10+
U.S. Equity (ETF)	\$ 3,031,867	\$ -	\$ -	\$ -	\$ 3,031,867
Non-U.S. Equity (ETF)	2,013,241	-	-	-	2,013,241
Corporate Bonds	20,991,933	9,232,190	8,275,771	3,381,831	102,141
U.S. Government Bonds	14,205,939	678,483	7,968,864	5,558,592	-
U.S. Agency Bonds	7,409,502	241,151	4,228,371	2,220,316	719,664
Asset-Backed Securities	3,158,616	10,978	3,069,425	78,213	-
Certificates of Deposit	1,418,487	1,117,836	300,651	-	-
Total	\$ 52,229,585	\$ 11,280,638	\$ 23,843,082	\$ 11,238,952	\$ 5,866,913

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2020 and 2019

Investment Type	2019				
	Fair Value	Less Than 1	1 - 5	6 - 10	10+
U.S. Equity (ETF)	\$ 2,985,428	\$ -	\$ -	\$ -	\$ 2,985,428
Non-U.S. Equity (ETF)	2,131,930	-	-	-	2,131,930
Corporate Bonds	22,068,079	7,300,558	12,035,183	2,732,338	-
U.S. Government Bonds	11,530,347	1,209,344	7,355,511	2,965,492	-
U.S. Agency Bonds	7,456,735	20,175	4,127,440	2,442,702	866,418
Asset-Backed Securities	5,576,997	171,132	5,198,653	207,212	-
Certificates of Deposit	5,216,191	4,315,413	900,778	-	-
Total	<u>\$ 56,965,707</u>	<u>\$ 13,016,622</u>	<u>\$ 29,617,565</u>	<u>\$ 8,347,744</u>	<u>\$ 5,983,776</u>

Credit and Concentration Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to magnitude of the University's investment in a single issuer. The University's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the University to meet all anticipated cash requirements.

The University's Cash and Investments policy states that the credit quality for positions in all tiers of the portfolio must be investment grade or higher. Investment grade is defined as equal to or better than a rating of BBB- (S&P) or BA3 (Moody's). The University's investment manager assigns average ratings as published by S&P, Moody's and Fitch when all three are available. If only two of these ratings are available, the more conservative rating of the two is used, and if only one rating is available that is the rating used.

The following table summarizes investment credit quality ratings as of June 30, 2020 and 2019:

Investment Type	Quality Rating	2020	2019
U.S. Equity (ETF)	NR	\$ 3,031,867	\$ 2,985,428
Non-U.S. Equity (ETF)	NR	2,013,241	2,131,930
Corporate Bond	AAA – BB+	20,652,600	20,660,832
Corporate Bond	NR	339,333	1,407,247
U.S. Government Bonds	AAA	14,205,939	11,530,347
US Agency Bonds	AAA - AA+	7,409,502	7,456,735
Asset-Backed Security	AAA - AA	3,158,616	5,576,997
Certificates of Deposit	A+ - A -	1,418,487	5,216,191
Total		<u>\$ 52,229,585</u>	<u>\$ 56,965,707</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University securities are exposed to custodial credit risk if the securities are uninsured and unregistered or held by the counterparty, or by a trust department or agent but not in the University's name. As of June 30, 2020 and 2019, the University's investments were not subject to custodial credit risk.

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Foreign Currency Risk

The University's foreign investments (Non-U.S. Equity (ETF) contain currency risk (the risk that currency exchange rate fluctuations may reduce gains or increase losses on foreign investments). Exchange rate volatility also may affect the ability of an issuer to repay its foreign currency denominated debt, thereby increasing credit risk.

6. Capital Assets

Capital asset activity for the years ended June 30 is comprised of the following:

	Beginning Balance July 1, 2019	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance June 30, 2020
Depreciable assets:				
Infrastructure	\$ 18,836,640	\$ -	\$ -	\$ 18,836,640
Buildings and improvements	525,885,110	37,965,653	-	563,850,763
Equipment	43,119,103	686,555	-	43,805,658
Total depreciable assets	<u>587,840,853</u>	<u>38,652,208</u>	<u>-</u>	<u>626,493,061</u>
Less accumulated depreciation on:				
Infrastructure	10,585,327	488,360	-	11,073,687
Buildings and improvements	181,099,635	13,715,637	-	194,815,272
Equipment	36,433,440	1,472,646	-	37,906,086
Total accumulated depreciation	<u>228,118,402</u>	<u>15,676,643</u>	<u>-</u>	<u>243,795,045</u>
Depreciable assets, net	<u>359,722,451</u>	<u>22,975,565</u>	<u>-</u>	<u>382,698,016</u>
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	681,580	8,100	-	689,680
Construction in progress	41,229,783	4,286,738	(37,845,577)	7,670,944
Total nondepreciable assets	<u>49,167,277</u>	<u>4,294,838</u>	<u>(37,845,577)</u>	<u>15,616,538</u>
Total capital assets, net	<u>\$ 408,889,728</u>	<u>\$ 27,270,403</u>	<u>\$ (37,845,577)</u>	<u>\$ 398,314,554</u>

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	Beginning Balance July 1, 2018	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance June 30, 2019
Depreciable assets:				
Infrastructure	\$ 18,836,640	\$ -	\$ -	\$ 18,836,640
Buildings and improvements	487,903,376	37,981,734	-	525,885,110
Equipment	42,255,648	863,455	-	43,119,103
Total depreciable assets	548,995,664	38,845,189	-	587,840,853
Less accumulated depreciation on:				
Infrastructure	10,074,376	510,951	-	10,585,327
Buildings and improvements	168,288,638	12,810,997	-	181,099,635
Equipment	34,913,696	1,519,744	-	36,433,440
Total accumulated depreciation	213,276,710	14,841,692	-	228,118,402
Depreciable assets, net	335,718,954	24,003,497	-	359,722,451
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	675,330	6,250	-	681,580
Construction in progress	55,715,073	21,583,921	(36,069,211)	41,229,783
Total nondepreciable assets	63,646,317	21,590,171	(36,069,211)	49,167,277
Total capital assets, net	\$ 399,365,271	\$ 45,593,668	\$ (36,069,211)	\$ 408,889,728

As of June 30, 2020, estimated costs to complete the projects classified as construction in progress are approximately \$7.4 million. Additional costs of all projects will be funded by University revenues, capital grants and available construction funds from bond proceeds. For the year ended June 30, 2020, the University did not capitalize any interest expense and during the year ended June 30, 2019, the University capitalized interest expense of \$0.9 million as construction in progress in the accompanying statements of net position. As of June 30, 2020 and 2019, the University has received capital grants of approximately \$0.02 million and \$3.9 million, respectively, which is recorded in capital grants and gifts on the statements of revenues, expenses and changes in net position.

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7. Accounts Payable and Accrued Expenses

As of June 30, 2020 and 2019, accounts payable and accrued expenses consist of the following:

	<u>2020</u>	<u>2019</u>
Vendors	\$ 3,639,103	\$ 2,843,756
Students relief expenses	4,175,505	-
Capital projects	94,250	1,892,927
Accrued salaries and benefits	4,751,761	5,091,789
Accrued interest	3,434,386	3,530,503
	<u> </u>	<u> </u>
Total	<u>\$ 16,095,005</u>	<u>\$ 13,358,975</u>

8. Long-Term Debt

Bonds Payable

The University has financed capital assets through various revenue bonds issued through the New Jersey Educational Facility Authority (Authority) for the acquisition, construction and renovation of residence halls, the University Commons and academic facilities. As of June 30, 2020 and 2019, the following obligations to the Authority are outstanding:

	<u>Interest Rates</u>	<u>2020</u>	<u>2019</u>	<u>Current Portion June 30, 2020</u>
New Jersey Educational Facility Authority:				
Series 2008 C Revenue				
Bonds, due serially to 2039	3.25 - 5.00 %	\$ -	\$ 195,000	\$ -
Series 2012 C Revenue				
Bonds, due serially to 2043	2.00 - 5.00	30,230,000	30,750,000	540,000
Series 2012 D Revenue				
Bonds, due serially to 2029	2.00 - 5.00	11,840,000	12,985,000	1,200,000
Series 2015 C Revenue				
Bonds, due serially to 2033	2.00 - 5.00	30,785,000	34,650,000	2,975,000
Series 2016 E Revenue				
Bonds, due serially to 2033	2.25 - 5.00	58,485,000	60,755,000 *	2,385,000
Series 2017 B Revenue				
Bonds, due serially to 2047	3.25 - 5.00	26,255,000	26,710,000	480,000
Series 2019 A Revenue				
Bonds, due serially to 2038	3.45	5,070,000	5,070,000 **	210,000
		<u>162,665,000</u>	<u>171,115,000</u>	<u>7,790,000</u>
Add amounts representing net premiums		<u>15,388,971</u>	<u>16,367,820</u>	<u>-</u>
		<u>\$ 178,053,971</u>	<u>\$ 187,482,820</u>	<u>\$ 7,790,000</u>

* In connection with the 2016 E issuance and in compliance with GASB Statement No. 65, a premium relating to partial advance refunding in the amount of \$4.7 million was recorded as deferred outflow and is being amortized over the term of the debt.

** On May 14, 2019, the University issued \$5,070,000 in Series 2019 A Revenue Refunding Bonds. The bonds were issued with the interest rate of 3.45 percent to refinance the remaining balance of Series 2008C, exclusive of the \$195,000 final principal payment made during fiscal year 2020.

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The University has outstanding notes from direct borrowings related to capital construction projects totaling \$157,595,000 and a direct placement related to a capital construction project in the amount of \$5,070,000.

All of the University's outstanding bonds are special and limited obligations of the Authority payable solely from the University. Pursuant to the Agreement, the University agrees to pay to the Authority the Basic Lease Payments and certain Additional Lease Payments for the use and occupancy of the Leased Facilities. To secure the payment of the Basic Lease Payments and the Additional Lease Payments, the University will establish a "Rental Pledge Account" under the Agreement, into which the University is required to deposit or cause to be deposited amounts sufficient to pay the Basic Lease Payments and Additional Lease Payments. The University has agreed that its obligation to make the payments required under the Agreement, including the Basic Lease Payments and the Additional Lease Payments, shall constitute a general obligation of the University, payable from any legally available funds of the University. No specific pledge of University revenues is made in the Agreement with respect to the Series Bonds. Upon the payment or defeasance of the Series Bonds, the Leased Facilities shall no longer be subject to the Agreement.

All of the University's outstanding notes from direct borrowings and direct placement related to capital construction projects contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the University is unable to make payment.

Other Long-Term Debt

As of June 30, 2020 and 2019, the following other obligations from direct borrowings were outstanding:

	<u>Interest Rates</u>	<u>2020</u>	<u>2019</u>	<u>Current Portion June 30, 2020</u>
NJ Educational Facilities Authority Higher Education Equipment Leasing Fund (ELF) 2014 A	5.00 %	\$ -	\$ 73,184	\$ -
Higher Education Capital Improvement Fund (CIF) Series 2002 A, due serially to 2023	4.522-5.250	27,711	27,711	-
Higher Education Capital Series 2016 A, due serially to 2023	1.48-3.44	1,783,539	2,348,054	575,997
Higher Education Capital Series 2016 B, due serially to 2036	3.00-5.50	<u>1,270,779</u>	<u>1,317,724</u>	<u>49,409</u>
		3,082,029	3,766,673	625,406
Less amounts representing discount		<u>57,123</u>	<u>76,164</u>	<u>-</u>
Total		<u>\$ 3,024,906</u>	<u>\$ 3,690,509</u>	<u>\$ 625,406</u>

The University has outstanding notes from the State of New Jersey's CIF and ELF totaling \$3,082,029. Proceeds of the debt were used for technology infrastructure. The note contains an event of default whereby the State may retain State aid or appropriation payable to the University if the University fails or is unable to make payment.

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Future Principal and Interest Payments

The following is a schedule of future minimum principal maturities and interest payments on the University's bonds payable and other long-term debt as of June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2021	\$ 8,415,406	\$ 6,594,140	\$ 15,009,546
2022	8,589,559	6,195,669	14,785,228
2023	8,487,214	5,787,071	14,274,285
2024	8,262,357	5,440,275	13,702,632
2025	8,620,006	5,088,106	13,708,112
2021-2025 subtotal	42,374,542	29,105,261	71,479,803
2026 - 2030	42,386,244	20,097,839	62,484,083
2031 - 2035	32,533,697	12,775,506	45,309,203
2036 - 2040	32,952,546	5,852,339	38,804,885
2041 - 2045	10,850,000	1,948,600	12,798,600
2046 - 2048	4,650,000	240,000	4,890,000
Total	<u>\$ 165,747,029</u>	<u>\$ 70,019,545</u>	<u>\$ 235,766,574</u>

9. Summary of Changes in Noncurrent Liabilities

Activity in noncurrent liabilities for the year ended June 30, 2020 is comprised of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 187,482,820	\$ -	\$ 9,428,849	\$ 178,053,971	\$ 7,790,000
Other long-term debt	3,690,509	-	665,603	3,024,906	625,406
Compensated absences	5,742,840	6,399,072	5,539,781	6,602,131	4,212,372
U.S. government grants refundable	595,166	-	-	595,166	-
Total	<u>\$ 197,511,335</u>	<u>\$ 6,399,072</u>	<u>\$ 15,634,233</u>	<u>\$ 188,276,174</u>	<u>\$ 12,627,778</u>

Activity in noncurrent liabilities for the year ended June 30, 2019 is comprised of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 196,513,595	\$ 5,070,000	\$ 14,100,775	\$ 187,482,820	\$ 8,450,000
Other long-term debt	4,335,982	-	645,473	3,690,509	684,644
Compensated absences	5,647,750	7,378,329	7,283,239	5,742,840	3,283,562
U.S. government grants refundable	1,751,744	-	1,156,578	595,166	-
Total	<u>\$ 208,249,071</u>	<u>\$ 12,448,329</u>	<u>\$ 23,186,065</u>	<u>\$ 197,511,335</u>	<u>\$ 12,418,206</u>

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10. Retirement Plans

Plan Description - PERS

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

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

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

Contributions

During the years ended June 30, 2020 and 2019, PERS members were required to contribute 7.5 percent of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 16.5 percent of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Employer Contributions

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position. The amount was \$5,582,296.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the University reported a liability of \$139,477,960 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PERS total pension liability as of June 30, 2019 to June 30, 2020. The University's proportion of the PERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the University's proportion was 0.6061 percent, which was a decrease from its proportion measured as of June 30, 2019 of 0.6158 percent.

For the year ended June 30, 2020, the University recognized pension expense of \$510,661. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 7,744,342	\$ 27,972,397
Differences between expected and actual experience	1,440,611	998,686
Changes in proportion	912,837	3,998,824
Net difference between projected and actual earnings on pension plan investments	134,994	-
University contributions subsequent to the measurement date (prior year)	(4,740,793)	-
University contributions subsequent to the measurement date (current year)	5,582,296	-
Total	<u>\$ 11,074,287</u>	<u>\$ 32,969,907</u>

The amount of \$5,582,296 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2021	\$ (2,251,677)
2022	(3,218,628)
2023	(7,093,658)
2024	(6,837,254)
2025	(3,148,246)
Thereafter	<u>(187,660)</u>
Total	<u>\$ (22,737,123)</u>

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Actuarial Assumptions

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

Inflation	
Price	2.75 %
Wage	3.25 %
Salary increases through 2026 (based on years of service)	2.00 - 6.00 %
Thereafter (based on years of service)	3.00 – 7.00 %
Investment rate of return	7.00 %

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 8.2 percent adjustment for males and 101.4 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4 percent adjustment for males and 99.7 percent 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 percent adjustment for males and 117.2 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00 %	4.67 %
Cash equivalents	5.00	2.00
U.S. treasuries	5.00	2.68
Investment grade credit	10.00	4.25
High yield	2.00	5.37
Private credit	6.00	7.92
Real assets	2.50	9.31
Real estate	7.50	8.33
U.S. equity	28.00	8.26
Non-U.S. developed markets equity	12.50	9.00
Emerging markets equity	6.50	11.37
Private equity	12.00	10.85

Discount Rate

The discount rate used to measure the total pension liability was 6.28 percent and 5.66 percent as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0 percent, and a municipal bond rate of 3.5 percent and 3.87 percent as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70 percent of the actuarially determined contributions for the State employer and 100 percent 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 projected future benefit payments of current plan members through 2057.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate as disclosed above, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
University's proportionate share of the net pension liability	\$ 160,468,966	\$ 139,477,960	\$ 121,838,958

Plan Description - PFRS

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

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

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

Contributions

During the years ended June 30, 2020 and 2019, PFRS members were required to contribute 10.0 percent of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 53.4 percent of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

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Employer Contributions

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position. The amount was \$1,024,020.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the University reported a liability of \$9,847,042 for its proportionate share of the PFRS net pension liability. The PFRS net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PFRS total pension liability as of June 30, 2019 to June 30, 2020. The University's proportion of the PFRS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the University's proportion was 0.2344 percent, which was a decrease from its proportion measured as of June 30, 2019 of 0.3101 percent.

For the year ended June 30, 2020, the University recognized pension credit of \$(464,726). At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 130,402	\$ 1,378,425
Changes in proportion	1,370,880	3,134,082
Differences between expected and actual experiences	-	231,716
Net difference between projected and actual earnings on pension plan investments	125,068	-
University contributions subsequent to the measurement date (prior year)	(754,977)	-
University contributions subsequent to the measurement date (current year)	1,024,000	-
Total	<u>\$ 1,895,373</u>	<u>\$ 4,744,223</u>

The amount of \$1,024,020 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2021	\$ (449,942)
2022	(470,166)
2023	(616,618)
2024	(775,040)
2025	(765,104)
Thereafter	(41,003)
Total	<u>\$ (3,117,873)</u>

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Actuarial Assumptions

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

Inflation	
Price	2.75 %
Wage	3.25 %

Salary increases through all future years (based on years of service) 3.25-15.25 %

Investment rate of return 7.00 %

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6 percent adjustment for males and 102.5 percent 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 Safety Retiree Below-Median Income Weighted mortality table with a 96.7 percent adjustment for males and 96.0 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis.

Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0 percent adjustment for males and 109.3 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00 %	4.67 %
Cash equivalents	5.00	2.00
U.S. treasuries	5.00	2.68
Investment grade credit	10.00	4.25
High yield	2.00	5.37
Private credit	6.00	7.92
Real assets	2.50	9.31
Real estate	7.50	8.33
U.S. equity	28.00	8.26
Non-U.S. developed markets equity	12.50	9.00
Emerging markets equity	6.50	11.37
Private equity	12.00	10.85

Discount Rate

The discount rate used to measure the total pension liability was 6.85 percent and 6.51 percent as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.50 percent and 3.87 percent as of June 30, 2020 and 2019, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate as disclosed above, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
University's proportionate share of the net pension liability	\$ 11,517,300	\$ 9,847,042	\$ 8,465,719

Plan Description - TPAF

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2 percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 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.

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Actuarial Assumptions

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

Inflation	
Price	2.75 %
Wage	3.25 %
Salary increases through 2026 (based on years of service)	1.55-4.45 %
Thereafter (based on years of service)	2.75-5.65 %
Investment rate of return	7.00 %

Preretirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9 percent adjustment for males and 85.3 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7 percent adjustment for males and 99.6 percent 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 with a 106.3 percent adjustment for males and 100.3 percent adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

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Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00 %	4.67 %
Cash equivalents	5.00	2.00
U.S. treasuries	5.00	2.68
Investment grade credit	10.00	4.25
High yield	2.00	5.37
Private credit	6.00	7.92
Real assets	2.50	9.31
Real estate	7.50	8.33
U.S. equity	28.00	8.26
Non-U.S. developed markets equity	12.50	9.00
Emerging markets equity	6.50	11.37
Private equity	12.00	10.85

Discount Rate

The discount rate used to measure the total pension liability was 5.60 percent and 4.86 percent as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0 percent, and a municipal bond rate of 3.50 percent and 3.87 percent as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 70 percent of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefits payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, (rates used)	At 1% Decrease	At Current Discount Rate	At 1% Increase
2019 (4.60%, 5.60%, 6.60%)	\$ 72,544,649,801	\$ 61,519,112,443	\$ 52,371,397,951
2018 (3.86%, 4.86%, 5.86%)	75,417,894,537	63,806,350,446	54,180,663,328

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the University. The University's portion of the nonemployer contributing entities' total proportionate share of the net pension liability was \$3,538,269 as of June 30, 2020 and \$3,769,533 as of June 30, 2019. The University records their proportionate share of the pension expense as a revenue and expense in the accompanying statements of revenues, expenses and changes in net position. The amount was \$208,718 in 2020. Alternate Benefit Program Information

ABP provides the choice of seven investment carriers, all of which are privately operated defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full time professional employees and faculty members electing to participate in this retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5 percent and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8 percent. During the year ended June 30, 2020, ABP received employer and employee contributions of \$6,134,242 and \$3,853,666, respectively, which were based on participating employee salaries of approximately \$78,308,948. During the year ended June 30, 2019, ABP received employer and employee contributions of \$6,203,189 and \$3,881,745, respectively, which were based on participating employee salaries of approximately \$77,634,901. Employer contributions to ABP are paid by the State of New Jersey and the University and are reflected within operating expenses by function and within nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position.

Supplemental Alternative Benefit Program

The Supplemental Alternative Benefit Program is a defined contribution, supplemental 403(b) plan, established for employees who are members of the Alternate Benefit Program and whose base salary exceeds the current plan limit of \$175,000 for employer contributions. Vesting occurs immediately. Employees may not contribute to the plan and employer contributions are at the discretion of the University. Contributions of \$40,973 and \$34,630 were made in fiscal year 2020 and 2019, respectively.

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11. Postemployment Benefits Other Than Pensions

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

Plan description, including benefits provided: The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (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 one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated 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 in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Accordingly, the University did not recognize any portion of this liability on the accompanying statements of net position.

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 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

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

Total OPEB Liability and OPEB expense

Since the University does not contribute directly to the plan, there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to record in the financial statements. For disclosure purposes, as of June 30, 2020 and 2019, the University's State proportionate share of total OPEB liability attributable to the University was \$186,062,080 and \$244,424,708, respectively. The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2020 and 2019, the University's share was 3.387608 percent and 3.420000 percent, respectively, and 1.021989 percent and 1.035638 percent, respectively, of the special funding situation and of the Plan.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$1,110,696 and \$11,206,961, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$1,110,696 and \$11,206,961 for the years ended June 30, 2020 and 2019, respectively.

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

Inflation	2.50 %
Discount rate	3.50 %
Salary increases through 2026	1.55 -15.25 %
Thereafter	1.55 – 7.00 %

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

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. 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-2019. Disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2014 - June 30, 2018), ABP (using the experience of the Teacher's Pension and Annuity Fund - July 1, 2015 - June 30, 2018), and PFRS (July 1, 2013 - June 30, 2018). Health Care Trend Assumptions: For pre-Medicare medical benefits, the trend rate is initially 5.7 percent and decreases to a 4.5 percent long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5 percent for all future years. For prescription drug benefits, the initial trend rate is 7.5 percent and decreases to a 4.5 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent.

12. Commitments and Contingencies

The University has entered into several noncancelable leases for certain computer equipment, which have been classified as operating leases. In addition, the University entered into a contract to permit a third party to install, operate and maintain solar photovoltaic facilities on certain University properties. In exchange, the University will purchase all electricity generated by the facilities at a set price. Total rent expense was \$1,646,261 and \$1,467,291 in 2020 and 2019, respectively.

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The future estimated minimum annual commitments are as follows:

	<u>Amount</u>
Years ending June 30:	
2021	\$ 1,105,971
2022	823,391
2023	685,063
2024	685,063
2025	<u>687,473</u>
2021 - 2025 subtotal	3,986,961
2026 - 2028	<u>122,898</u>
Total	<u>\$ 4,109,859</u>

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.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

Union contracts are effective until June 30, 2023, with the exception of one contract that were effective through June 30, 2019 and are currently being renegotiated. Management believes that any adjustment from the negotiation will not have a material effect on the accompanying financial statements.

13. State of New Jersey Paid Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally pension and postretirement medical benefits and FICA taxes) on behalf of the University's employees. Such benefits were \$32,561,859 and \$32,525,938, for the years ended June 30, 2020 and 2019, respectively, and are included in nonoperating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses and changes in net position.

14. COVID-19 and Emergency Relief Grants

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, students, faculty and staff were transitioned to remote operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the University's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the University's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The board of trustees and the University's management are monitoring the outbreak and potential financial impact, which are currently uncertain.

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The Coronavirus Aid, Relief and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant.

The University was awarded \$4,881,678 for the CARES student portion and \$4,881,678 for the CARES institutional portion on April 27, 2020 and May 5, 2020, respectively, totaling \$9,763,356 for both parts. The grant allows Institutions to recognize the institutional portion of the grant to the extent the grant was expended on student relief as of June 30, 2020. As of June 30, 2020, \$4,881,678 of the student relief portion of the grant was expended and recognized as emergency relief grants nonoperating revenue and correlating student services expense. Also as of June 30, 2020, \$4,881,678 of the institutional portion of the grant was recognized and was fully expended for student refunds of housing, meals, parking and course lab fee refunds in connection with campus closures resulting from COVID-19. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

In FY 2020, the University reported \$10,468,357 in total emergency relief grants revenue. In addition to the CARES student and institutional portions totaling \$9,763,356 above, \$705,001 of CARES funding intended to aid minority-serving institutions (M.S.I.) was received in June 2, 2020 due to the University's status as a Hispanic Serving Institution (H.S.I.).

15. Unrestricted Net Position

As of June 30, 2020 and 2019, unrestricted net position consist of funds that have been designated as follows:

	<u>2020</u>	<u>2019</u>
Academic and other programs	\$ 10,145,633	\$ 13,351,872
Quasi-endowment	10,597,252	10,597,252
Capital programs:		
Renewal and replacement, nonauxiliary	1,293,758	10,599,730
Renewal and replacement, auxiliary	41,292,933	36,090,774
Net pension liability	<u>(172,041,699)</u>	<u>(171,995,764)</u>
Total	<u>\$ (108,712,123)</u>	<u>\$ (101,356,136)</u>

16. Risk Management

The University is exposed to various risks of loss. The University participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence, with a per occurrence limit of \$2,000,000,000. Coverage for theft of money and securities provides for the actual loss in excess of \$100,000 with a per loss limit of \$5,000,000.

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All liability risk and employee benefit exposure, including tort, auto and trustees and officers' liability workers' compensation, unemployment, disability, life insurance and employee retirement plans, are self-funded programs maintained and administered by the State of New Jersey (the State). As an agency of the State, the University's liability is subject to all provisions of the New Jersey Tort Claims Act, the New Jersey Contractual Liability Act and the availability of appropriations. The Tort Claims Act provides for payment of claims under the Act against the State or its employees for which the State is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed annually. All State self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

The University may be the subject of employment related lawsuits not covered by the Tort Claims Act. The University retains the risk for such settlements, and during fiscal year 2019 settled one employment-related claim and one other claim.

17. Subsequent Event

Subsequent events were evaluated through January 29, 2021, the date the financial statements were issued. The following events were identified:

In August 2020, the University established a \$20.0 million line of credit with Chase Bank for a one-year period. To date, no draws have been made on the line.

Subsequent to June 30, 2020, the University has been notified it will receive emergency relief grants from the Governor's Emergency Education Relief Fund (GEERF) of \$3.5 million, and the Coronavirus Relief Fund (CRF) of \$10.4 million. In addition, funding that was provided in fiscal year 2020 under the Coronavirus Aid, Recovery and Economic Security Act (CARES) was expanded and the University was awarded additional amounts in the student portion, institutional portion, and minority-serving institutions (MSI) portion totaling \$16.3 million.

In October 2020, the University began planning for a \$20.0 million new public debt offering to occur during fiscal year 2021 to fund capital projects.

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Required Supplementary Information
Schedules of University's Proportionate Share of the Net Pension Liability
Years Ended June 30, 2020 and 2019

	2020		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6060986121 %	0.2343592322 %	
University's proportionate share of the net pension liability	\$ 139,477,960	\$ 9,847,042	\$ 3,538,629
University's covered-employee payroll	\$ 26,775,790	\$ 2,119,244	\$ 154,306
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	520.91%	464.65%	2293.25%
2019			
University's proportion of the net pension liability	0.6158169473 %	0.3101258113 %	
University's proportionate share of the net pension liability	\$ 145,975,085	\$ 13,426,290	\$ 3,769,533
University's covered-employee payroll	\$ 27,626,141	\$ 1,812,243	\$ 276,521
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	528.39%	740.87%	1363.20%
2018			
University's proportion of the net pension liability	0.6263001971 %	0.3113464137 %	
University's proportionate share of the net pension liability	\$ 160,618,586	\$ 13,685,989	\$ 4,129,519
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257	\$ 382,411
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	571.05%	867.16%	1079.86%
2017			
University's proportion of the net pension liability	0.6206249503 %	0.2604667065 %	
University's proportionate share of the net pension liability	\$ 182,405,929	\$ 12,269,920	\$ 4,855,545
University's covered-employee payroll	\$ 26,842,842	\$ 1,396,099	\$ 390,095
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	679.53%	878.87%	1244.71%
2016			
University's proportion of the net pension liability	0.6157306825 %	0.2265683030 %	
University's proportionate share of the net pension liability	\$ 146,064,467	\$ 9,728,101	\$ 9,575,278
University's covered-employee payroll	\$ 27,512,246	\$ 1,806,376	\$ 389,620
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	530.91%	538.54%	2457.59%

The University adopted GASB 68 in 2015. No information is available prior to 2015.

William Paterson University of New Jersey

Required Supplementary Information
Schedules of University Contributions
Year Ended June 30, 2020 and 2019

	2020	
	PERS	PFRS
Contractually required contribution	\$ 5,582,296	\$ 1,024,020
Contributions in relation to the contractually required contribution	(5,582,296)	(1,024,020)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 26,775,790	\$ 2,119,244
Contributions as a percentage of covered-employee payroll	20.85%	48.32%
	2019	
	PERS	PFRS
Contractually required contribution	\$ 4,740,793	\$ 754,977
Contributions in relation to the contractually required contribution	(4,740,793)	(754,977)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 27,626,141	\$ 1,812,243
Contributions as a percentage of covered-employee payroll	17.16%	41.66%
	2018	
	PERS	PFRS
Contractually required contribution	\$ 2,500,000	\$ 750,000
Contributions in relation to the contractually required contribution	(2,500,000)	(750,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257
Contributions as a percentage of covered-employee payroll	8.89%	47.52%
	2017	
	PERS	PFRS
Contractually required contribution	\$ 2,859,750	\$ 608,268
Contributions in relation to the contractually required contribution	(2,859,750)	(608,268)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257
Contributions as a percentage of covered-employee payroll	10.17%	38.54%
	2016	
	PERS	PFRS
Contractually required contribution	\$ 1,972,328	\$ 359,837
Contributions in relation to the contractually required contribution	(1,972,328)	(359,837)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 27,512,246	\$ 1,806,376
Contributions as a percentage of covered-employee payroll	7.17%	19.92%

The University adopted GASB 68 in 2015. No information is available prior to 2015.

William Paterson University of New Jersey

Required Supplementary Information
Schedules of University's Proportionate Share of the Total OPEB Liability
Years Ended June 30, 2020 and 2019

	<u>2020</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	5,492,432,567
Total OPEB liability	<u>5,492,432,567</u>
University's covered-employee payroll	\$ 96,279,402
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2019</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	7,146,922,189
Total OPEB liability	<u>7,146,922,189</u>
University's covered-employee payroll	\$ 96,433,431
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2018</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	8,178,871,728
Total OPEB liability	<u>8,178,871,728</u>
University's covered-employee payroll	\$ 96,556,548
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%

* Information provided for Required Supplementary Information will be provided for ten (10) years as the information becomes available in subsequent years.

Notes to the Schedule:

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*.