

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

Basic Financial Statements and
Management's Discussion and Analysis and
Schedules of Expenditures of Federal Awards and
State Financial Assistance

June 30, 2022 and 2021

(with Independent Auditors' Reports Thereon)

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

Financial Statements

June 30, 2022 and 2021

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Independent Auditors' Report

**The Board of Trustees
Montclair State University**

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University, ("the University"), a component unit of the State of New Jersey, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). The financial statements of the University's discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

We draw attention to Note 2 in the notes to financial statements which disclose the effects of the University's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, "*Leases*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of employer pension contributions, schedules of proportionate share of the net pension liability, and the schedule of the State's proportionate share of the OPEB liability associated with the University be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who

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considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Expenditures of Federal Awards and State of New Jersey Financial Assistance on pages 96 through 99, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 17, 2023, except for our report on
the Schedules of Expenditures of Federal
Awards and State Financial Assistance
for which date is March 24, 2023

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

Management's Discussion and Analysis

The objective of Management's Discussion and Analysis ("MD&A") is to help readers of the Montclair State University financial statements better understand the financial position and operating activities of the University, as of and for the year ended June 30, 2022, with selected comparative information for the years ended June 30, 2021 and 2020. Management prepared this discussion, and it should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2022, 2021, and 2020) in this discussion refer to the fiscal years (FY) ended June 30.

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

Montclair State University

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

In the U.S. News & World Report 2022-2023, the University ranked seventh in the nation among all 440 national universities in graduation rate performance. The University ranked No. 91 out of 227 top public schools in the nation and No. 182 out of 443 universities nationwide. Additionally, the University ranks No. 21 in the U.S. News & World Report list of "Top Performers on Social Mobility."

Financial Highlights

New Accounting Standard

The University adopted GASB Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and a right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. Except for fiscal 2020 results of operations, the prior periods presented in the MD&A as well as the basic financial statements and notes have been restated for comparison purposes. The University as a lessor recognized a lease receivable of \$26 million and \$25.7 million and an offsetting deferred inflow of \$23.6 million and \$24.3 million as of June 30, 2022 and June 30, 2021, respectively. The University as a lessee recognized a right-of-use asset, net of \$22.7 million and \$26.1 million and a lease payable of \$23.7 million and \$27.6 million as of June 30, 2022 and June 30, 2021, respectively. There was a \$150 thousand increase in the overall net position as restated for fiscal 2021.

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COVID-19 Impacts and Federal related Financial Assistance

Despite the ongoing challenges of the COVID-19 pandemic, both financial and operational, the University's financial performance in fiscal 2022 remained consistent with prior results due to increased state appropriations and the availability of federal aid funds to support both students and institutional needs.

In 2021, residency and meal plan revenues were 46% lower than the prior year, the result of reduced density in campus housing to support social distancing, while increased costs were incurred to maintain safety protocols and implement on campus COVID-19 testing, contact tracing, and other health related measures. In 2022, residency and meal plan revenues increased 67% due to the easing of pandemic restrictions.

Increased operating costs were partially offset by pandemic related financial assistance provided pursuant to the *Coronavirus Aid, Relief and Economic Security Act* ("CARES"). Starting with fiscal year 2020 through fiscal year 2022, the University was awarded a total of \$114.1 million in funding pursuant to CARES, the *Coronavirus Response and Relief Supplemental Appropriations Act* ("CRRSAA"), and the *American Rescue Plan Act of 2021* ("ARP") as part of the Higher Education Emergency Relief Funds ("HEERF") portion of the legislations; \$47.7 million of this amount was designated for student emergency aid, \$59.4 million for institutional support, and \$6.9 million was funding provided as a Minority Serving Institutions ("MSI"). The MSI funds were also used for emergency aid to students. During fiscal 2022, the University expended \$62.3 million of HEERF funds; \$34.9 million was disbursed to students as emergency grants, \$27.4 million was expended as institutional support. Amounts expended as institutional support included \$6.4 million used for student re-engagement and applied to student account balances, partially reimburse the University for certain pandemic response related expenditures and lost revenues, to fund student programs designed to support success in transitioning from online to in-person learning and upgrading campus wi-fi and network access. The University anticipates expending the remaining amount of \$18.5 million in fiscal 2023; \$264 thousand for student emergency aid and \$1.6 million for MSI emergency aid to students, and \$16.6 million as institutional support.

Starting with fiscal 2021 the University was also awarded additional CARES funds through various programs administered by the State of New Jersey. The University was awarded \$8.0 million from the Governor's Emergency Education Relief fund ("GEERF") portion of CARES. The University expended \$6.6 million in fiscal 2021 and \$319 thousand in fiscal 2022. In fiscal 2021, the University was awarded a total \$19.8 million from the Coronavirus Relief Fund for Higher Education (CRF). The CRF funds were utilized in fiscal 2021 and were used to partially reimburse the University for pandemic response expenditures. The GEERF funds were used to partially reimburse the University for pandemic response expenditures and to combat food insecurity among students. The remaining amount of GEERF funds of \$1.1 million is anticipated to be expended by June 30, 2023.

In summary, the University was awarded \$141.9 million of COVID-19 related federal aid program funds over the last three fiscal years ending June 30, 2022, approximately \$19.6 million remained available for future use and to be expended by June 30, 2023.

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New Partnerships

On December 16, 2021, the University and Bloomfield College (College) executed a non-binding agreement in its desire to structure a transaction that would pursue a permanent relationship such as a merger or acquisition upon mutually agreed terms and conditions. On March 23, 2022, Montclair State University's Board of Trustees authorized the University to provide financial support to Bloomfield College, if needed, to ensure the College can remain open through the 2022-23 academic year while the two institutions work toward their goal of establishing a permanent relationship in aligning its mission for the good of the community and commitment to students. This interim financial support provides up to \$8 million in the form of loans secured by real estate owned by the College. On October 26, 2022, the Board of Trustees approved the terms for an agreement that will formalize the relationship with Bloomfield College and enable its merger into Montclair State University as a new constituent college of the University. On November 15, 2022, the University executed an agreement of merger with Bloomfield College which will be acquired by the University through a merger of Bloomfield College with and into a newly to be formed New Jersey nonprofit corporation under the name "Montclair-Bloomfield Merger Sub, Inc." which will be controlled by Montclair State University. The University will continue to work with the Middle States Commission on Higher Education, the New Jersey Office of the Secretary of Higher Education, and other entities to take all steps necessary to consummate the merger. Both institutions will continue to work together to address the details of integration and to develop comprehensive plans to ensure a smooth transition. The closing of the merger is expected to be no later than June 30, 2023.

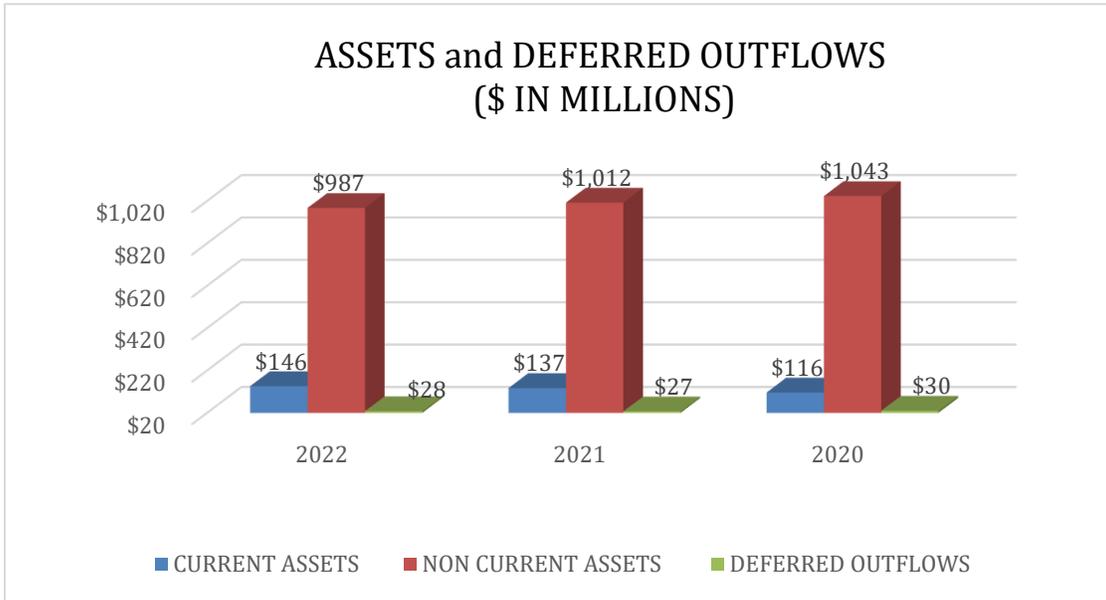
To meet the community and labor market needs of Union County residents and provide students with convenient access to affordable, quality higher education, Montclair and Union County College have partnered to offer degree programs at Union's University Center in Scotch Plains, New Jersey. The University Center programs will be open to students with an associate degree or equivalent and priority will be given to Union graduates who have obtained an associate degree. The University also has a new academic agreement with Hudson County Community College, which will allow associate degree students to plan their total baccalaureate experience at the beginning of their college career and seamlessly transfer into corresponding bachelor's degree programs at Montclair. Both programs began in Fall 2022. These partnerships are part of a broader effort to collaborate with New Jersey's community colleges to create affordable, accessible pathways for all students seeking four-year degrees.

The University has partnered with the Volcker Alliance, joining the Next Generation Service Corps (NextGen Service), a national network of 11 higher education institutions committed to preparing undergraduate students for public service. The Volcker Alliance is providing a \$100,000 grant for a NextGen Service Coordinator in the Center for Community Engagement who will oversee the development, establishment and implementation of academic curriculum, community-based opportunities, services, advocacy and research for the program. Montclair has a rich history of serving the public good, and this partnership will allow us to continue building on the work already being done throughout the institution.

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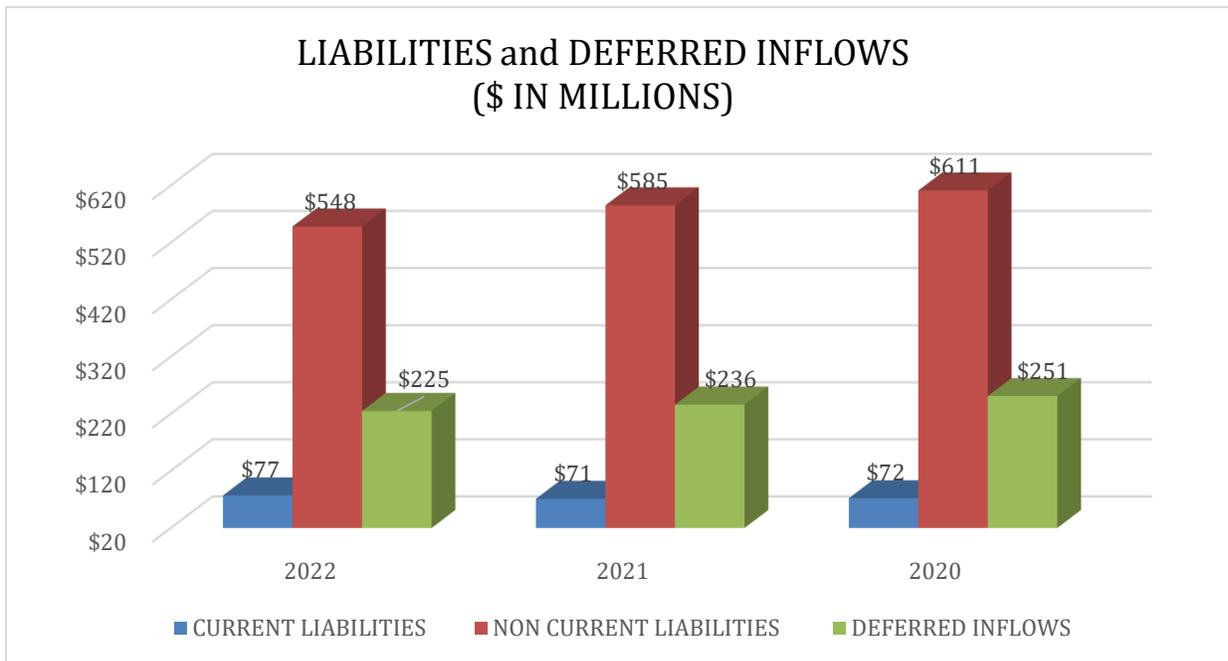
THE UNIVERSITY'S FINANCIAL POSITION

The University's composition of assets and deferred outflows as of June 30, 2022, 2021, 2020 is as follows:



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

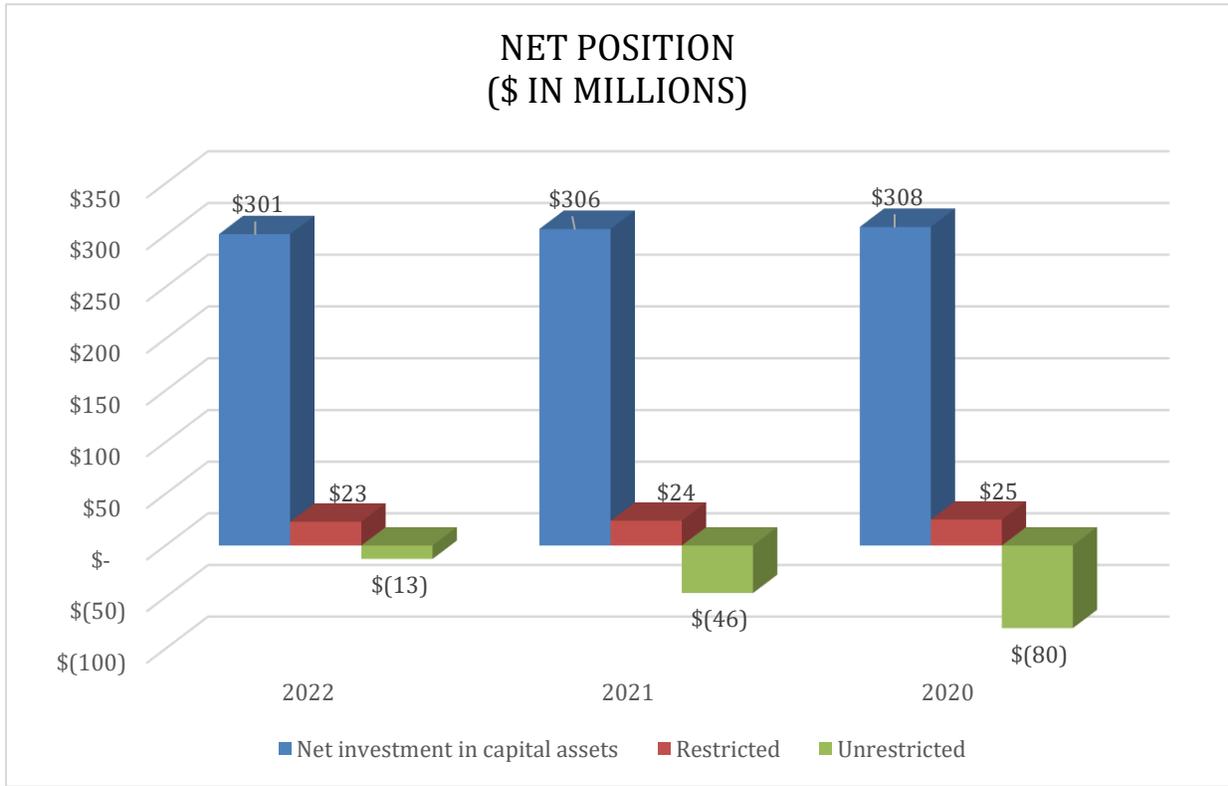
The University's composition of liabilities and deferred inflows as of June 30, 2022, 2021, 2020 is as follows:



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The GASB requires that deferred inflows of resources be reported in the financial statements apart from liabilities. The deferred inflows represent the acquisition of net assets that are applicable to a future reporting period, for example pension, unearned revenue and advance collections.

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



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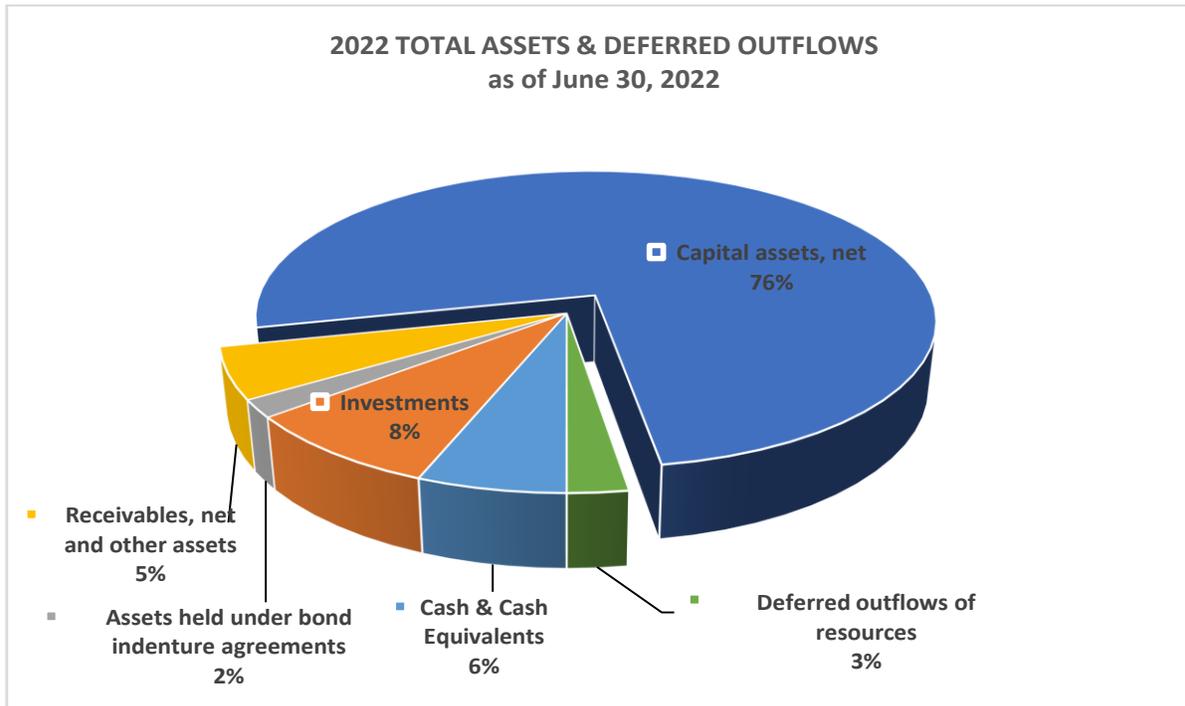
The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2022, 2021 and 2020 are as follows:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>	<u>2020</u> <u>(As Restated)</u>
ASSETS			
Cash & cash equivalents	\$ 69,149	\$ 66,899	\$ 33,584
Investments	96,828	78,817	84,095
Assets held under bond indenture agreements	21,563	23,232	24,477
Accounts & loans receivable, net	33,071	34,301	38,873
Lease receivables	26,001	25,706	25,069
Capital assets, net	883,023	916,997	949,784
Other assets	3,529	2,646	2,151
Total assets	<u>1,133,164</u>	<u>1,148,598</u>	<u>1,158,033</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>28,375</u>	 <u>27,287</u>	 <u>30,371</u>
 LIABILITIES			
Bonds payable & other debt	367,709	383,547	398,423
Lease payable	23,700	27,593	31,639
Accounts payable & accrued expenses	45,705	38,008	39,829
Net pension liability	170,948	187,893	192,948
Unearned tuition and grant revenues	11,530	11,506	11,514
Other liabilities	5,081	7,134	9,115
Total liabilities	<u>624,673</u>	<u>655,681</u>	<u>683,468</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>225,443</u>	 <u>235,508</u>	 <u>250,893</u>
 NET POSITION			
Net investment in capital assets	301,434	306,334	308,902
Expendable	23,186	24,598	25,127
Unrestricted	(13,197)	(46,236)	(79,986)
Total net position	<u>\$ 311,423</u>	<u>\$ 284,696</u>	<u>\$ 254,043</u>

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The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources decreased to \$1.161 billion in 2022, from \$1.176 billion in 2021 and \$1.188 billion in 2020. Total assets decreased \$15.4 million due mainly to a reduction in capital assets resulting from depreciation outpacing additions to capital assets. Deferred outflows increased \$1 million in 2022 from changes in the University's net pension liability resulting in a decrease of \$4 million in 2022 and an increase in deferred outflow for capital purchases in 2022 of \$5 million that is expected to be completed in fiscal 2023. The pension liability is primarily driven by changes in actuarial assumptions and in proportionate share. The interest rate of return and discount rate remained unchanged at 7% in both years. The proportionate share for PERS decreased from 0.745% to 0.694% and for PFRS from 0.520% to 0.512%.

Cash & cash equivalents

The University maintains cash balances sufficient to meet operating liquidity, fund capital investments, and support the financial profile of the University. In managing cash and equivalents, the University aims to generate earnings on those funds while managing risk and maintaining compliance with board approved investment guidelines. University cash and cash equivalents are held primarily in its operating bank account and in the State of New Jersey Cash Management Fund. The balance held in the State of New Jersey Cash Management Fund at June 30, 2022 and 2021 was \$32.6 million and \$25.5 million, respectively. The average monthly balance held in the University's operating bank account increased to \$100.4 million in 2022 from \$67.8 million in 2021.

Cash and cash equivalents also include a portion of the University's investment funds which are held in custody by PNC Institutional Asset Management (PNC) and managed by Pacific Investment Management Company, LLC (PIMCO). The cash and cash equivalents balance held in this account was \$1.0 million and \$6.0 million at June 30, 2022 and 2021, respectively. Total cash and cash equivalents at June 30, 2022 was \$2.2 million higher than at June 30, 2021.

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

Investments

Additions to University investments primarily reflect additions to reserve funds or temporary investment of excess operating cash, which are invested in a fixed income portfolio managed by PIMCO in accordance with the investment policy statement established by the Board of Trustees. The overall objective of the investment portfolio is to provide current income while preserving capital and liquidity. The investment policy permits purchases of fixed income instruments including US obligations, money market instruments, repurchase agreements, commercial paper, certificates of deposit, corporate bonds, and floating rate securities without interest rate caps that meet the approved criteria for quality, diversification, liquidity, and maturity. Investments at June 30, 2022 were \$18 million higher than the previous year; \$96.8 million compared to \$78.8 million and is attributable to transfers of excess operating cash.

Assets held under bond indenture agreements

The University has historically funded a significant portion of major capital improvements with public bonds issued through the New Jersey Educational Facilities Authority (the "Authority"), whose mission is to help college and university clients obtain low-cost financing for the development of their facilities. Generally, the change in assets held is attributable to reimbursement drawdowns, new refundings (if any), and the effect of changes in the market value of unspent invested proceeds. Assets held under bond indenture agreements decreased \$1.7 million in 2022 reflecting drawdowns of previously issued bond proceeds.

Receivables, net

Receivables primarily include amounts due from students, state and federal government contracts and grants, private grants and contracts, and a variety of billings ranging from clinical services, fee for service arrangements, auxiliary enterprise contracts and lease agreements. Receivables fluctuate based on the timing of collections. Student accounts which are past due twelve months, are reserved for at 50% and those past due twenty-four months are reserved at 100%. All other receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Receivables, net at June 30, 2022, were \$935 thousand lower than at June 30, 2021 due to timing of financial aid drawdowns and collections.

The Perkins loans receivable balance was \$1.4 million in FY 2022 and \$1.8 million in FY 2021. Per federal regulations, Perkins loans are no longer being awarded and disbursed. The Federal Perkins Loan Program expired on September 30, 2017 and no new disbursements were permitted after June 30, 2018. The Perkins loan program provided subsidized loans to both graduate and undergraduate students with exceptional financial need. It is a Title IV, campus-based loan program, funded with University and federal dollars, with the University acting as lender. Heartland Campus Solutions ECSI services this loan on behalf of the University and determines the reserves against the loan receivable.

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Capital assets, net

Capital spending during 2022 decreased due to major renovations such as College Hall being completed in fiscal 2021. Capital spending includes construction and renovation of academic buildings, research laboratories, libraries, student services, housing facilities, clinical facilities, parking structures and other improvements to the campus infrastructure. In 2022 capital assets, net decreased by \$34 million over 2021. Assets increased \$20.7 million and accumulated depreciation and amortization increased \$54.7 million.

Renovations completed during fiscal 2022 included:

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

Construction in progress during fiscal 2022 included:

- Campus wide improvements are being made to improve the University’s network infrastructure and technology equipment as hybrid work and learning models have strained existing infrastructure. Various projects included Campus Wi-Fi upgrades, IT computer equipment replacements, leased hardware, and Aspire network line card upgrades to update infrastructure equipment.

Renovations completed during fiscal 2021 included:

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

Other assets

Other Assets include prepaid expenses of \$3.3 million related to software licenses and \$219 thousand in deposits.

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The University's liabilities and deferred inflows

The University's liabilities and deferred inflows of resources decreased by \$41 million in 2022 to \$850.1 million from \$891.1 million in 2021. The decline in liabilities was primarily attributable to bond and other debt payments of \$15.2 million and a decrease of \$16.9 million in the net pension liability. The decrease in deferred inflows of resources is due to the recognition of \$7.3 million of the service concession arrangement, a decrease of \$1.6 million in deferred inflow of pension resources, \$432 thousand of debt refundings and \$735 thousand in recognition of lease revenue.

Debt

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

University debt is used to partially finance the addition of new capital assets. Amounts outstanding at the end of 2022, 2021 and 2020 were \$367.7 million, \$383.5 million, and \$398.4 million, respectively.

The table below shows the components of the \$15.8 million decrease in outstanding debt in 2022, and the \$14.9 million decrease that occurred in 2021.

(\$ in thousands)	2022	2021 (As Restated)	2020 (As Restated)
Beginning Balance	\$ 383,548	\$ 398,423	\$ 411,779
ADDITIONS TO OUTSTANDING DEBT			
Additions to outstanding debt	-	-	-
REDUCTIONS TO OUTSTANDING DEBT			
Scheduled principal payments	(15,204)	(14,116)	(12,596)
Reductions to outstanding debt	(15,204)	(14,116)	(12,596)
Amortization of bond premium/discount - net	(635)	(759)	(760)
Net decrease in outstanding debt	(15,839)	(14,875)	(13,356)
Ending Balance	\$ 367,709	\$ 383,548	\$ 398,423

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As of June 30, 2022, the University had outstanding indebtedness in the form of annual rentals it assumed under certain leases and agreements with the NJEFA of \$351 million.

In addition, the University is obligated to service debt with principal totaling approximately \$3.1 million, under several state programs that support capital improvements, environmental infrastructure, and education-related technologies.

The composition of the University's long-term debt as of June 30, 2022, 2021, and 2020 follows:

LONG TERM DEBT			
(\$ IN THOUSANDS)			
	2022	2021	2020
		(As Restated)	(As Restated)
NJEFA Revenue Bonds	\$ 350,665	\$ 364,580	\$ 377,745
Higher Education Capital Improvement Fund	2,933	4,002	4,749
NJ Environmental Infrastructure Trust	176	356	522
Higher Education Equipment Leasing Fund Program	42	80	118
Total Bonds payable and other long term debt	<u>\$ 353,816</u>	<u>\$ 369,018</u>	<u>\$ 383,134</u>
Leases	<u>\$ 20,171</u>	<u>\$ 23,700</u>	<u>\$ 30,762</u>

In November 2022, Fitch Ratings affirmed the 'A+' rating on the University's outstanding revenue bonds with a stable rating outlook.

Net pension liability and retiree health benefits

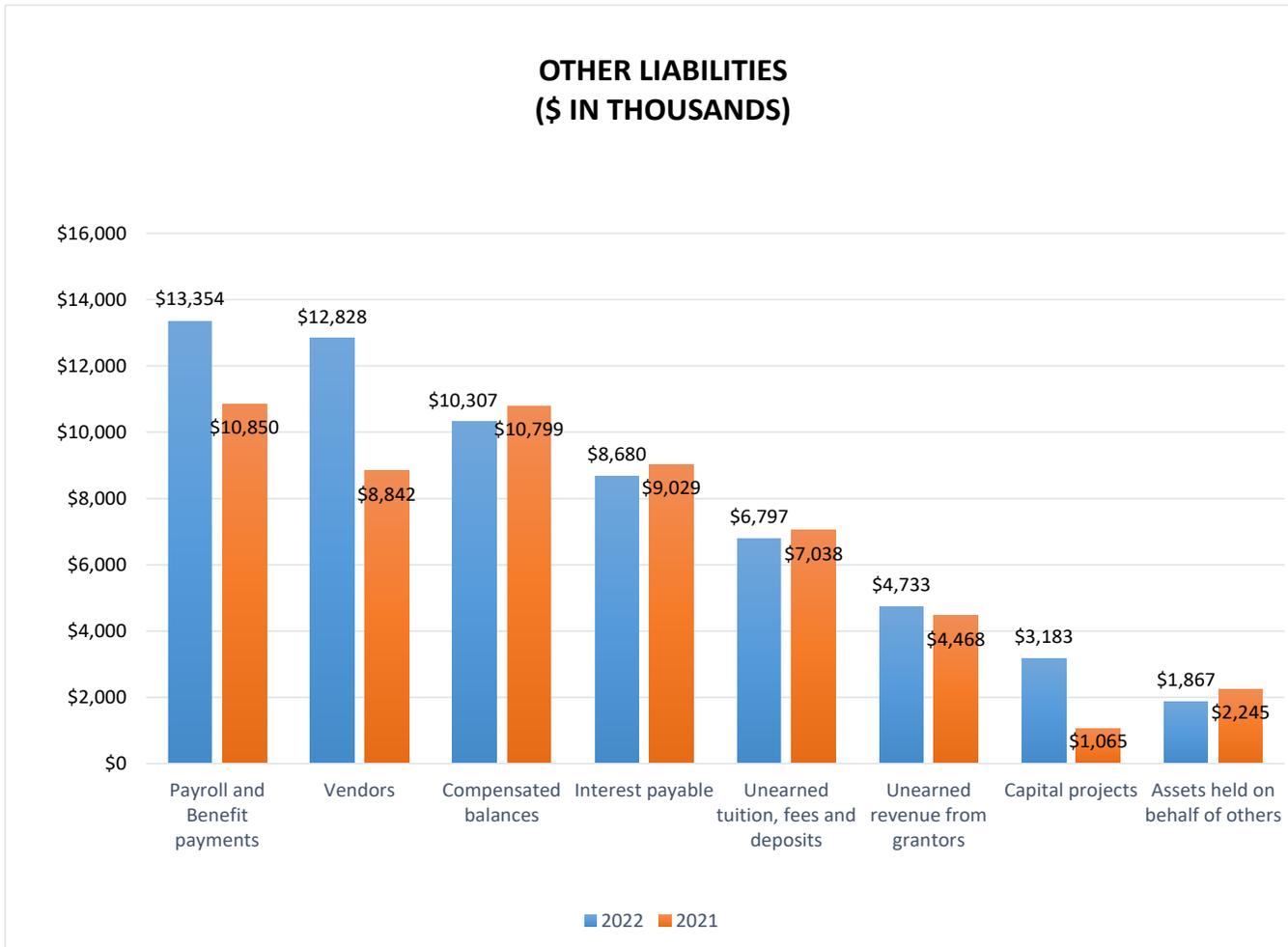
In accordance with GASB 68, beginning in 2015 the University recorded on its financial statements its proportionate share of the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits. The State of New Jersey contributes to the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS). Historically, the State of New Jersey has directly covered pension contributions on behalf of the University and there are no current changes to this legislation. The University's share of the net pension liability was \$170.9 million, \$187.9 million and \$192.9 million in 2022, 2021 and 2020, respectively. The liability as of June 30, 2022, which reflects the present value of projected future payments to those already retired and those who will retire with benefits due. The decline in the accumulated net pension liability for 2022 was driven primarily by changes in assumptions and changes in proportionate share. The actuarial valuation for 2022 is based on a measurement date as of June 30, 2021.

For the measurement date years 2021, 2020 and 2019, the portfolio's total investment rate of return was 7% respectively.

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Other liabilities

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



Deferred inflows of resources

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

Deferred inflows of resources decreased by an additional \$10.1 million in 2022, after having decreased by \$15.4 million in 2021. The \$10.1 million decrease in 2022 is due primarily to a \$7.3 million decline in deferred service concession revenue (which increases revenue), a \$432 thousand decline due to amortization associated with prior debt refundings, a \$735 thousand decline in deferred inflow from leases, and a \$1.6 million decrease in deferred inflow from pension resources associated with changes in actuarial assumptions and the University’s proportion of the state-wide payroll. The University’s share decreased from .745% to .694% (PERS) and decreased from .520% to .512% (PFRS). These reductions are offset by a \$2 thousand increase in the deferred inflow of pandemic related financial assistance related to the HEERF funds.

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Net position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was \$311.4 million, \$284.7 million, and \$254.0 million in 2022, 2021, and 2020, respectively.

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

Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance acquisitions, construction or improvement of these capital assets. The amounts as of June 30 were \$301.4 million, \$306.3 million and \$308.9 million for 2022, 2021 and 2020, respectively. The University continues to invest in physical facilities to maintain campus infrastructure and to meet new and evolving programmatic needs.

Restricted - expendable

Restricted - expendable net position is subject to externally imposed restrictions governing the use of certain assets. A portion of the net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital grants, trustee-held investments; or other third-party receipts. The \$1.4 million decrease in restricted, expendable funds is due principally to the change in assets held under bond indenture, which reflects reimbursements for capital expenditures.

Unrestricted

Under generally accepted accounting principles, net position components not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position was negative in 2022 and 2021 due primarily to the recording of the non-cash obligations for pension benefits that are in excess of University reserves. During FY 2022, increased state appropriation, federal financial assistance, and pandemic related restrictions easing resulted in a reduction in unrestricted net deficit to \$13.2 million from \$46.2 million in 2021. However, as shown in the adjusted statement below, excluding the effect of the non-cash pension obligation, the unrestricted net position was \$159 million in 2021 and \$177 million in 2022.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with the GASB requirements, certain significant revenues relied upon and budgeted for operational support of the core instructional mission of the University are required to be recorded as non-operating revenues, including state appropriations, financial assistance, private gifts and investment income. A summarized comparison of the operating results for 2022, 2021 and 2020, arranged in a format that matches the revenue and expense supporting the core activities of the University follows:

- * Represents nonoperating revenues or expenses.
- ** Other revenues consist of less than 16% of nonoperating revenues and Other expenses consist of less than 4% of nonoperating expenses
- *** Related to Heights housing refunds paid to students due to COVID-19, these refunds are not considered contra revenue as these charges would have been due to Provident Resources Group based on the terms of the concession agreement.

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	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>	<u>2020</u>
REVENUES			
Student revenues, net	\$ 214,523	\$ 200,885	\$ 216,519
State appropriations (general & fringe)*	104,784	88,140	75,580
Federal Pell Grants*	38,713	37,670	37,456
Pandemic related Financial Assistance*	62,653	48,396	11,293
State paid other post employment health benefits*	4,271	7,584	1,665
Grants and contracts	69,193	53,009	53,777
Educational activities	6,296	4,579	5,591
Auxiliary enterprises	20,237	14,758	19,406
Private gifts*	3,886	6,301	5,185
Investment income*	803	753	2,366
Recognition of deferred service concession revenue	7,343	7,346	7,346
Other revenues**	8,851	6,681	5,666
Revenues supporting core activities	541,553	476,102	441,850
EXPENSES			
Salaries and benefits	275,038	250,273	264,614
Services and Fees	52,907	41,597	45,435
Financial Aid excluded Pandemic related Assistance	27,573	21,262	21,535
Pandemic related Financial Assistance - Student Aid	41,330	12,163	5,694
Pension benefits	(204)	9,238	11,771
Postemployment health benefits	4,271	7,584	1,665
Utilities	19,072	18,876	18,223
Supplies and materials	9,781	7,315	6,591
Depreciation and amortization	54,809	56,237	48,878
Interest expense*	17,178	14,030	14,273
Settlement expense***	-	-	4,826
Other expenses**	9,763	6,694	12,129
Expenses associated with core activities	511,518	445,269	455,634
Income (loss) from core activities	30,035	30,833	(13,784)
OTHER NONOPERATING ACTIVITIES			
Net appreciation (depreciation) in fair value	(3,561)	(468)	2,330
Income (loss) before other changes in net position	26,474	30,365	(11,454)
OTHER CHANGES IN NET POSITION			
Capital gifts and grants, net	253	308	1,197
Increase (Decrease) in net position	26,727	30,673	(10,257)
Loss on disposal of discontinued operations	-	(19)	(1,260)
NET POSITION			
Beginning of year, as previously reported (as restated)	284,696	254,043	265,560
End of year	\$ 311,423	\$ 284,696	\$ 254,043

Note: The above results of operations exclude for comparison purposes reclasses of GASB 87, *Leases* for fiscal 2020 as there is no impact on net position. The University adopted the standard effective July 1, 2021 (fiscal 2022) with retroactive application to July 1, 2020 (fiscal 2021).

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

	2022	2021 (As Restated)	2020
<u>Net Position from the Financial Statements</u>			
Net Investment in Capital Assets	\$ 301,434	\$ 306,334	\$ 308,902
Restricted	23,186	24,598	25,127
Unrestricted (Deficit)	(13,197)	(46,236)	(79,986)
Total Net Position - Financial Statements	\$ 311,423	\$ 284,696	\$ 254,043
<u>Adjustment of Unrestricted Deficit Above</u>			
Unrestricted Deficit (as restated)	(13,197)	(46,236)	(79,986)
GASB 68 Pension Adjustment:			
Net Pension Liability	170,948	187,893	192,948
Deferred Outflow of Resources	(22,222)	(25,599)	(28,046)
Deferred Inflow of Resources	41,616	43,172	41,827
Total Unrestricted Net Position (As Adjusted)	\$ 177,145	\$ 159,230	\$ 126,743
Total Net Position (As Adjusted)	\$ 501,765	\$ 490,162	\$ 460,772

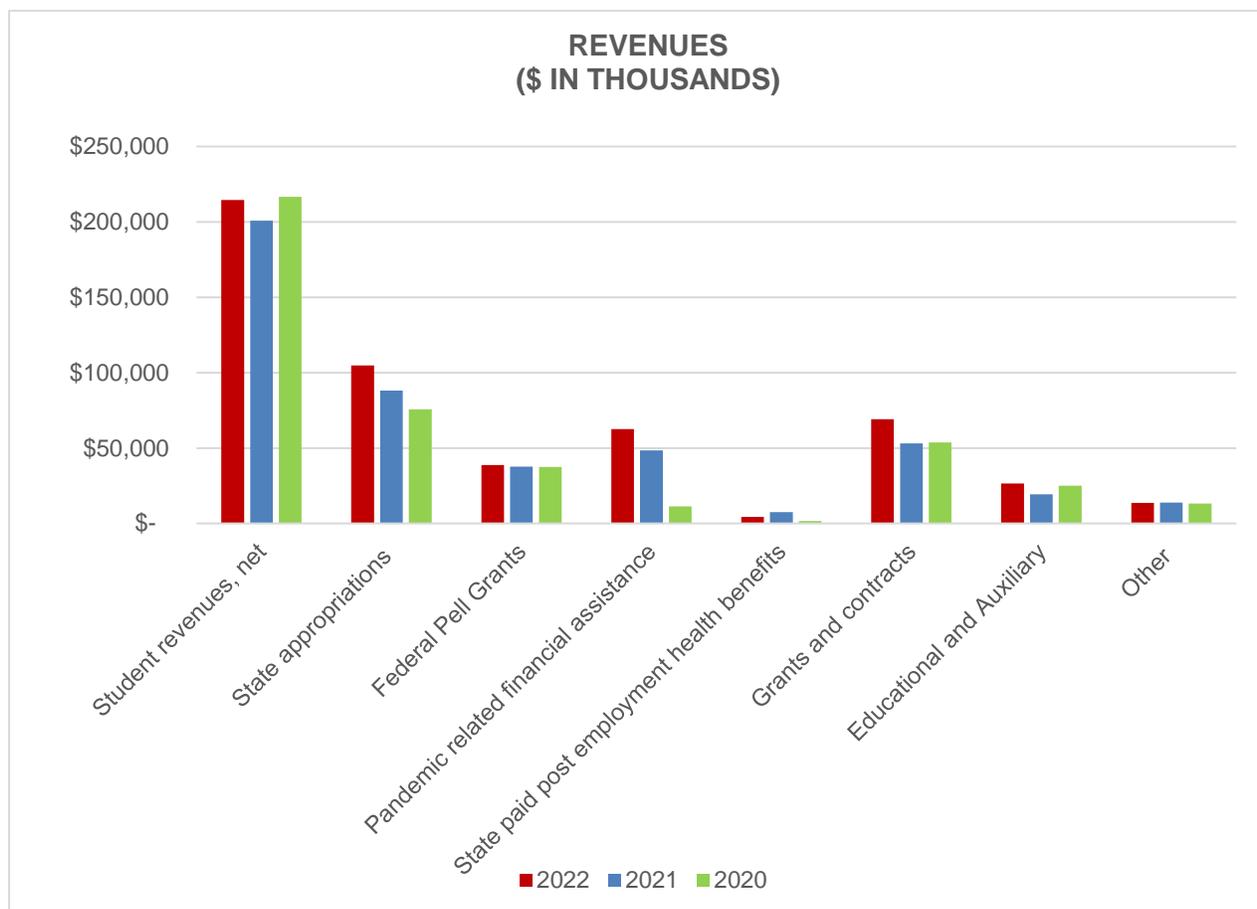
* Since GASB 75 has no effect in Net Position, it is excluded from the restatement.

Note: Fiscal 2020 has not been restated for comparison purposes due to GASB 87, Leases, as there is no effect on Net Position and the standard was adopted effective July 1, 2021 (fiscal 2022) with retroactive application to July 1, 2020 (fiscal 2021).

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Revenues supporting core activities

Revenues supporting the University’s core activities, including those classified on the financial statements as non-operating revenues, were \$542 million, \$476 million, and \$442 million in 2022, 2021 and 2020, respectively. These diversified sources of revenue increased by \$65 million in 2022 and increased by \$34 million in 2021. The increase in 2022 is primarily attributable to increases in student revenues, pandemic related financial assistance, an increase in state appropriations, and grant and contract revenue. The increase in 2021 relates to pandemic related financial assistance and increase in state paid post-employment health benefits.



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

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

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Categories of both operating and non-operating revenue that supported the University's core activities in 2021 are as follows:

Student revenues, net

Student revenues are the largest component of operating revenues and are comprised of three main sources: tuition, fees, and room and board. Student revenues, net of scholarship allowances and bad debt expense, were \$214.5 million, \$200.9 million, and \$216.5 million in 2022, 2021 and 2020, respectively. Student tuition and fees were \$256.7 million, \$250.8 million, and \$250.2 million in 2022, 2021 and 2020, respectively, reflecting relatively flat enrollment and for fiscal 2022, an average 2.7% increase in tuition and fee rates for the academic year 2021-22. In fiscal 2021, there was no change in the tuition and fee rates from fiscal 2021 for the academic year 2020-21 due to the pandemic.

Room and board revenue were \$43.7 million, \$26.2 million, and \$39.3 million in 2022, 2021 and 2020, respectively, reflecting the impact of pandemic related restrictions easing on campus housing increasing occupancy and meal counts and rate increases of 1.1% - 1.3%. Bad debt expense totaled \$(445) thousand, \$2.3 million, and \$2.4 million in 2022, 2021 and 2020, respectively. Fiscal year 2022 led to a recovery of bad debt expense as pandemic related financial assistance was applied to students outstanding account balances to re-engage students affected by the pandemic.

The University places a high priority on scholarship assistance as part of its commitment to student access and affordability. Scholarship allowances, or financial aid, is the difference between the stated charge for tuition and fees and the amounts paid by students and third parties on behalf of the student, which are reported as offsets to revenue. These amounts totaled \$85.9 million, \$76.1 million, and \$72.9 million in 2022, 2021 and 2020, respectively. Scholarships and fellowships are awarded to students and reported as an offset to their tuition and fees and room and board charges, and financial aid is based on the availability of funds.

State appropriations

Appropriations from the State of New Jersey totaled \$104.8 million, \$88.1 million and \$75.6 million in 2022, 2021, and 2020. The total includes both the general operating appropriation and fringe benefit reimbursements. Approximately \$63.3 million in general operating was received in 2022 exceeding the \$47.2 received in 2021. The \$63.3 million includes \$10.1 million in Outcomes Based Appropriation (OBA) and \$638 thousand as additional fringe support. In fiscal 2021, the \$47.2 million included \$4.7 million in OBA. The OBA is an additional funding source provided from the State starting in fiscal 2020 for each senior public institution of higher education aimed at advancing equity and improving student outcomes. An increase in fringe benefit costs and changes in the State's fringe reimbursement rate increased reimbursements to \$41.4 million in 2022 from \$40.9 million in 2021.

State paid other postemployment health benefits

In 2022, the University recognized \$4.3 million of revenue and expense from the State of New Jersey attributable to post employment health benefits, in accordance with GASB 75. This was a decrease of \$3.3 million compared to 2021 due to changes in census, claims, and premiums experience. The State is legally obligated to provide the funds required for such benefits and as such, these transactions have no effect on the University's net position.

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Grants and contracts

Revenues from grants and contracts were \$69 million, \$53 million, and \$54 million in 2022, 2021 and 2020, respectively. The State's Tuition Aid Grant (TAG) increased by \$11.2 million in 2022 compared to the previous year, due to the increase in the average award amount of approximately \$1 thousand per recipient due to the University being a public research university. The University has 318 awards of which 285 are sponsored external research grants, 11 financial aid grants and 22 contracts. In October 2021, the Department of Health and Human Services approved the University's request for new rates for its facilities & administrative (F&A) and fringe benefit costs. The accepted rates allow the University to use an on-campus rate of 46% and an off-campus rate of 14.7% of modified total direct cost for the period between July 1, 2021 through June 30, 2025. These rates are applied in proposals and awards funded by externally sponsored grants and contracts. The F&A revenue was \$1.5 million, \$1.4 million, and \$1.6 million in 2022, 2021 and 2020 respectively. The fringe benefit rate charged to grants is based on position type and is 28.10% for full time employees and 14.80% adjuncts and post docs. Fringe benefits recovered in 2022 and 2021 were \$1.7 million and \$1 million, respectively.

In fiscal 2022, Faculty received 109 awards and \$26.3 million in external sponsored projects funding, with awards coming from the National Science Foundation, U.S. Department of Agriculture, the National Institutes of Health, National Endowment for the Humanities, U.S. Department of Education, and the State of New Jersey. Several private sponsors also provided the University with funding which includes but is not limited to Vital Strategies, Hackensack Meridian Health and the Grant Foundation. External funds increased by approximately 60% over last year's total of \$16.4 million. Among the larger grants received in fiscal 2022 was a \$2.6 million, two-year grant from the U.S. Department of Education's Institutional Resilience and Expanded Postsecondary Opportunity (IREPO) program to address the needs of the most vulnerable students, as well as build institutional resilience, in the ongoing global pandemic. Montclair is the lead partner with two rural Historically Black Colleges and Universities (HBCUs) - Albany State University in Georgia and Alcorn State University in Mississippi – and the Newark Board of Education on At Home in College in the Age of COVID-19: Improving Instruction, Access, and Engagement in Minority Serving Institutions, a project seeking to help students overcome obstacles exacerbated by the pandemic and make the leap from K-12 to their college years.

Educational activities and auxiliary enterprises

Revenue from educational activities and programs is generated primarily by the Benjamin Samuels Children's Center, the Benjamin Samuels Early Intervention program, and the Center for Research and Evaluation on Education and Human Services (CREEHS). These revenues increased \$1.7 million in 2022 due to the pandemic restrictions easing following a decrease of \$1.0 million in 2021 primarily due to lost revenues during COVID-19.

Auxiliary enterprises include housing, food service, parking, the bookstore, student center activities, and certain athletic programs. Revenue from auxiliary enterprises, net of allowances, increased \$5.5 million in 2022 due to the pandemic easing following a \$4.6 million loss related to COVID-19 in 2021.

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Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as non-operating expenses, were \$512 million, \$445 million, and \$456 million, in 2022, 2021 and 2020, respectively.

Overall, expenses excluding depreciation and interest, totaled \$440 million in 2022, representing an increase of \$65 million or 17%. The increase in expenses was the result of the restoration of extensive cost mitigation measures made during the pandemic: a \$25 million increase in salaries and benefits, a \$11 million increase in services & fees primarily due to an increase in food & dining services of \$5 million, a \$2 million increase in supplies and materials and other expenses increased \$3 million primarily due to an increase in travel related expenses. This was offset by a decrease in pension benefits of \$9 million and decrease in post-employment benefits of \$3.3 million.

During 2021, expenses excluding depreciation and interest, totaled \$375 million, representing a decrease of \$17 million or 4.5%. The decrease in expenses was the result of reduced expenditures due to the pandemic: a \$14.3 million decrease in salaries and benefits, a \$3.8 million decrease in services & fees primarily due to a decrease in food & dining services of \$2.5 million, a \$2.5 million decrease in pension benefits and other expenses decreased \$5.4 million primarily due to reduced travel related expenses. This was offset by an increase in post-employment benefits of \$5.9 million and an increase in pandemic related student financial assistance of \$6.4 million.

Categories of both operating and non-operating expenses related to the University's core activities in 2022 are as follows:

Salaries and benefits

Approximately 56% of the University's 2022 expenses are related to payroll costs and employee benefits (including pension expense). There was an average of 5,275 employees in the University in fiscal 2022, as compared to 4,616 in fiscal 2021, an increase of 14%.

In 2022, salary and benefits increased by \$24.7 million or 10%, due to the restoration of extensive cost mitigation measures made during the start of the pandemic in March 2020 which included hiring freezes and employee furloughs; the total payroll increased from \$200.8 million in 2021 to \$226.4 or 13% in 2022, while fringe benefits costs decreased from \$49.4 million to \$48.6 million or 1% during the same period due to decreases in compensated absences expense as pandemic restrictions lessened.

In 2021, salary and benefits decreased by \$14.3 million or 5% in 2021, due to negotiated employee furloughs and deferment of hiring for open positions; the total payroll decreased from \$213.2 million in 2020 to \$200.8 million or 6% in 2021, while fringe benefits costs decreased from \$51.4 million to \$49.5 million or 4% during the same period.

Pension expense attributable to GASB 68 decreased by \$9.4 million or 102% in 2022, mainly from changes in mortality assumptions and change in plan provision. The mortality assumption changed to the Society of Actuaries (SOA) Scale MP-2021 mortality improvement scale upon direction from the Division of Pensions and Benefits. The change in plan provision related to Chapter 140, P.L. 2021 reopening the Worker's Compensation Judges (WCJ) Part of PERS and transferred over WCJs from the Defined Contribution Retirement Plan (DCRP) and regular part of PERS into the WCJ Part of PERS.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
PERS	\$ (1,561)	\$ 7,132	\$ 9,589
PFRS	1,360	2,041	2,182
	<u>\$ (201)</u>	<u>\$ 9,173</u>	<u>\$ 11,771</u>
TPAF	48	199	174
Alternate Benefit Program (ABP)	12,291	11,313	12,422
Defined Contribution Retirement Program (DCRP)	37	23	32
Total	<u><u>\$ 12,175</u></u>	<u><u>\$ 20,708</u></u>	<u><u>\$ 24,399</u></u>

State-sponsored other postemployment benefits expense attributable to GASB 75 totaled \$4.3 million and \$7.6 million in 2022 and 2021, respectively, which was offset by an equivalent amount of revenue from the state.

Other expenses

Other expenses include travel, rent, lease and grant subrecipients expenses totaled \$9.8 million in fiscal 2022 and \$6.7 million fiscal 2021. The \$3.1 million increase is due primarily to an increase of \$2 million in travel expenses, a \$665 thousand increase in Ice Arena operating expenses, and a \$507 thousand increase in pandemic-related settlement costs.

Operating results

Operating losses of \$168.9 million, \$144.8 million, and \$133.3 million, in 2022, 2021 and 2020, respectively, were offset by non-operating revenue that support core operating activities of the University. These include state appropriations, Pell grants, pandemic related financial assistance, gifts and non-exchange grants, state paid other postemployment health benefits, investment income including unrealized and realized gains(loss) and other non-operating revenue, which totaled \$195.4 million, \$175.2 million, and \$136.6 million, in 2022, 2021, and 2020, respectively. Total revenues supporting core activities exceeded total expenses associated with core activities by \$30 million and \$30.8 million for the period ending June 30, 2022 and 2021, respectively. The increase in income from core activities in 2022 and 2021 is primarily attributable to revenue received from pandemic related financial assistance and state appropriations. The 2022 expenses associated with core activities increased from the 2021 expenses by \$66 million as a result of the restoration of extensive cost mitigation measures made during the pandemic. This net increase consisted of a \$24.7 million increase in salaries and benefits, a \$35.5 million increase in student aid programs including pandemic related, a \$11.3 million increase in services and fees, \$3.1 million in interest expense, a \$3.1 million increase in other expenses mainly related to travel and \$2.5 million in supplies and materials. These increases in expenses were offset by a \$9.4 million reduction in pension benefits, \$3.3 million decrease in postemployment health benefits expense, and a \$1.4 million decrease in the depreciation expense.

OUTLOOK FOR FISCAL 2023

As noted above, the University continues to meet the challenges brought about by the ongoing pandemic through prudent financial management and support provided by the various pandemic related financial assistance programs. The University anticipates utilizing the remaining federal aid funds during fiscal 2023.

Under new President Jonathan Koppell, the University has focused on building new external partnerships in surrounding communities, including the City of Paterson, to advance economic development and

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educational outcomes. Significant philanthropic investment is being pursued to realize the ambition to make Montclair State University a powerful partner to realize community aspirations.

On June 29, 2021, Governor Phil Murphy signed legislation creating the Garden State Guarantee (GSG) financial aid program effective beginning in the Fall 2022 semester. The GSG is a last dollar financial aid program that will provide two years of free tuition for New Jersey students enrolled in a state institution in their third and fourth years with family adjusted gross income (“AGI”) equal to or less than \$65,000 annually. The program is expected to provide reduced benefits for students with family AGI over \$65,000, up to \$80,000 with out-of-pocket cost no more than \$7,500 for the academic year. The GSG is expected to be funded, at least partially, with the additional funding provided by the OBA.

The University is strongly committed to making the University educational opportunity as accessible as possible especially in an inflationary environment that is taxing the resources of our students. In FY 2023, the University increased tuition and fees modestly after a modest increase in FY 2022 and no increase in FY 2021 due to the difficult economic environment caused by the pandemic. Despite the increase in tuition and fees for academic year 2022-2023, Montclair undergraduate tuition and fees remain among the lowest of New Jersey’s senior public colleges and universities. Increases in tuition and fees are expected to be offset for students with financial need by increases in state TAG, federal Pell aid programs, and institutional financial aid. Institutional financial aid will be one of the largest single year increases in its history of approximately 55% over FY2022 in fulfilling the University’s commitment to affordability.

In Fall 2022, the University launched new undergraduate and graduate programs, including a B.A. in Urban Humanities, a Dual Degree Master of Public Health (MPH)/Master of Business Administration (MBA) Program, 4+1 B.S./M.S. programs in Applied Math and Statistics, and the undergraduate certificate programs in Human Trafficking and Indigenous Studies. The MPH/MBA dual degree program will provide a high-level experience for students interested in both public health and health-care organization management.

General state appropriations for FY 2023 are expected to increase by \$7 million to a total of \$70.3 million. Included in that amount is \$14.8 million of OBA funding, an increase of \$4.7 million, of which the University anticipates reserving approximately \$10 million for the GSG program.

Operating expenses for FY 2023 are expected to increase from FY 2022 to reflect the University’s priorities which include supporting academic and professional success for a diverse student body, maintaining affordability, expanding research and innovation, increasing community partnerships and public services, expanding Montclair Unbound, which will offer programs that give students the ability to learn how, when and where it works best for them; and funding employee salary and inflationary cost increases.

For the Fall 2022 semester, the University welcomed 4,065 students to campus as part of the Class of 2026. It is the largest incoming class in the University’s 114-year history, a feat accomplished for the second consecutive year under President Jonathan Koppell. Total University enrollment is closing in on approximately 22,000 students, which is the largest student body in school history.

Members of the Class of 2026 represent 39 states and 21 countries – up from 32 states and 11 countries in 2021 – and 42% are the first in their families to attend college. Some 41% of the incoming class identifies as Hispanic, further bolstering Montclair’s status as New Jersey’s largest Hispanic-Serving Institution. The class also boasts a 3.3 cumulative high school GPA for the second consecutive year.

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On November 16, 2021, Governor Phil Murphy and the Secretary of Higher Education announced the release of \$400 million through four different grant programs. These are bond-funded grant programs established by the New Jersey State Legislature to directly address funding for the preservation, renewal and construction of facilities and purchase of equipment at eligible institutions of higher education in the state and the creation of a regular financing mechanism for such purposes. The University is applying for grants for the campus Wi-Fi and firewall upgrade, the expansion of STEM facilities and the renovation of the Teaching and Learning Commons.

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

On October 26, 2022, the Board of Trustees approved the terms for an agreement that will formalize the relationship with Bloomfield College and enable its merger into Montclair State University as a new constituent college of the University. On November 15, 2022, the University executed an agreement of merger with Bloomfield College which will be acquired by University through a merger of Bloomfield College with and into a newly to be formed New Jersey nonprofit corporation under the name "Montclair-Bloomfield Merger Sub, Inc." which will be controlled by Montclair State University. The University will continue to work with the Middle States Commission on Higher Education, the New Jersey Office of the Secretary of Higher Education, and other entities to take all steps necessary to consummate the merger. Both institutions will continue to work together to address the details of integration and to develop comprehensive plans to ensure a smooth transition. The closing of the merger is expected to be no later than June 30, 2023.

On December 5, 2022, the University announced that it will receive a \$5 million gift to partner in Paterson revitalization efforts in the creation and operation of a museum and learning center at historic Hinchliffe Stadium in Paterson, New Jersey. Montclair State University alumnus and Paterson native, Chuck Muth '77 and his wife, Laura, are making the transformational gift. The museum and learning center will highlight the history of Negro League Baseball and the Stadium's legacy as a cultural touchstone. The Charles J. Muth Museum of Hinchliffe Stadium, as it will be known, will serve as an educational and community hub for the City of Paterson and Montclair State University students and faculty. The University will oversee the educational programming for the Museum, which will include the curation and presentation of a wide range of exhibits and programs for diverse audiences. It is envisioned that a variety of educational outreach activities will connect the museum to the diverse communities of Paterson. The facility will also become the on-the-ground home of Montclair and Paterson's expanding community development initiatives.

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

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Statement of Net Position
(dollars in thousands)
June 30, 2022

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 69,149	\$ 4,109	\$ 73,258
Investments	16,253		16,253
Assets held under bond indenture agreements	21,563		21,563
Receivables			
Students, less allowance for doubtful accounts of \$2,246	9,619		9,619
Loans, less allowance for doubtful loans of \$114	704		704
Lease	3,180		3,180
Gifts, Grants and contracts	7,806		7,806
State of New Jersey	5,009		5,009
Other receivables	9,351	7,581	16,932
Total Receivables	<u>35,669</u>	<u>7,581</u>	<u>43,250</u>
Other current assets	3,529	117	3,646
Total Current Assets	<u>146,163</u>	<u>11,807</u>	<u>157,970</u>
Noncurrent Assets			
Investments	80,575	97,393	177,968
Loans receivable, less allowance for doubtful loans of \$179	582		582
Lease receivable	22,821		22,821
Capital assets, net	883,023		883,023
Other noncurrent assets	-	361	361
Total Noncurrent Assets	<u>987,001</u>	<u>97,754</u>	<u>1,084,755</u>
Total Assets	<u>1,133,164</u>	<u>109,561</u>	<u>1,242,725</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	1,398		1,398
Deferred outflow of capital purchase	4,755		4,755
Deferred outflow of pension resources	22,222		22,222
Total Deferred Outflows of Resources	<u>28,375</u>	<u>-</u>	<u>28,375</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	45,705	4,798	50,503
Bonds payable and other long-term debt - current portion	14,133		14,133
Lease payable - current portion	3,529		3,529
Unearned tuition, fees, and deposits	6,797		6,797
Unearned revenue from grantors	4,733		4,733
Assets held on behalf of others	1,867		1,867
Total Current Liabilities	<u>76,764</u>	<u>4,798</u>	<u>81,562</u>
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	353,576		353,576
Lease payable - noncurrent portion	20,171		20,171
Compensated absences - noncurrent portion	2,647		2,647
Assets held on behalf of Federal government for loan programs	481		481
Net pension liability	170,948		170,948
Other long term liability	86		86
Total Noncurrent Liabilities	<u>547,909</u>	<u>-</u>	<u>547,909</u>
Total Liabilities	<u>624,673</u>	<u>4,798</u>	<u>629,471</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	154,212		154,212
Deferred inflow of pension resources	41,616		41,616
Deferred amount from debt refundings	6,004		6,004
Deferred inflow from pandemic related financial assistance	4		4
Deferred inflow amount from leases	23,607		23,607
Total Deferred Inflows of Resources	<u>225,443</u>	<u>-</u>	<u>225,443</u>
NET POSITION			
Net investment in capital assets	301,434		301,434
Restricted nonexpendable		53,810	53,810
Restricted expendable for			
Scholarships		2,347	2,347
Loans	869		869
Donor Designated purpose	755		755
Renewal and replacement	72		72
Debt service and debt service reserve	21,490		21,490
Other	-	39,048	39,048
Unrestricted	(13,197)	9,558	(3,639)
Total Net Position	<u>\$ 311,423</u>	<u>\$ 104,763</u>	<u>\$ 416,186</u>

See Accompanying Notes to Financial Statements

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

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

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 66,899	\$ 1,836	\$ 68,735
Investments	8,352		8,352
Assets held under bond indenture agreements	23,232		23,232
Receivables			
Students, less allowance for doubtful accounts of \$5,036	13,481		13,481
Loans, less allowance for doubtful loans of \$124	828		828
Lease	2,490		2,490
Gifts, Grants and contracts	8,730		8,730
State of New Jersey	3,987		3,987
Other receivables, less allowance for doubtful accounts of \$164	6,287	2,791	9,078
Total Receivables	35,803	2,791	38,594
Other current assets	2,646	103	2,749
Total Current Assets	136,932	4,730	141,662
Noncurrent Assets			
Investments	70,465	102,461	172,926
Loans receivable, less allowance for doubtful loans of \$305	988		988
Lease receivable	23,216		23,216
Capital assets, net	916,997		916,997
Other noncurrent assets	-	4,270	4,270
Total Noncurrent Assets	1,011,666	106,731	1,118,397
Total Assets	1,148,598	111,461	1,260,059
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	1,688		1,688
Deferred outflow of pension resources	25,599		25,599
Total Deferred Outflows of Resources	27,287	-	27,287
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	38,008	2,610	40,618
Bonds payable and other long-term debt - current portion	15,202		15,202
Lease payable - current portion	3,893		3,893
Unearned tuition, fees, and deposits	7,038		7,038
Unearned revenue from grantors	4,468		4,468
Assets held on behalf of others	2,245		2,245
Total Current Liabilities	70,854	2,610	73,464
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	368,345		368,345
Lease payable - noncurrent portion	23,700		23,700
Compensated absences - noncurrent portion	2,577		2,577
Assets held on behalf of Federal government for loan programs	1,119		1,119
Net pension liability	187,893		187,893
Other long term liability	1,193		1,193
Total Noncurrent Liabilities	584,827	-	584,827
Total Liabilities	655,681	2,610	658,291
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	161,556		161,556
Deferred inflow of pension resources	43,172		43,172
Deferred amount from debt refundings	6,436		6,436
Deferred inflow from pandemic related financial assistance	2		2
Deferred inflow amount from leases	24,342		24,342
Total Deferred Inflows of Resources	235,508	-	235,508
NET POSITION			
Net investment in capital assets	306,334		306,334
Restricted nonexpendable		51,930	51,930
Restricted expendable for			
Scholarships		2,097	2,097
Loans	731		731
Donor Designated purpose	635		635
Renewal and replacement	287		287
Debt service and debt service reserve	22,945		22,945
Other		35,727	35,727
Unrestricted	(46,236)	19,097	(27,139)
Total Net Position	\$ 284,696	\$ 108,851	\$ 393,547

See Accompanying Notes to Financial Statements

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

Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended June 30, 2022

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	\$ 256,768		\$ 256,768
Residence life - room and board	43,725		43,725
Less scholarship allowance	85,970		85,970
Net Student Revenues	<u>214,523</u>		<u>214,523</u>
Federal grant and contracts	16,240		16,240
State of New Jersey grants and contracts	49,240		49,240
Nongovernmental grants and contracts	3,714		3,714
Sales and services of educational departments	6,296		6,296
Auxiliary enterprises	20,237		20,237
Other operating revenues	15,026	\$ 11,994	27,020
Total Operating Revenues	<u>325,276</u>	<u>11,994</u>	<u>337,270</u>
OPERATING EXPENSES			
Instruction	140,352		140,352
Research	19,667		19,667
Public service	17,567		17,567
Academic support	35,402		35,402
Student services	20,534		20,534
Institutional support	55,437	10,459	65,896
Operations and maintenance of plant	33,991		33,991
Depreciation and amortization	54,809		54,809
Student aid	62,951		62,951
Residence life and auxiliary enterprises	53,466		53,466
Total Operating Expenses	<u>494,176</u>	<u>10,459</u>	<u>504,635</u>
Operating (Loss) Income	<u>(168,900)</u>	<u>1,535</u>	<u>(167,365)</u>
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	63,301		63,301
State of New Jersey paid fringe benefits	41,483		41,483
Pell grants	38,713		38,713
Pandemic related financial assistance	62,653		62,653
State paid other postemployment health benefits	4,271		4,271
Gifts and non-exchange grants	3,886		3,886
Unrealized and realized losses on investment securities	(3,561)		(3,561)
Investment income, net of investment expenses of \$184	803	(5,623)	(4,820)
Interest on indebtedness	(17,178)		(17,178)
Administrative costs	(166)		(166)
Gain on disposal of capital assets	9		9
Other nonoperating revenues	1,160		1,160
Net Nonoperating Revenues	<u>195,374</u>	<u>(5,623)</u>	<u>189,751</u>
Income Before Other Revenues	<u>26,474</u>	<u>(4,088)</u>	<u>22,386</u>
Capital gifts and grants	<u>253</u>		<u>253</u>
Increase in Net Position	26,727	(4,088)	22,639
NET POSITION			
Beginning of year	<u>284,696</u>	<u>108,851</u>	<u>393,547</u>
End of year	<u>\$ 311,423</u>	<u>\$ 104,763</u>	<u>\$ 416,186</u>

See Accompanying Notes to Financial Statements

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

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

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	\$ 250,767		\$ 250,767
Residence life - room and board	26,183		26,183
Less scholarship allowance	76,064		76,064
Net Student Revenues	<u>200,886</u>		<u>200,886</u>
Federal grant and contracts	11,867		11,867
State of New Jersey grants and contracts	38,249		38,249
Nongovernmental grants and contracts	2,893		2,893
Sales and services of educational departments	4,579		4,579
Auxiliary enterprises	14,758		14,758
Other operating revenues	12,960	\$ 12,006	24,966
Total Operating Revenues	<u>286,192</u>	<u>12,006</u>	<u>298,198</u>
OPERATING EXPENSES			
Instruction	135,000		135,000
Research	18,612		18,612
Public service	12,535		12,535
Academic support	31,636		31,636
Student services	17,041		17,041
Institutional support	53,444	10,720	64,164
Operations and maintenance of plant	34,655		34,655
Depreciation and amortization	56,237		56,237
Student aid	28,812		28,812
Residence life and auxiliary enterprises	43,092		43,092
Total Operating Expenses	<u>431,064</u>	<u>10,720</u>	<u>441,784</u>
Operating (Loss) Income	<u>(144,872)</u>	<u>1,286</u>	<u>(143,586)</u>
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	47,155		47,155
State of New Jersey paid fringe benefits	40,985		40,985
Pell grants	37,670		37,670
Pandemic related financial assistance	48,396		48,396
State paid other postemployment health benefits	7,584		7,584
Gifts and non-exchange grants	6,301		6,301
Unrealized and realized losses on investment securities	(468)		(468)
Investment income, net of investment expenses of \$187	753	18,512	19,265
Interest on indebtedness	(14,030)		(14,030)
Administrative costs	(178)		(178)
Gain (loss) on disposal of capital assets	10		10
Other nonoperating revenues	1,058		1,058
Net Nonoperating Revenues	<u>175,236</u>	<u>18,512</u>	<u>193,748</u>
Income Before Other Revenues	<u>30,364</u>	<u>19,798</u>	<u>50,162</u>
Capital gifts and grants	308		308
Loss from discontinued operations	(19)		(19)
Asset impairment		(1,183)	(1,183)
Increase in Net Position	30,653	18,615	49,268
NET POSITION			
Beginning of year	<u>254,043</u>	<u>90,236</u>	<u>344,279</u>
End of year	<u>\$ 284,696</u>	<u>\$ 108,851</u>	<u>\$ 393,547</u>

See Accompanying Notes to Financial Statements

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

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2022	(As Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 174,818	\$ 173,447
Grants and contracts	69,745	54,929
Payments for salaries	(223,880)	(201,173)
Payments for fringe benefits	(30,343)	(27,392)
Payments to suppliers	(74,968)	(59,012)
Payments for utilities	(19,072)	(18,877)
Payments for student aid	(62,951)	(28,812)
Loans issued to students	64	54
Collection of loans from students	476	541
Auxiliary enterprises charges		
Residence life	43,316	26,270
Other	20,237	14,758
Sales and services of educational departments	6,296	4,579
Other receipts	10,819	11,610
Net Cash from Operating Activities	<u>(85,443)</u>	<u>(49,078)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State of New Jersey appropriations	70,039	57,309
Pell grants	38,713	37,670
Pandemic related Financial Assistance	62,655	44,040
Gifts and non-exchange grants	3,886	6,301
Student organization agency transactions	(378)	319
Other receipts	1,160	1,068
Net Cash from Noncapital Financing Activities	<u>176,075</u>	<u>146,707</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital gifts and grants	253	308
Proceeds from capital debt	-	27
Principal paid on capital debt	(19,731)	(17,321)
Interest paid on capital debt	(17,959)	(19,377)
Purchases of capital assets	(31,923)	(35,105)
Gain on disposal of capital assets	9	10
Loss from discontinued operations	-	(20)
Administrative costs	124	130
Change in deposits held by bond trustees	1,669	1,245
Net Cash from Capital Financing Activities	<u>(67,558)</u>	<u>(70,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,144,030	692,616
Purchases of investments	(3,169,163)	(688,274)
Interest on investments	4,309	1,447
Net Cash from Investing Activities	<u>(20,824)</u>	<u>5,789</u>
Net Increase in Cash and Cash Equivalents	2,250	33,315
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>66,899</u>	<u>33,584</u>
End of year	<u>\$ 69,149</u>	<u>\$ 66,899</u>

See Accompanying Notes to Financial Statements

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

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2022	(As Restated) 2021
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (168,900)	\$ (144,872)
Adjustments to reconcile operating loss to net cash used by operating activities		
State of New Jersey paid fringe benefits	33,723	31,687
State paid other postemployment health benefits	4,271	7,584
Depreciation and amortization expense	54,809	56,237
Provision for bad debts	(2,800)	926
Changes in assets and liabilities:		
Student receivables	6,652	(1,231)
Loans receivables	540	595
Lease receivables	(1,030)	(1,364)
Grants receivables	924	3,256
Other receivables	(3,009)	(56)
Other current assets	(883)	(546)
Accounts payable and accrued expenses	5,928	2,119
Unearned tuition, fees and deposits	(241)	(860)
Unearned revenue from grantors	265	524
Compensated absences - noncurrent portion	70	46
Assets held on behalf of Federal government for loan programs	(638)	(1,860)
Net pension liability	(15,124)	(1,263)
	<u>(15,124)</u>	<u>(1,263)</u>
Net Cash from Operating Activities	<u>\$ (85,443)</u>	<u>\$ (49,078)</u>

See Accompanying Notes to Financial Statements

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

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization

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

Montclair State University Foundation, Inc. (the Foundation) is a nonstock corporation organized as a not-for-profit entity under the provisions of Title 15 of the New Jersey statutes. The Foundation was established for the benefit of the University to aid in obtaining additional resources to meet the needs of the University. The Foundation strives to raise funds from subscriptions, gifts, bequests and other devices and uses such funds as appropriately determined by its board of trustees. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under an independent board of trustees. As the Foundation's resources can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University. Accordingly, the Foundation's statement of position and statement of revenues, expenses and changes in net position are included in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

The University is an instrumentality of the State with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University, which is financially dependent on the State, is a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Annual Comprehensive Financial Report.

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

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies

Basis of Presentation

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

GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
 - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently by the University.
 - Expendable* – Net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net position not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic programs and initiatives and capital programs.

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

Measurement Focus and Basis of Accounting

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

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

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchase and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

Assets Held Under Bond Indenture Agreements

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

Receivables

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

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

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Receivables are reported at net realizable value. Student Receivables which are past due twelve months are reserved for at 50% and those past due twenty-four months are reserved at 100%. Grants and Contracts Receivables, Leases Receivables and Other Receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful grants and contracts leases and other receivables is estimated based upon management's evaluation and periodic review of individual accounts.

Capital Assets

Capital assets with acquisition costs of at least \$5,000 and useful lives of at least three years are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired under lease agreements are classified as right of use assets and are recorded as capital assets.

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

	<u>Useful Lives</u>
Buildings	50 years
Building Improvements	20 years
Right of use buildings	4 - 22 years
Infrastructure	25 years
Land Improvements	10-25 years
Equipment and Vehicles	3 -10 years
Right of use equipment	2 - 4 years
Furniture and Fixtures	10 years
Leasehold Improvements	5 years
Software and Licenses	3 years

The University owns works of art and other collectibles valued at approximately \$3.9 million as of June 30, 2022 and June 30, 2021. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

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

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Assets Held on Behalf of Others

The University holds cash and cash equivalents as custodian for the benefit of students or student organizations. A majority of the assets held on behalf of others relate to Red Hawk dollars. The Red Hawk dollars program is a prepaid debit account allowing the University community to purchase goods or services on campus or off campus where red hawk dollars are accepted. Funds carry over semester to semester, year to year, up until withdrawal or graduation, and remaining funds over \$5 are refunded. Amounts related to the Red Hawk dollars program amounted to \$1.2 million and \$1.1 million as of June 30, 2022 and 2021, respectively.

Deferred Outflows and Deferred Inflows of Resources

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

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The changes in assumptions, net differences between projected and actual earnings on pension plan investments and changes in proportionate share may be either deferred outflows of resources or deferred inflows of resources. See Note 10 for the University's breakdown of these items.

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

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

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

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Deferred inflows account for service concession agreements, pandemic related financial assistance and leases. Deferred inflows from leases relate to the lease receivable and amounts are deferred and amortized to lease revenue in a systematic and rational manner over the term of the lease.

Leases

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

Key estimates and judgments to lessor accounting:

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

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

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2. Summary of Significant Accounting Policies (continued)

Key estimates and judgements to lessee accounting include:

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

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

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

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, and bad debt expense of \$(446) thousand and \$2.3 million for the years ended June 30, 2022 and 2021, respectively. Other payments made directly to students are presented as student aid and are recognized in the period earned. Student tuition, fees, and deposits collected in advance of the academic year are recorded as unearned tuition, fees, and deposits in the accompanying financial statements, and totaled \$6.8 million and \$7.0 million as of June 30, 2022 and June 30, 2021, respectively. Unearned revenue includes summer session activity for July and August which will be recognized as revenue in the following fiscal year. Unearned summer revenue totaled \$3.2 million as of June 30, 2022 and \$3.7 million as of June 30, 2021.

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2. Summary of Significant Accounting Policies (continued)

Grants and contracts revenue consists mainly of funding received from Federal and State governments, and other nongovernmental sources and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned revenue from grantors in the accompanying financial statements and totaled \$4.7 million and \$4.5 million as of June 30, 2022 and June 30, 2021, respectively.

The University recognizes a deferred inflow of resources related to the acquisition of the Heights residence hall as part of its service concession agreement. The deferred inflow is amortized into income over the term of the agreement and is included in other operating income in the statement of revenues, expenses and changes in net position. See Note 15 - Service Concession Arrangement for Student Residence Hall Facility for more details.

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

Scholarship Allowance

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

Classification of Revenue and Expense

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions, such as the payment received for services and payment made for the purchase of goods and services. Examples include student tuition and fees, and residence life, net of scholarship allowances; sales and services of auxiliary enterprises; and most Federal, State, local and other grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions and financial assistance, such as operating and capital appropriations from the State, Pell grants, Pandemic related financial assistance, and net investment income and gifts and non-exchange grants.

Interest expense is reported as a non-operating activity.

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2. Summary of Significant Accounting Policies (continued)

Tax Status

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

Accounting Pronouncements

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

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 99, *Omnibus 2022* in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

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2. Summary of Significant Accounting Policies (continued)

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

Reclassification

Certain prior year amounts related to the GASB 87 adoption and other amounts have been reclassified to conform with the current year presentation.

Restatement

In fiscal year 2022, the University adopted GASB 87 *Leases* with retroactive application and reclassified certain amounts. The University changed its procedures for recognizing cancelled and assigned Perkins loans, Ice Arena operations, and State of New Jersey paid fringe benefits. As a result, the following restatements have been made to the University's financial statements (dollars in thousands):

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
For the year ended June 30, 2021			
Other Operating Revenues*	\$ 10,944	\$ 2,016	\$ 12,960
Total Operating Revenues	284,176	2,016	286,192
Total Operating Expenses*	<u>426,310</u>	<u>4,754</u>	<u>431,064</u>
Operating Loss	<u>(142,134)</u>	<u>(2,738)</u>	<u>(144,872)</u>
State of New Jersey paid fringe benefits	36,647	4,338	40,985
Other nonoperating revenues(expenses) net*	1,617	(559)	1,058
Interest Expense*	<u>13,567</u>	<u>463</u>	<u>14,030</u>
Nonoperating Income	<u>171,920</u>	<u>3,316</u>	<u>175,236</u>
Increase in net position	<u>\$ 30,075</u>	<u>\$ 578</u>	<u>\$ 30,653</u>
As of June 30, 2021			
Lease Receivable*	\$ -	\$ 25,706	\$ 25,706
Other Receivables*	7,633	(1,346)	6,287
Other Current Assets*	2,496	150	2,646
Capital assets, net*	891,181	25,816	916,997
Lease liability*	-	27,593	27,593
Bonds payable and other long term debt*	384,778	(1,231)	383,547
Deferred Inflow amount from leases*	-	24,342	24,342
Assets held on behalf of Federal government for loan programs	2,075	(956)	1,119
Net investments in capital assets	306,880	(546)	306,334
Restricted expendable for loans	(15)	746	731
Unrestricted net position	<u>(46,614)</u>	<u>378</u>	<u>(46,236)</u>
Total Net Position	<u>\$ 284,118</u>	<u>\$ 578</u>	<u>\$ 284,696</u>

* includes GASB 87 implementation

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Except as disclosed in Note 21, management has reviewed and evaluated all events and transactions from June 30, 2022 through February 17, 2023, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

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

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

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

Cash, investments and assets held under bond indenture agreements as of June 30, 2022 and 2021 are classified in the statements of net position as follows (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 69,149	\$ 66,899
Assets held under bond indenture agreements	21,563	23,232
Investments	<u>96,828</u>	<u>78,817</u>
	<u>\$ 187,540</u>	<u>\$ 168,948</u>

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

Custodial Credit Risk

The University is exposed to custodial credit risk, which is the risk that in the event of a bank or counterparty failure, the University may not be able to recover deposits or the value of its investments held by such parties. To protect bank deposits that are in excess of Federal Deposit Insurance Corporation coverage limits, the University entered into collateral management agreements with JP Morgan and Bank of America. The agreements secure the uninsured portion of deposits held at JP Morgan and Bank of America. As of June 30, 2022 and 2021, cash and cash equivalents were held by depositories and amounted to \$40.1 and \$40.3 million, respectively.

As of June 30, 2022 and 2021, \$250,000 was FDIC insured at each bank and \$39.6 and \$40.0 million, respectively, was collateralized with securities according to the agreements.

The University participates in the CMF wherein amounts contributed by the University are combined with funds from other state institutions into a large-scale investment program. The carrying amount and fair value of cash and cash equivalents at June 30, 2022 and 2021 was \$32.6 million and \$25.5 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes. The Fund is unrated.

For funds held in the University's investment account, the investment policy requires that any repurchase agreements held in the portfolio be collateralized at least 102% with U.S. Government securities or mortgage-backed securities. The maximum term of these agreements will be 90 days, and the collateral must be marked-to-market daily.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy stipulates that the portfolio shall be managed to have a targeted duration within a band +/- 20% of the Bank of America Merrill Lynch AAA rated U.S. Treasuries/Agencies 1-3 Year Index. The final maturity of each security within the portfolio shall not exceed seven years, with the exception that for U.S. Treasury securities where the final maturity shall not exceed 7.1 years. As of June 30, 2022, the University had the following investments and maturities (dollars in thousands):

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

As of June 30, 2021, the University had the following investments and maturities (dollars in thousands):

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

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

Interest Rate Risk

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (NJEFA or the Authority). As of June 30, 2022 and June 30, 2021, investments were in money market funds of \$21.6 million and \$23.2 million, respectively, all maturing within one year.

Credit Risk

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

In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the University and provide an evaluation and plan of action. If bonds in the portfolio are downgraded below the A- threshold and remain investment grade, the investment manager(s) may continue to hold up to 5% of the portfolio in these securities.

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

The following table summarizes Moody's agency ratings of the University's investments at fair value as of June 30, 2022 and 2021 (in thousands):

<u>Investment Type</u>	<u>Quality Rating</u>	<u>2022</u>	<u>2021</u>
U.S. treasuries	AAA	\$ 64,574	\$ 42,969
Municipal bonds	A	500	508
Corporate bonds	AAA	8,408	1,549
Corporate bonds	AA	10,988	5,028
Corporate bonds	A	8,824	18,568
Corporate bonds	Baa	-	1,598
Mortgage securities	AAA	-	70
Asset backed securities	AAA	536	3,728
Other fixed income securities	AAA	-	1,665
Other fixed income securities	AA	1,505	1,601
Other fixed income securities	A	1,493	1,533
		<u>\$ 96,828</u>	<u>\$ 78,817</u>

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

Concentration of Credit Risk

This is the risk associated with the amount of investments the University has with any one issuer. Except for treasuries, agency debentures, agency pass-throughs, agency real estate mortgage investment conduits, and asset-backed securities, no more than 2% of the portfolio shall be invested in securities of a single issuer. Asset-backed securities are limited to 5% per issuer.

Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and cash equivalents and money market funds.

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

	2022	2021
Project and construction fund	\$ 70	\$ 285
Debt service fund for principal and interest	21,490	22,945
Rental Pledge	3	2
 Assets Held Under Bond Indenture Agreements	 \$ 21,563	 \$ 23,232

Fair Value Measurement

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

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly

Level 3 – unobservable inputs for an asset or liability

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

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

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

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

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

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

As of June 30, 2022 and 2021, the University's investments and assets held under bond indenture are summarized in the following table by their fair value hierarchy (dollars in thousands):

Type	Total	2022		
		Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	\$ 64,574	\$ 64,574	\$ -	\$ -
Municipal bonds	500	-	500	-
Corporate bonds	28,220	-	28,220	-
Mortgage securities	-	-	-	-
Asset backed securities	536	-	536	-
Other fixed income securities	<u>2,998</u>	<u>-</u>	<u>2,998</u>	<u>-</u>
Total investments	<u>\$ 96,828</u>	<u>\$ 64,574</u>	<u>\$ 32,254</u>	<u>\$ -</u>
Assets Held Under Bond Indenture:				
Money market funds	<u>\$ 21,563</u>	<u>\$ 21,563</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets held under bond indenture	<u>\$ 21,563</u>	<u>\$ 21,563</u>	<u>\$ -</u>	<u>\$ -</u>
Type	Total	2021		
		Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	\$ 42,969	\$ 42,969	\$ -	\$ -
Municipal bonds	508	-	508	-
Corporate bonds	26,743	-	26,743	-
Mortgage securities	70	-	70	-
Asset backed securities	3,728	-	3,728	-
Other fixed income securities	<u>4,799</u>	<u>-</u>	<u>4,799</u>	<u>-</u>
Total investments	<u>\$ 78,817</u>	<u>\$ 42,969</u>	<u>\$ 35,848</u>	<u>\$ -</u>
Assets Held Under Bond Indenture:				
Money market funds	<u>\$ 23,232</u>	<u>\$ 23,232</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets held under bond indenture	<u>\$ 23,232</u>	<u>\$ 23,232</u>	<u>\$ -</u>	<u>\$ -</u>

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4. Lease Receivable (continued)

Description	Lease Agreement Terms
Cell Towers	The University entered into four lease agreements with various telecommunications companies for the right of use of the site held by the cell towers for periods ranging from three to ten years with annual increases of 3% to 5%. The agreements include one to five renewal options for an additional three-to-five-year periods that the University anticipates renewing. Based on the agreements, the University receives monthly payments through December 2041.
CHCP Plant	On May 16, 2012, the University entered into a lease agreement for the right of use of the Combined Heating, Cooling, and Power (CHCP) Plant for a thirty-year period. The agreement has one renewal option for an additional five-year period, which the University is not reasonably certain that it will be exercised. Based on the agreement, the University receives monthly payments through April 2042.
Heights Ground Lease	On June 1, 2010, the University entered into a lease agreement commencing on December 1, 2011, for the right of use of the land for Student Housing & Dining Facility by the Provident Group – Montclair Properties LLC for a forty-year period. The agreement does not have a renewal option. Based on the agreement, the University receives monthly payments through June 2042. Following June 2042, the Provident Group – Montclair Properties LLC will transfer ownership of the buildings to the University.
Ice Arena Space	The University entered into lease agreements for the right of use of the retail space for periods ranging from five to ten years. The agreements have a renewal option of an additional five years and annual increases of up to 3%, which the University is not reasonably certain that they will be exercised. Based on the agreements, the University receives monthly payments through December 2028.
Yogi Berra Stadium	In July 2017, the University entered into a multi-year lease agreement beginning November 1, 2017 and ending in October 2025 for the right of use of the stadium space by the New Jersey Jackals' baseball team. Based on the agreement, the University receives monthly payments. The lease agreement was terminated on September 1, 2022. See Note 21 – Subsequent Events.
35 Clove Road Lot	In April 2016, the University extended the term of the lease agreement for a five-year period beginning on August 1, 2019, for the right of use of the lot. Based on the agreement, the University receives monthly payments through July 2024 with no option to extend.

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4. Lease Receivable (continued)

The following is a schedule of future minimum receipts on the University's lease receivable as of June 30, 2022 (dollars in thousands):

Years ending June 30:	
2023	\$ 3,180
2024	837
2025	850
2026	915
2027	969
2028-2032	5,549
2033-2037	6,961
2038-2042	6,740
	<u>\$ 26,001</u>

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5. Capital Assets

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

	2022			Ending Balance
	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	
Capital assets being depreciated/amortized:				
Infrastructure	\$ 46,456	\$ 509	\$ -	\$ 46,965
Buildings and improvements	1,096,585	13,075	-	1,109,660
Right of use leased buildings	28,355	-	-	28,355
Equipment	277,879	6,673	106	284,446
Right of use leased equipment	1,197	-	-	1,197
Other	<u>36,529</u>	<u>664</u>	<u>-</u>	<u>37,193</u>
Total Capital assets being depreciated/amortized	<u>1,487,001</u>	<u>20,921</u>	<u>106</u>	<u>1,507,816</u>
Less accumulated depreciation/amortization on:				
Infrastructure	27,330	1,713	-	29,043
Buildings and improvements	357,522	29,107	-	386,629
Right of use leased buildings	3,005	3,005	-	6,010
Equipment	213,778	19,019	106	232,691
Right of use leased equipment	431	431	-	862
Other	<u>24,629</u>	<u>1,534</u>	<u>-</u>	<u>26,163</u>
Total Accumulated Depreciation/Amortization	<u>626,695</u>	<u>54,809</u>	<u>106</u>	<u>681,398</u>
Depreciable/Amortizable Assets, Net	<u>860,306</u>	<u>(33,888)</u>	<u>-</u>	<u>826,418</u>
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	<u>18,870</u>	<u>21,289</u>	<u>21,375</u>	<u>18,784</u>
Total Nondepreciable Assets	<u>56,691</u>	<u>21,289</u>	<u>21,375</u>	<u>56,605</u>
Total Capital Assets, Net	<u>\$ 916,997</u>	<u>\$ (12,599)</u>	<u>\$ 21,375</u>	<u>\$ 883,023</u>

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5. Capital Assets (continued)

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

	2021 Restated			Ending Balance
	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	
Capital assets being depreciated/amortized:				
Infrastructure	\$ 46,287	\$ 169	\$ -	\$ 46,456
Buildings and improvements	1,034,500	62,085	-	1,096,585
Right of use leased buildings	-	28,355	-	28,355
Equipment	262,396	19,289	3,806	277,879
Right of use leased equipment	-	1,197	-	1,197
Other	<u>35,207</u>	<u>1,322</u>	<u>-</u>	<u>36,529</u>
Total Capital assets being depreciated/amortized	<u>1,378,390</u>	<u>112,417</u>	<u>3,806</u>	<u>1,487,001</u>
Less accumulated depreciation/amortization on:				
Infrastructure	25,644	1,686	-	27,330
Buildings and improvements	329,735	27,787	-	357,522
Right of use leased buildings	-	3,005	-	3,005
Equipment	196,226	21,358	3,806	213,778
Right of use leased equipment	-	431	-	431
Other	<u>22,659</u>	<u>1,970</u>	<u>-</u>	<u>24,629</u>
Total Accumulated Depreciation/Amortization	<u>574,264</u>	<u>56,237</u>	<u>3,806</u>	<u>626,695</u>
Depreciable/Amortizable Assets, Net	<u>804,126</u>	<u>56,180</u>	<u>-</u>	<u>860,306</u>
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	<u>78,285</u>	<u>23,388</u>	<u>82,803</u>	<u>18,870</u>
Total Nondepreciable Assets	<u>116,106</u>	<u>23,388</u>	<u>82,803</u>	<u>56,691</u>
Total Capital Assets, Net	<u>\$ 920,232</u>	<u>\$ 79,568</u>	<u>\$ 82,803</u>	<u>\$ 916,997</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2022 and 2021 approximated \$30.2 million and \$31 million respectively and are expected to be funded from unrestricted resources, State grants and contracts and NJEFA bonds.

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6. Accounts Payable and Accrued Expenses

As of June 30, 2022 and 2021, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2022	2021
Vendors	\$ 12,828	\$ 8,842
Capital projects	3,183	1,065
Employees	13,354	10,850
Interest payable	8,680	9,029
Compensated absences	7,660	8,222
	\$ 45,705	\$ 38,008

7. Bonds Payable and Other Long-Term Debt

Bonds Payable

The Board of Trustees of the University, the New Jersey Board of Higher Education and the Authority have entered into various agreements whereby, although legal title remains with the State, the University is given use of buildings, improvements and equipment through enabling legislation and the University agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. These bonds are general obligations of the University. The following bonds payable of the Authority related to the University were outstanding as of June 30, 2022 and 2021 (dollars in thousands):

	Interest rates	2022	2021
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2006 J Revenue Bonds, due serially to 2021	3.75 - 4.25%	\$ -	\$ 4,315
Series 2007 A Revenue Bonds, due serially to 2021	5.25	-	685
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	165,125	173,290
Series 2015 D Revenue Bonds, due serially to 2036	3.75 - 5.00	69,520	69,520
Series 2016 B Revenue Bonds, due serially to 2038	3.00 - 5.00	116,020	116,770
Bonds payable		350,665	364,580
Plus: Bond premium		13,893	14,528
Total bonds payable		\$ 364,558	\$ 379,108

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

Other Long-Term Debt

The following other long-term debt was outstanding as of June 30, 2022 and 2021 (dollars in thousands):

	<u>Interest rates</u>	<u>2022</u>	<u>2021</u>
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25%	\$ 45	\$ 45
Series 2016 A Higher Education Capital Improvement Fund, due serially to 2022	2.25 - 2.51	971	1,956
Series 2016 B Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.50	1,917	2,002
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	105	210
New Jersey Environmental Infrastructure due serially to 2022	3.00 - 5.25	71	146
2014 Higher Education Equipment Leasing Fund Program 032-10 due 2023	5.00	21	40
2014 Higher Education Equipment Leasing Fund Program 032-11 due 2023	5.00	21	40
Total other long-term debt		<u>\$ 3,151</u>	<u>\$ 4,439</u>

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

Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2022 (dollars in thousands):

	Principal	Interest and fees
Year ending June 30:		
2023	\$ 14,765	\$ 16,994
2024	13,745	16,324
2025	15,135	15,608
2026	15,874	14,847
2027	16,713	14,045
2023 - 2027 Subtotal	76,232	77,818
2028 - 2032	99,115	56,273
2033 - 2037	88,756	32,740
2038 - 2042	61,883	16,240
2043 - 2047	41,723	2,132
	\$ 367,709	\$ 185,203

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

The University has a \$20 million revolving line of credit with JP Morgan Chase Bank that expires on May 26, 2023. Borrowings under the line of credit bear interest at the Secured Overnight Financing Rate (SOFR) or the CB Floating Rate. As of June 30, 2022, there were no borrowings under this line of credit.

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8. Summary of Changes in Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2022 and 2021 (dollars in thousands):

	2022				
	Beginning balance	Increases	Decreases	Ending balance	Current portion
Bonds payable and other					
long-term debt	\$ 383,547	\$ -	\$ (15,838)	\$ 367,709	\$ 14,133
Leases	27,593	-	(3,893)	23,700	3,529
Compensated absences	10,799	-	(492)	10,307	7,660
Assets held on behalf of Federal government for loan programs	1,119	-	(638)	481	-
Net pension liability	187,893	-	(16,945)	170,948	-
Other long term liability	1,682	-	(1,539)	143	57
Total Noncurrent Liabilities	<u>\$ 612,633</u>	<u>\$ -</u>	<u>\$ (39,345)</u>	<u>\$ 573,288</u>	<u>\$ 25,379</u>

	(As Restated) 2021				
	Beginning balance	Increases	Decreases	Ending balance	Current portion
Bonds payable and other					
long-term debt	\$ 398,423	\$ -	\$ (14,876)	\$ 383,547	\$ 15,201
Leases	30,762	26	(3,195)	27,593	3,893
Compensated absences (see note 12)	9,955	844	-	10,799	8,221
Assets held on behalf of Federal government for loan programs	2,998	-	(1,879)	1,119	-
Net pension liability	192,948	-	(5,055)	187,893	-
Other long term liability	2,451	-	(769)	1,682	489
Total Noncurrent Liabilities	<u>\$ 637,537</u>	<u>\$ 870</u>	<u>\$ (25,774)</u>	<u>\$ 612,633</u>	<u>\$ 27,804</u>

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9. Long Term Liabilities - Leases

Leases payable as of June 30, 2022 and 2021 are comprised of the following individual agreements (dollars in thousands):

		2022					
<u>Description</u>	<u>Date</u>	<u>Lease</u> <u>Term</u> <u>(years)</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Amount</u>	<u>Ending</u> <u>Balance</u>	<u>Current Portion</u>	
Audiology Clinic Office Space	10/1/2009	4.25	0.70%	\$ 4,014	\$ 2,140	\$ 947	
Administrative Office Space	12/18/2015	7-9	0.92% - 1.08%	9,921	7,327	1,362	
Heights Dining	5/31/2011	22	2.43%	14,420	13,333	560	
IT Storage	8/15/2017	3	0.62%	269	11	11	
IT Servers	3/31/2019	4	0.70%	542	248	149	
Copiers	1/1/2018	3	0.65%	385	68	68	
Laptops	4/1/2017	3-4	1.14% -4.53%	2,835	573	432	
				\$ 23,700	\$ 13,372	\$ 3,529	

		2021					
<u>Description</u>	<u>Date</u>	<u>Lease</u> <u>Term</u> <u>(years)</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Amount</u>	<u>Ending</u> <u>Balance</u>	<u>Current Portion</u>	
Audiology Clinic Office Space	10/1/2009	4.25	0.70%	\$ 4,014	\$ 3,080	\$ 940	
Administrative Office Space	12/18/2015	7-9	0.92% - 1.08%	9,921	8,650	1,323	
Heights Dining	5/31/2011	22	2.43%	14,420	13,884	551	
IT Storage	8/15/2017	3	0.62%	269	140	129	
IT Servers	3/31/2019	4	0.70%	542	396	148	
Copiers	1/1/2018	3	0.65%	385	211	143	
Laptops	4/1/2017	3-4	1.14% -4.53%	2,835	1,232	659	
				\$ 27,593	\$ 25,383	\$ 3,893	

The University has lease arrangements for real estate office space, dining facilities, network equipment including servers and storage, and office equipment including copiers and laptops. Leases have remaining lease terms ranging from 3 years to 22 years, some of which include options to extend the leases term for up to 10 years, and some of which include options to terminate the leases. Real estate office space leases include additional payments for maintenance expenses and taxes which are considered as variable payments and not included in the measurement of lease liability. For the majority of leases the University concluded it is not reasonably certain to exercise the options to extend the lease or terminate the lease. Therefore, as of the lease commencement date, the lease terms generally do not include these options. The University includes options to extend the lease when it is reasonably certain that it will exercise that option.

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9. Long Term Liabilities – Leases (continued)

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

As of March 14, 2022, the University was contractually obligated to lease payments totaling \$1.1 million for laundry equipment lease that has commenced in fiscal 2023. The University has certain rights and obligations for this lease, but it did not recognize a right-of-use asset or lease liability since the lease has not yet commenced as of June 30, 2022.

Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest payments on the University's lease payable as of June 30, 2022 (dollars in thousands):

	Principal	Interest
Year ending June 30:		
2023	\$ 3,529	\$ 399
2024	3,171	360
2025	2,273	326
2026	2,085	298
2027	2,141	269
2023 - 2027 Subtotal	13,199	1,652
2028 - 2032	3,453	1,068
2033 - 2037	3,767	636
2038 - 2042	3,281	162
	\$ 23,700	\$ 3,518

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10. Retirement Plans

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

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

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

In addition to the three plans referred to above, certain faculty members of the University participate in Teachers' Pension and Annuity Fund (TPAF), which is a State cost-sharing, multiple employer defined benefit plan with a special-funding situation by which the State is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State Division. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including postretirement healthcare, to substantially all full-time public school employees in the State. The plan's eligibility requirements are similar to PERS' requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS. For additional information about TPAF, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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10. Retirement Plans (continued)

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A for PERS and N.J.S.A. 43:16A for PFRS. PERS and PFRS provide retirement, death and disability benefits. With PERS, all benefits vest after ten years of service except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. With PFRS, all benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PERS:

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

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

The following represents the membership tiers for PFRS:

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

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10. Retirement Plans (continued)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and PFRS is set by N.J.S.A. 43:16A and require contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution for PERS is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. The State's contribution for PFRS is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For fiscal year 2021 and 2020, the State's pension contribution for PERS and PFRS was less than the actuarial determined amount.

During the years ended June 30, 2022 and 2021, PERS members were required to contribute 7.50% of pensionable wages, and PFRS members were required to contribute 10% of their pensionable wages and the University is required to contribute at an actuarially determined rate. The State contributes to PERS and PFRS on behalf of the University. Employers were not required to contribute in 2022 or 2021 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State.

Allocated employer contributions provided by the State and recognized by the PERS and PFRS plans from the University for the year ending June 30, 2022 totaled \$9 million and \$1.4 million, respectively and for the year ending June 30, 2021 totaled \$7.6 million and \$1.2 million respectively.

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10. Retirement Plans (continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of resources related to pensions.

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB Statement No. 68 are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2021 ("Measurement Date").

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2022 and 2021 (as of June 30, 2021 and 2020 measurement dates), are as follows:

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

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

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10. Retirement Plans (continued)

The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2020 to June 30, 2021 (as of June 30, 2021 and 2020 measurement dates) relative to the total contributions from all participating employers.

The components of pension related deferred outflows of resources and deferred inflows of resources as of the measurement date (June 30, 2021 and June 30, 2020) for the fiscal year ended June 30, 2022 and 2021, are as follows:

	2022		
	PERS	PFRS	Total
	(\$ in Thousands)		
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 3,649	\$ -	\$ 3,649
Changes of assumptions	306	28	334
Changes in proportionate share	2,487	1,104	3,591
Contributions subsequent to the measurement date	11,045	3,603	14,648
	\$ 17,487	\$ 4,735	\$ 22,222
	PERS PFRS Total		
	(\$ in Thousands)		
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 519	\$ 750	\$ 1,269
Changes of assumptions	21,280	1,650	22,930
Net differences between projected and actual investment earnings on pension plan investments	4,722	541	5,263
Changes in proportionate share	11,244	910	12,154
	\$ 37,765	\$ 3,851	\$ 41,616

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Notes to Financial Statements
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10. Retirement Plans (continued)

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

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$11 million for PERS and \$3.6 million for PFRS are recognized as a reduction of the net pension liability in the year ended June 30, 2023 as of June 30, 2022 measurement date.

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

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10. Retirement Plans (continued)

	PERS	PFRS	Total
	(\$ in Thousands)		
Years ending June 30:			
2023	\$ (14,883)	\$ (997)	\$ (15,881)
2024	(9,371)	(692)	(10,063)
2025	(4,800)	(537)	(5,337)
2026	(2,322)	(393)	(2,716)
2027	54	(84)	(31)
Thereafter	-	(14)	(14)
	(31,323)	(2,719)	(34,042)
Contributions paid subsequent to Measurement Date	11,045	3,603	14,648
	\$ (20,278)	\$ 884	\$ (19,394)

Actuarial Assumptions

The University's net pension liability as of June 30, 2021 measurement date (based on July 1, 2020 actuarial valuation) and June 30, 2020 measurement date (based on July 1, 2019 actuarial valuation) were determined using the following assumptions:

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

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10. Retirement Plans (continued)

PERS

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2021 measurement date) and Scale MP-2020 (June 30, 2020 measurement date).

PFRS

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For healthy annuitants, post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used unadjusted with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2021 measurement date) and Scale MP-2020 (June 30, 2020 measurement date).

The actuarial assumptions used in the July 1, 2020 and July 1, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

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10. Retirement Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 and June 30, 2020 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the PERS and PFRS target asset allocations as of June 30, 2021 and 2020 measurement date are summarized in the following table:

Asset Class	2021 PERS and PFRS		2020 PERS and PFRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.35%	3.00%	3.40%
Cash equivalents	4.00%	0.50%	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%	5.00%	1.94%
Investment grade credit	8.00%	1.68%	8.00%	2.67%
High yield	2.00%	3.75%	2.00%	5.95%
Private credit	8.00%	7.60%	8.00%	7.59%
Real assets	3.00%	7.40%	3.00%	9.73%
Real estate	8.00%	9.15%	8.00%	9.56%
U.S. Equity	27.00%	8.09%	27.00%	7.71%
Non U.S. developed markets equity	13.50%	8.71%	13.50%	8.57%
Emerging markets equity	5.50%	10.96%	5.50%	10.23%
Private equity	13.00%	11.30%	13.00%	11.42%

Discount Rates

The discount rate used to measure the total pension liabilities was 7.00% for PERS and PFRS as of the June 30, 2021 and 2020 measurement dates respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

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10. Retirement Plans (continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the collective net pension liability of the plans as of June 30, 2021 and 2020 measurement date calculated using the discount rate as disclosed above, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

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

	2021			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	6.00%	\$ 188,827	6.00%	\$ 26,019
Current discount rate	7.00%	165,517	7.00%	22,376
1% increase	8.00%	145,798	8.00%	19,351

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10. Retirement Plans (continued)

Teachers' Pension and Annuity Fund

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

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 member upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization on the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021 measurement date, the State's pension contribution was less than the actuarial determined amount.

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10. Retirement Plans (continued)

Allocated employer contributions provided by the State and recognized by the plan from the University totaled \$125 thousand and \$110 thousand for the year ending June 30, 2022 and 2021, respectively.

Net Pension Liability

As of June 30, 2022 and 2021, the State's proportionate share of the TPAF net present liability associated with the University was \$2.05 million and \$3.2 million, respectively. The University's proportionate share was \$0.

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The June 30, 2021 and 2020 actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

	June 30, 2021
Inflation Rate	2.75%
Salary increases:	
Through 2026	1.55 - 4.45%
Thereafter	2.75 - 5.65%
Investment rate of return	7.00%

For the July 1, 2020 and 2019 valuation, pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disabled mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2021 measurement date) and Scale MP-2020 (June 30, 2020 measurement date).

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10. Retirement Plans (continued)

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 5.40% as of June 30, 2021 and 2020 measurement date, respectively. As of June 30, 2020 measurement date, this single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% and 78% of the actuarially determined contributions for the State as of June 30, 2021 and June 30, 2020, respectively. 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to all projected benefit payments in determining the total pension liability.

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10. Retirement Plans (continued)

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

The following presents the net pension liability of the University as of June 30, 2021 and 2020 measurement date calculated using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	2022		
	At 1% Decrease (6%)	At Current Discount Rate (7%)	At 1% Increase (8%)
Net Pension Liability	\$ 56,988,413	\$ 48,165,991	\$ 40,755,711
Allocation Percentage	<u>0.0042655268%</u>	<u>0.0042655268%</u>	<u>0.0042655268%</u>
University's proportionate share of the net pension liability	<u>\$ 2,431</u>	<u>\$ 2,055</u>	<u>\$ 1,738</u>
	2021		
	At 1% Decrease (4.40%)	At Current Discount Rate (5.40%)	At 1% Increase (6.40%)
Net Pension Liability	\$ 77,517,093	\$ 65,993,499	\$ 56,425,088
Allocation Percentage	<u>0.0048657530%</u>	<u>0.0048657530%</u>	<u>0.0048657530%</u>
University's proportionate share of the net pension liability	<u>\$ 3,772</u>	<u>\$ 3,204</u>	<u>\$ 2,746</u>

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10. Retirement Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 and 2020 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 and 2020 measurement date are summarized in the following table:

Asset Class	2021		2020	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.35%	3.00%	3.40%
Cash equivalents	4.00%	0.50%	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%	5.00%	1.94%
Investment grade credit	8.00%	1.68%	8.00%	2.67%
High yield	2.00%	3.75%	2.00%	5.95%
Private credit	8.00%	7.60%	8.00%	7.59%
Real assets	3.00%	7.40%	3.00%	9.73%
Real estate	8.00%	9.15%	8.00%	9.56%
U.S. Equity	27.00%	8.09%	27.00%	7.71%
Non-US developed markets equity	13.50%	8.71%	13.50%	8.57%
Emerging markets equity	5.50%	10.96%	5.50%	10.23%
Private equity	13.00%	11.30%	13.00%	11.42%

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10. Retirement Plans (continued)

Components of Net Pension Liability

The components of the net pension liability of the participating employers for TPAF as of June 30, 2021 and 2020 measurement date are as follows:

	2021 State	2020 State
Total pension liability	\$ 74,699,134	\$ 87,522,679
Plan fiduciary net position	26,533,143	21,529,180
Net Pension Liability	<u>\$ 48,165,991</u>	<u>\$ 65,993,499</u>
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%
	University	University
Net pension liability	\$ 48,165,991	\$ 65,993,499
Allocation percentage	<u>0.0042655268%</u>	<u>0.0048657530%</u>
University's Proportionate Share of the Net Pension Liability	<u>\$ 2,055</u>	<u>\$ 3,204</u>

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the University. The University's portion of the non-employer contributing entities' total proportionate share of the net pension liability was \$2,050,660 as of June 30, 2022 and \$3,204,040 as of June 30, 2021. The University records their proportionate share of the pension expense as a revenue and expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The amount was \$48,253 in 2022 and \$199,241 in 2021.

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10. Retirement Plans (continued)

Alternate Benefit Program (ABP) Information

ABP provides the choice of seven investment carriers, which are privately operated, defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. These seven investment carriers are VOYA, Metropolitan Life Insurance (MetLife), Teachers Insurance and Annuity Association (TIAA), AIG Valic, Mass Mutual, AXA Equitable, and Prudential. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this retirement program as an alternative to PERS. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. Employee contributions immediately vest and employer contributions vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5% of salary, up to the maximum Federal statutory limit, on a pretax basis.

The ABP permits additional tax-deferred contributions to be made to ABP investment carrier account(s) (except Prudential) at an amount over and above the 5% required employee contribution under the voluntary 403(b) component of the program and/or participation in the New Jersey State Employees Deferred Compensation Plan (NJSEDCP). The 403(b) and/or NJSEDCP plan accounts are available to employees in ABP, PERS, PFRS, and DCRP pension plans. Employer contributions in ABP are 8% of salary. The maximum compensation to be considered for employer contributions is \$175,000 per New Jersey state law Chapter 31, P.L. 2018. This law was effective as of July 1, 2018. The University created the Supplemental Alternate Benefits Program to fund the 8% employer match above \$175,000 compensation limit. These contributions are funded by the University. During the years ended June 30, 2022 and 2021, ABP received employee contributions of approximately \$7.7 million and \$7.1 million, respectively; and employer contributions of approximately \$12.3 million and \$11.3 million, respectively, which were based on participating employee salaries of \$155.2 million and \$141.4 million, respectively. Employer contributions to ABP are paid by the State and the University and are reflected within operating expenses by function and within non-operating revenues as State of New Jersey paid fringe benefits in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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10. Retirement Plans (continued)

Defined Contribution Retirement Program (DCRP)

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

DCRP enrollment eligibility criteria includes employees enrolled in PERS or PFRS who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS and make in excess of established “maximum compensation” limits. Participating eligibility, as well as contributory and noncontributory requirements is established by the State Retirement and Social Security Law.

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

During the years ended June 30, 2022 and 2021, Prudential received employer and employee contributions as follows:

	2022	2021
Employer contributions	\$ 37,433	\$ 23,176
Employee contributions	41,944	42,198
Basis for contributions:		
Participant employee salaries	\$ 1,247,767	\$ 772,541

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

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10. Retirement Plans (continued)

Other Voluntary Retirement Plans

New Jersey State Employees Deferred Compensation Plan (NJSEDCP)

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

Supplemental Alternate Benefits Program

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

Additional Contributions Tax-Sheltered Programs (ACTS)

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

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10. Retirement Plans (continued)

Supplemental Annuity Collective Trust (SACT)

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

11. Postemployment Benefits Other than Pensions

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

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

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11. Postemployment Benefits Other than Pensions (continued)

Total OPEB Liability and OPEB Expense

As of June 30, 2022, and 2021, the State recorded a liability of \$372.1 million and \$432.7 million, respectively, which represent the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2022 and 2021, the University's share of the special funding situation was 5.474843% and 5.410778% respectively. At June 30, 2022 and 2021, the University's share of the Plan was 1.490942% and 1.529151% respectively. The State is legally required to pay for the OPEB benefit coverage for eligible retirees. Therefore, the University is considered to be in a special funding situation as defined by GASB Statement 75 and the State is treated as a nonemployer contributing entity. Since the University does not contribute directly to the plan there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements.

For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$4.3 million and \$7.6 million, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$4.3 million and \$7.6 million, respectively.

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date of June 30, 2021. The State's liability associated with the University at June 30, 2021 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to the measurement date of June 30, 2020.

	<u>2021</u>	<u>2020</u>
Inflation	2.50 %	2.50 %
Discount rate	2.16 %	2.21 %
Salary Increases		
Through 2026	1.55 - 15.25 %	1.55 - 15.25 %
Thereafter	2.75 - 7.00 %	2.75 - 7.00 %

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

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11. Postemployment Benefits Other than Pensions (continued)

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

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

Certain actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2014 through June 30, 2018) ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

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

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

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12. Contingent Liabilities

The University is party to various legal actions arising in the ordinary course of business. The University is in litigation with the Township of Little Falls regarding the tax exemption status of certain lots on University property. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

13. State of New Jersey Paid Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of University employees. For the years ended June 30, 2022 and June 30, 2021, such benefits amounted to approximately \$41.5 million and \$40.1 million, respectively, and are included in non-operating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses, and changes in net position.

14. Compensated Absences

The University recorded a liability for compensated absences (i.e. unused vacation, sick leave, and paid leave bank days attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee) in the amount of \$10.3 million and \$10.8 million as of June 30, 2022 and 2021, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2022 and 2021, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2022 and 2021, the University paid approximately \$196 thousand and \$225 thousand, respectively, in sick leave payments for employees who retired.

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15. Service Concession Arrangement for Student Residence Hall Facility

During fiscal 2012, construction was completed on the Heights student residence hall facility pursuant to an agreement entered into with Provident Group-Montclair Properties, LLC (Provident) under which Provident agreed to design, finance, build and operate the residence hall facility for a term up to thirty-two years. Provident will be entitled to all housing revenues during the term of the agreement. At the end of the term, the residence hall facility and its operations will be transferred to the University. As of June 30, 2012, the University has reported the dormitory as a capital asset and related deferred inflow of resources with a carrying amount of \$235.0 million

The capital asset is being depreciated in accordance with the University's capitalization policies and accumulated depreciation as of June 30, 2022 and 2021 was \$88.9 million and \$82.7 million, respectively. As of June 30, 2022 and 2021, the deferred inflow of resources on the concession arrangement was \$154.2 million and \$161.6 million, respectively in the Statement of Net Position. The University has reported a deferred inflow of resources in the amount of \$7.3 million in the Statement of Revenues, Expenses and Changes in Net Position.

16. Commitments

The University entered into a thirty-year contract to permit third parties to install, operate and maintain a heating and cooling facility on certain University properties. In exchange, the University will purchase all electricity, chilled water and steam generated by the facility at a set price. Annual minimum lease payments on this lease are estimated to be \$15.6 million through 2044.

The University has a guaranty agreement effective November 2017 and ending November 2037 whereas the University is the guarantor with respect to certain obligations of UMM Energy Partners LLC to Public Service Electric & Gas Company. UMM Energy Partners LLC operates as a Special Purpose Entity. The Company is responsible for the construction, design, development, and operations of the Montclair State University Energy Project. The University guarantees to Public Service Electric & Gas if UMM fails to pay any portion of the minimum annual distribution charge for any of 20 years per the agreement that the University shall provide payment within 30 days of demand. The potential liability is \$95,013 per year and the total potential future liability or \$1,615,221 representing the sum of the remaining payments. The University is securing the guaranty with a standby letter of credit in the amount of \$2,309,718 that expires on September 2043. No amounts have been drawn under the standby letter of credit.

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

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16. Commitments (continued)

permanent relationship. This interim financial support provides up to \$8 million in the form of loans secured by real estate owned by the College. No amounts have been provided in the form of loans to the College.

On November 15, 2022, the University executed an agreement of merger with Bloomfield College which will be acquired by University through a merger of Bloomfield College with and into a newly to be formed New Jersey nonprofit corporation under the name "Montclair-Bloomfield Merger Sub, Inc." which will be controlled by Montclair State University. The University will continue to work with the Middle States Commission on Higher Education, the New Jersey Office of the Secretary of Higher Education, and other entities to take all steps necessary to consummate the merger. Both institutions will continue to work together to address the details of integration and to develop comprehensive plans to ensure a smooth transition. The closing of the merger is expected to be no later than June 30, 2023.

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

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

17. Risk Management

The University is exposed to various risks of loss. The University participates in a consortium with eight other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence, with a per occurrence limit of \$2,000,000,000. The University also purchases coverage for certain types of theft of financial assets, which provides for the actual loss in excess of \$150,000 with a per loss limit of \$5,000,000, and for certain types of exposures related to cyber threats, which provides for the actual loss in excess of \$150,000 with a per loss limit of \$5,000,000.

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

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17. Risk Management (continued)

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

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

18. Student Financial Assistance Program

The University's students receive support from Federal and State of New Jersey student financial assistance programs. The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education. Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

19. Montclair State University Foundation, Inc.

Component Unit

For the years ended June 30, 2022 and 2021, total gifts and grants given to the University from the Foundation amounted to \$5.1 million and \$6.4 million, respectively.

Investments

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

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

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

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19. Montclair State University Foundation, Inc. (continued)

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

For the years ended June 30, 2022 and 2021, Foundation's investments totaled \$97.4 million and \$102.5 million, respectively.

20. Pandemic related Financial Assistance

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

HEERF I

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

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

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

HEERF II

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

HEERF III

On March 11, 2021, the ARP was signed into law authorizing HEERF III funding to provide an additional \$39.6 billion in support to institutions of higher education to service students and ensure learning continues during the COVID-19 pandemic. The University was awarded a total of \$55.6 million of which \$27.9 was allocated to the student aid portion and \$27.7 to the institution aid. The University has not distributed or recognized such amounts as of and for the period ending June 30, 2021. The University distributed \$27.6 million in student aid and recognized \$19.8 million (\$1.6 million was used for student re-engagement and applied to students account balances) as of and for the period ending June 30, 2022.

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

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

For the period ending June 30, 2021, the University has drawn down funding from the HEERF I student aid portion of \$4.3 million and for the minority institution portion \$1.3 million. For HEERF II, the University drew down \$5.2 million in the student aid, \$1.2 million in minority institution aid, and \$5.5 million in institution aid and such is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2021.

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20. Pandemic related Financial Assistance (continued)

Governor’s Emergency Education Relief (GEERF)

On May 22, 2020, a total of \$68.8 million GEERF funds became available to New Jersey’s public colleges and universities to help institutions continue providing high-quality educational services to students amid the ongoing COVID-19 pandemic. GEERF Funding from the U.S. Department of Education provided Governors flexibility through an emergency block grant to decide how best to meet the needs of students, schools, postsecondary institutions and other education-related organizations in their states. The New Jersey Office of the Secretary of Higher Education (OSHE) has made this funding available through emergency assistance grants to institutions based on an OSHE-developed allocation formula that considers – among other things – institutional expenses incurred as a result of the pandemic. The University was awarded an allocated amount of \$6.6 million which may be used for expenses incurred beginning March 13, 2020. The University received and recognized the \$6.6 million award in fiscal 2021 and is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2021.

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

Coronavirus Relief Fund (CRF)

On August 14, 2020, Governor Phil Murphy and OSHE announced that the Administration will award \$150 million in federal CARES Act funds to New Jersey’s public and private colleges and universities to help offset costs incurred as a result of the ongoing COVID-19 pandemic. Eligible institutions had to file an application to receive funding from the state. The University was awarded an allocated amount of \$15.1 million. On November 24, 2020, the University received \$15.1 million. On November 13, 2020, the Murphy Administration announced an additional \$75 million in CRF for a total of \$225 million in CRF. The University was awarded an allocated amount of \$4.7 million, which was received on December 23, 2020. Eligible expenses include those incurred between March 1, 2020 and December 30, 2020. The University received and recognized the total \$19.8 million award in fiscal 2021 and is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2021.

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Notes to Financial Statements
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21. Subsequent Events

As noted in Note 4, effective September 1, 2022, the University terminated its lease agreement that provided the New Jersey Jackals use of the University's Yogi Berra Stadium. The initial term of the lease was scheduled to expire on October 31, 2025. The New Jersey Jackals made the Yogi Berra Stadium their home for 25 years and played their last game on August 25th. The Jackals have moved to a new home at Hinchliffe Stadium in Paterson, New Jersey.

As noted in Note 9, as of March 14, 2022, the University was contractually obligated to lease payments totaling \$1.1 million for laundry equipment lease that commenced fiscal 2023. The University recognizes a right-of-use asset and lease liability in fiscal 2023 upon lease commencement.

As of July 20, 2022, the University executed an amendment to its dining services agreement that has provided relief of \$1.3 million in commission guarantee from its dining food service contractor for the fiscal 2022 contract period. In fiscal 2023, such amounts were recognized as lost revenue through the pandemic related financial assistance HEERF grant. The University is currently in the process of issuing a request for proposal which is under review with the State Comptroller. The University is required to provide 30 days' notice of termination and anticipates terminating the current dining service agreement in fiscal 2023 with an effective date of July 1, 2023. As of June 30, 2022, the University recognized a deferred outflow of capital purchases of \$4.7 million that represents the unamortized portion of the capital improvement investment fund due to the contractor and \$900 thousand as a current liability for the unamortized portion of the advanced signing bonus that the University is liable due to anticipated termination.

On October 26, 2022, the Board of Trustees approved the terms for an agreement that will formalize the relationship with Bloomfield College and enable its merger into Montclair State University as a new constituent college of the University. On November 15, 2022, the University executed an agreement of merger with Bloomfield College which will be acquired by University through a merger of Bloomfield College with and into a newly to be formed New Jersey nonprofit corporation under the name "Montclair-Bloomfield Merger Sub, Inc." which will be controlled by Montclair State University. The University will continue to work with the Middle States Commission on Higher Education, the New Jersey Office of the Secretary of Higher Education, and other entities to take all steps necessary to consummate the merger. Both institutions will continue to work together to address the details of integration and to develop comprehensive plans to ensure a smooth transition. The closing of the merger is expected to be no later than June 30, 2023.

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21. Subsequent Events (continued)

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

On December 5, 2022, the University announced that it will receive a \$5 million gift to partner in Paterson revitalization efforts in the creation and operation of a museum and learning center at historic Hinchliffe Stadium in Paterson, New Jersey. Montclair State University alumnus and Paterson native Chuck Muth '77 and his wife, Laura, are making the transformational gift. The museum and learning center will highlight the history of Negro League Baseball and the Stadium's legacy as a cultural touchstone. The Charles J. Muth Museum of Hinchliffe Stadium, as it will be known, will serve as an educational and community hub for the City of Paterson and Montclair State University students and faculty. The University will oversee the educational programming for the Museum, which will include the curation and presentation of a wide range of exhibits and programs for diverse audiences. It is envisioned that a variety of educational outreach activities will connect the museum to the diverse communities of Paterson. The facility will also become the on-the-ground home of Montclair and Paterson's expanding community development initiatives.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

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Required Supplementary Information

Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the University
Last Ten Fiscal Years*
(Dollars in Thousands)

Public Employees' Retirement System (PERS)

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

Police and Firemen's Retirement System (PFRS)

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

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

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

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

Last Ten Fiscal Years*

	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019
University's proportion of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
University's proportionate share of the total OPEB liability	\$ -	\$ -	\$ -	\$ -
State of New Jersey's proportionate share of the OPEB liability associated with the University	\$ 372,050,570	\$ 432,699,220	\$ 278,973,080	\$ 366,011,934
Total OPEB liability	\$ 24,954,062,223	\$ 28,296,690,169	\$ 18,205,874,446	\$ 23,601,362,208
University's covered-employee payroll	\$ 149,183,574	\$ 150,442,218	\$ 153,370,916	\$ 151,734,073
University's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

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

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Notes to Required Supplementary Information (Unaudited)
June 30, 2022 and 2021

Pensions

Benefit Changes

None.

Changes of Assumptions

PERS

The mortality improvement scale was updated from MP-2020 as of June 30, 2020 to MP-2021 as of June 30, 2021 based on guidance from the Division of Pensions and Benefits.

Chapter 140, P.L. 2021 reopened the Worker's Compensation Judges (WCJ) Part of PERS and transferred WCJs from the Defined Contribution Retirement Program (DCRP) and the regular part of PERS into the WCJ Part of PERS. The corresponding increase in the unfunded actuarial liability is amortized over a closed 20-year period. The additional unfunded actuarial liability contribution and the increased normal cost will be paid by transfers from the Second Injury Fund (SIF).

PERS

The mortality improvement scale was updated from MP-2020 as of June 30, 2020 to MP-2021 as of June 30, 2021 based on guidance from the Division of Pensions and Benefits.

TPAF

The discount rate was updated from 5.40% as of June 30, 2020 measurement date to 7.00% as of June 30, 2021 measurement date.

Post-Retirement Benefits

Benefit Changes

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

Changes of Assumptions

Mortality rate improvement assumptions, trend rate assumptions, and repealment of the excise tax and discount rate assumptions have been updated from the June 30, 2020 valuation to be consistent with industry standards. The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

MONTCLAIR STATE UNIVERSITY
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Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

<u>Federal Grantor / Pass-through Grantor/ program or cluster title</u>	<u>Additional Award Identification</u>	<u>Federal Assistance Listing Number</u>	<u>Subrecipient</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
Student Financial Assistance Cluster:					
U.S. Department of Education					
Direct Programs:					
Federal Supplemental Educational Opportunity Grants		84.007		\$ 1,581,017	
Federal Work-Study Program		84.033		552,535	
Federal Perkins Loan Program-Federal Capital Contributions		84.038		2,245,199	
Federal Pell Grant Program		84.063		38,712,552	
Federal Direct Student Loans		84.268		93,511,788	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		84.379		20,746	
Total Student Financial Assistance Cluster				<u>136,623,837</u>	
Higher Education Emergency Relief Funds (HEERF):					
U.S. Department of Education					
Direct Programs:					
Coronavirus Aid, Relief, and Economic Security (CARES Act):					
CARES ACT Higher Education Emergency Relief Fund - IHES	COVID-19, 84.425E	84.425E		32,342,058	
CARES ACT Higher Education Emergency Relief Fund - Operational	COVID-19, 84.425F	84.425F		27,409,589	
CARES ACT Higher Education Emergency Relief Fund -HSI/MSI	COVID-19, 84.425L	84.425L		2,582,261	
Education Stabilization Fund	COVID-19, 84.425	84.425		238,190	
CARES ACT Governor's Relief Fund -GEERF II	COVID-19, 84.425C	84.425C		318,679	
Total CARES Act: Higher Education Emergency Relief Fund (HEERF)				<u>62,890,777</u>	
Research and Development Cluster:					
U.S. Department of Agriculture					
Direct Programs:					
Agriculture and Food Research Initiative (AFRI)		10.310		3,907	
Indirect Programs:					
University of Florida				671	
Agriculture and Food Research Initiative (AFRI)		10.310		4,578	
Subtotal U.S. Department of Agriculture					
U.S. Department of Health and Human Services					
Direct Programs:					
Biomedical Research and Research Training		93.859		389,125	
Child Health and Human Development Extramural Research		93.865		110,707	
Aging Research		93.866	Boston College	602,012	\$ 114,223
Indirect Programs:					
New York University					
Biofeedback-Enhanced Treatment for Speech Sound Disorder:					
Randomized Controlled Trial and Delineation of Sensorimotor Subtypes		93.173		225,708	
The Board of Trustees of the University of Alabama System for UAM					
Child Health and Human Development Extramural Research		93.865		43,548	
Subtotal U.S. Department of Health and Human Services				<u>1,371,100</u>	<u>114,223</u>
U.S. Department of the Interior					
Indirect Programs:					
NJ Department of Environmental Protection				1,295	
Connecting Habitat Across New Jersey (CHANJ) Assessment		15.611		1,295	
Subtotal U.S. Department of the Interior					
U.S. Environmental Protection Agency					
Direct Programs:					
P3 Award: National Student Design Competition for Sustainability		66.516		15,096	
Indirect Programs:					
NJ Department of Environmental Protection					
Water Quality Management Planning		66.454	Musconetcong Watershed Association	118,486	12,988
Performance Partnership Grants		66.605		39,609	
Rutgers, The State University of New Jersey					
Environmental Education Grants		66.951		217	
Subtotal U.S. Environmental Protection Agency				<u>173,408</u>	<u>12,988</u>
National Aeronautics and Space Administration					
Direct Programs:					
Science		43.001		19,629	
Office of Stem Engagement (OESTM)		43.008		62,323	
Indirect Programs:					
Temple University		43.001		31,897	
California Institute of Technology, JPL					
Forest and Shrub Mapping with MISR - Mod 008		43.001		39,195	
Subtotal National Aeronautics and Space Administration				<u>153,044</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

MONTCLAIR STATE UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

<u>Federal Grantor / Pass-through Grantor/ program or cluster title</u>	<u>Additional Award Identification</u>	<u>Federal Assistance Listing Number</u>	<u>Subrecipient</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Commerce					
National Oceanic & Atmospheric Administration					
Indirect Programs:					
New Jersey Sea Grant Consortium					
Optimizing Green Infrastructures and Low Impact Development to Mitigate Runoff and Pollution Impacts on Freshwater Systems		11.417		\$ 13,218	
Subtotal U.S. Department of Commerce				<u>13,218</u>	
National Science Foundation					
Direct Programs:					
Engineering Grants		47.041		94,918	
Mathematical and Physical Sciences		47.049		708,079	
Geosciences		47.050		290,406	
Computer and Information Science and Engineering		47.070		464,341	
Biological Sciences		47.074		81,079	
Social, Behavioral, and Economic Sciences		47.075	Johns Hopkins University	206,187	\$ 4,504
Education and Human Resources		47.076		1,296,729	
Polar Programs		47.078		99,246	
Office of International Science and Engineering		47.079		66,455	
Indirect Programs:					
Columbia University Geosciences		47.050		18,750	
Woods Hole Oceanographic Institution Geosciences		47.050		11,299	
Rutgers, The State University of New Jersey Education and Human Resources		47.076		73,780	
American Educational Research Association The impact of gentrification on mathematics achievement of Latino high school students		47.076		15,000	
California Institute of Technology, JPL Faraday Isolator Optical Design and Test		47.049		11,714	
Mathematical Association of America National Research Experience for Undergraduates Program (NREUP)		47.049		9,709	
Appalachian State University RUI:Tracing Coal ash solids in the environment: implications for long-term contamination of the aquatic ecosystem		47.050		5,409	
Subtotal National Science Foundation				<u>3,453,101</u>	<u>4,504</u>
U.S. Department of Health and Human Services					
Indirect Programs:					
Kessler Foundation Extramural Research Program in the Neurosciences and Neurological Disorders		93.853		22,635	
Rutgers, The State University of New Jersey Allergy, Immunology and Transplantation Research		93.855		17,631	
Subtotal U.S. Department of Health and Human Services				<u>40,266</u>	
Total Research and Development Cluster				<u>5,210,010</u>	<u>131,715</u>
TRIO Cluster:					
U.S. Department of Education					
Direct Programs:					
TRIO Upward Bound		84.047		379,690	
Total TRIO Cluster				<u>379,690</u>	
Other Federal Awards:					
Corporation for National & Community Service					
Indirect Programs:					
New Jersey Commission on National and Community Service AmeriCorps		94.006	Rutgers University	467,552	7,687
Subtotal Corporation for the National & Community Service				<u>467,552</u>	<u>7,687</u>
National Endowment for the Humanities					
Direct Programs:					
Promotion of the Humanities Division of Preservation and Access		45.149		11,411	
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development		45.162		243,097	
Promotion of the Humanities Office of Digital Humanities		45.169		3,145	
Indirect Programs:					
New Jersey Council for the Humanities New Jersey and the birth of the Atomic Age		45.129		8,379	
Subtotal National Endowment for the Humanities				<u>266,032</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

MONTCLAIR STATE UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

<u>Federal Grantor / Pass-through Grantor/ program or cluster title</u>	<u>Additional Award Identification</u>	<u>Federal Assistance Listing Number</u>	<u>Subrecipient</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Agency for International Development					
Indirect Programs:					
National Academy of Sciences					
Towards innovative and green water reuse with integrated constructed wetlands and ferrate(vi) treatment		98.001		\$ 52,591	
Subtotal U.S. Agency for International Development				<u>52,591</u>	
U.S. Department of Education					
Direct Programs:					
Teacher Quality Partnership Grants		84.336		940,473	
Advising 2025: Creating a Coordinated Care Network for Student Success		84.031		421,124	
Indirect Programs:					
University of Nebraska-Lincoln					
English Language Acquisition State Grants		84.365		9,903	
Nathan Kline Institute for Psychiatric Research					
Enhancing the applicability of an evidence-based intervention to reduce social anxiety and improve educational outcomes in Black American students in urban public high schools		84.305		88,376	
New Jersey Department of Education					
NJ Inclusive Education Technical Assistance (NJIETA)		84.027	New Jersey Coalition for Inclusive Education Inc.	1,595,660	\$ 1,084,393
Tulane University					
School Choice Policy Resaerch Center: A National Research Partnership to Improve School Choice for Disadvantaged Students		84.305C		6,241	
Subtotal U.S. Department of Education				<u>3,061,777</u>	<u>1,084,393</u>
U.S. Department of Health and Human Services					
Direct Programs:					
Research Related to Deafness and Commuication Disorders		93.173		58,067	
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243		36,647	
Drug-Free Communities Support Program Grants		93.276	Rutgers University	437,045	1,974
Indirect Programs:					
New Jersey Department of Children and Families					
Maternal and Child Health Federal Consolidated Programs		93.110		202,324	
Community-Based Child Abuse Prevention Grants		93.590		166,935	
Maternal, Infant and Early Childhood Home Visiting Grant Program		93.870		170,981	
Every Student Succeeds Act/Preschool Development Grant		93.434		118,250	
New Jersey Department of Children and Families					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596		3,007,816	
New Jersey Department of Human Services					
Child Care and Development Block Grant		93.575		196	
Total Child Care Development Fund Cluster				<u>3,008,012</u>	
Subtotal U.S. Department of Health and Human Services				<u>4,198,261</u>	<u>1,974</u>
U.S. Department of Justice					
Indirect Programs:					
National Institute of Justice					
Investigating the Effectiveness of the School Security Climate on Student Correctedness and School Performance		16.560		138,835	
Subtotal U.S. Department of Justice				<u>138,835</u>	
U.S. Department of the Interior					
Direct Programs:					
Collaborative Research: Modeling Long-Term Morphologic of Barrier Islands in Support of Research in Coastal Sediment Supply and Flux		15.808		71,556	
Indirect Programs:					
Rutgers, The State University of New Jersey					
Reshaping Conventional Water Purification with Ferrate (VI) Activation: One-Step Treatment Enables Removals of Harmful Algal Blooms-Derived Emerging and Traditional Contaminants		15.805		3,545	
Subtotal U.S. Department of the Interior				<u>75,101</u>	
Total Other Federal Awards				<u>8,260,149</u>	<u>1,094,054</u>
Total Expenditures of Federal Awards				<u>\$ 213,364,463</u>	<u>\$ 1,225,769</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

MONTCLAIR STATE UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2022

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	Grant / Account or Other I.D. Number	Grant Period	Grant Amount	Life to Date Amount	Current Year Expenditures
N.J. Department of Treasury – Office of Student Assistance					
Student Financial Assistance Cluster:					
N.J. Higher Education Student Assistance Authority					
Tuition Aid Grant Programs 2021	21-100-084-2601-009	July 1, 2020 - June 30, 2021	\$ 34,591,505	\$ 34,318,075	\$ (101,264)
Tuition Aid Grant Programs 2022	22-100-084-2601-009	July 1, 2021 - June 30, 2022	45,028,756	45,028,756	45,695,006
Urban Scholars Program 2022	22-100-084-2405-278	July 1, 2021 - June 30, 2022	100,000	7,000	7,000
New Jersey College Loans to Assist State Students	N/A	July 1, 2021 - June 30, 2022	3,009,132	3,255,021	3,255,021
New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Program	22-100-074-2405-313	July 1, 2021 - June 30, 2022	200,000	124,342	124,342
Subtotal N.J. Higher Education Student Assistance Authority			<u>82,929,392</u>	<u>82,733,194</u>	<u>48,980,105</u>
N.J. Commission on Higher Education					
Educational Opportunity Fund - Article III - Academic Year FY21	21-100-074-2401-001	July 1, 2020 - June 30, 2021	1,060,820	1,039,807	(21,013)
Educational Opportunity Fund - Article III - Academic Year FY22	22-100-074-2401-001	July 1, 2021 - June 30, 2022	985,000	1,091,828	1,091,828
Educational Opportunity Fund - Article III - Summer FYS 20 & 21	21-100-074-2401-001	June 1, 2020 - July 31, 2021	455,889	454,805	-
Educational Opportunity Fund - Article III - Summer FYS 21 & 22	22-100-074-2401-001	June 1, 2021 - July 31, 2022	443,452	443,431	442,311
Educational Opportunity Fund - EOF Winter FY22	22-100-074-2401-001	July 1, 2021 - June 30, 2022	237,773	136,606	136,606
Educational Opportunity Fund - (HCP) EOF Winter FY22	22-100-074-2401-001	July 1, 2021 - June 30, 2022	20,293	17,107	17,107
Educational Opportunity Fund (HCP) - Article III - Summer FYS 21 & 22	22-100-074-2401-001	June 1, 2021 - July 31, 2022	117,778	101,683	101,683
Educational Opportunity Fund - Student Leadership and Empowerment Series Summer 2021	21-100-074-2401-001	June 1, 2020 - November 1, 2021	50,900	49,867	35,617
Educational Opportunity Fund - Financial Wellness Program		June 1, 2021 - June 30, 2022	21,500	21,500	21,500
Educational Opportunity Fund - Counselor Training Institute (CTI)		June 1, 2021 - August 31, 2022	39,896	31,687	31,687
Subtotal N.J. Commission on Higher Education			<u>3,433,301</u>	<u>3,388,321</u>	<u>1,857,326</u>
Total Student Financial Assistance Cluster			<u>86,362,693</u>	<u>86,121,514</u>	<u>50,837,431</u>
N.J. Council on the Arts					
General Programming Support FY 20-22	C-2217X020052	July 1, 2021 - June 30, 2022	79,464	75,494	75,494
Subtotal N.J. Council on the Arts			<u>79,464</u>	<u>75,494</u>	<u>75,494</u>
N.J. Higher Education Administration					
Fringe Benefits Health for Senior Public Colleges and Universities	22-100-094-9410-003	July 1, 2021 - June 30, 2022	15,911,915	15,911,915	15,911,915
Employer Contributions Alternate Benefit Program	22-100-082-2155-017	July 1, 2021 - June 30, 2022	12,291,615	12,291,615	12,291,615
FICA (Social Security Tax) for Senior Public Colleges and Universities	22-100-094-9410-137	July 1, 2021 - June 30, 2022	13,279,101	13,279,101	13,279,101
Grants-in-Aid Appropriations to Senior Public Colleges and Universities	22-100-074-2465-001	July 1, 2021 - June 30, 2022	63,301,000	63,301,000	63,301,000
Subtotal N.J. Higher Education Administration			<u>104,783,631</u>	<u>104,783,631</u>	<u>104,783,631</u>
N.J. Board of Public Utilities					
Assistance to New Jersey Fuel Cell Task Force Report Development	Memorandum of Understanding	January 7, 2022 - January 6, 2023	93,339	77,586	77,586
Office of the Economist: Research and Technical Assistance-Utility Bill Deferments in New Jersey	22-ECO-001	September 1, 2021 - November 30, 2022	222,889	91,109	91,109
Subtotal N.J. Board of Public Utilities			<u>316,228</u>	<u>168,695</u>	<u>168,695</u>
N.J. Commission on Higher Education					
Educational Opportunity Fund - Article IV - Academic Year FY20	20-100-074-2601-002	June 1, 2019 - July 31, 2020	573,220	573,235	11
Educational Opportunity Fund - Article IV - Academic Year FY21	21-100-074-2601-002	June 1, 2020 - July 31, 2021	448,374	446,397	11,266
Educational Opportunity Fund - Article IV - Academic Year FY22	22-100-074-2601-002	June 1, 2021 - July 31, 2022	607,534	575,149	559,711
Educational Opportunity Fund - Article IV - Academic Year FY22	23-100-074-2601-002	June 1, 2022 - July 31, 2023	607,534	17,697	17,697
Educational Opportunity Fund - Article IV - Summer 2021 FY22	22-100-074-2401-001	June 1, 2021 - August 31, 2022	30,141	28,400	28,400
Educational Opportunity Fund - Article IV - Summer 2022 FY23	23-100-074-2401-001	June 1, 2022 - August 31, 2023	35,981	3,662	3,662
Educational Opportunity Fund (HCP) - Article IV - Summer FYS 20 & 21	21-100-074-2401-001	June 1, 2020 - July 31, 2021	4,234	4,234	(461)
Educational Opportunity Fund (HCP) - Article IV - Summer 2021 FY22	22-100-074-2401-001	June 1, 2021 - July 31, 2022	7,738	7,738	7,738
Educational Opportunity Fund (HCP) - Article IV - Summer 2022 FY23	23-100-074-2401-001	June 1, 2022 - July 31, 2023	115,369	3,604	3,604
Educational Opportunity Fund (HCP) - Article IV - Academic Year FY21	21-100-074-2601-002	June 1, 2020 - July 31, 2021	136,356	136,356	1,332
Educational Opportunity Fund (HCP) - Article IV - Academic Year FY22	22-100-074-2601-002	June 1, 2021 - July 31, 2022	195,036	170,618	164,112
Educational Opportunity Fund (HCP) - Article IV - Academic Year FY23	23-100-074-2601-002	June 1, 2022 - July 31, 2023	195,036	7,420	7,420
Subtotal N.J. Commission on Higher Education			<u>2,956,553</u>	<u>1,974,510</u>	<u>804,492</u>
N.J. Department of State					
New Jersey Covid-19 Service Corps (NJCSC)		October 1, 2020 - January 31, 2022	417,933	82,651	
Subtotal N.J. Department of State			<u>417,933</u>	<u>82,651</u>	
N.J. Department of Environmental Protection					
Direct Programs:					
Assessment of Clinging Jellyfish Gonionemu	SR17-002, SR17-024	July 1, 2016 - December 31, 2021	124,584	124,502	(10)
Assessment of the impacts of OCNCS on gelatinous zooplankton and planktonic community structure - Year 2	SR19-004 & SR21-003	April 1, 2019 - July 31, 2021	68,992	71,218	23,645
Restoration and Enhancement of Submerged Aquatic Vegetation in Barnegat Bay, New Jersey	WM20-023	January 28, 2021 - January 27, 2024	300,000	43,873	38,471
Indirect Programs:					
Berkeley Township Underwater Search and Rescue Unit					
Sea Nettle Outreach and Assistance - Jellyfish Hazard Management	WM-20-019_MSU	January 26, 2021 - January 25, 2024	75,000	3,903	3,903
Subtotal N.J. Department of Environmental Protection			<u>568,576</u>	<u>243,496</u>	<u>66,009</u>
N.J. Department of Health					
New Jersey Middle School Risk and Protective Factor Survey	NJ-MOA	December 1, 2018 - May 31, 2022	853,627	850,571	193,472
Cognitive and neural mediators of working and long-term memory impairment in TBI	CBIR20IRG027	April 1, 2020 - March 31, 2023	306,746	229,736	113,720
Indirect Programs:					
Central Jersey Family Health Consortium					
Partnership between the NJ Department of Health and the Center for Autism and Early Childhood Mental Health at Montclair State University	DFHS22HWF004	October 1, 2021 - September 30, 2022	88,400	22,353	22,353
Subtotal N.J. Department of Health			<u>1,248,773</u>	<u>1,102,660</u>	<u>329,544</u>
N.J. Department of Human Services					
NJ Hearing Aid Project		July 1, 2016 - June 30, 2020	198,672	162,194	
FY2020 NJ Hearing Aid Project	NJ-MOA	July 1, 2019 - June 30, 2021	78,333	58,281	
FY2020 NJ Hearing Aid Project - Year 2	NJ-MOA	July 1, 2020 - June 30, 2021	80,198	70,521	1,288
New Jersey Hearing Aid Project - Year 3	NJ-MOA	July 1, 2021 - September 30, 2022	100,795	70,481	70,481
Supporting Students in Recovery: Recovery Housing and Supports to Prevent and Reduce Substance Abuse on College Campuses in New Jersey	20-934-ADA-0	September 01, 2019 - June 30, 2021	771,031	374,601	4,842
Subtotal N.J. Department of Human Services			<u>1,229,029</u>	<u>736,077</u>	<u>76,611</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

MONTCLAIR STATE UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2022

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	Grant / Account or Other I.D. Number	Grant Period	Grant Amount	Life to Date Amount	Current Year Expenditures
N.J. Department of Law and Public Safety Understanding Human Trafficking in New Jersey: An Analysis of Data Collection	NJ-MOA	November 1, 2020 - December 31, 2021	\$ 50,000	\$ 50,000	\$ 24,888
Indirect Programs:					
Hackensack Meridian Health					
Community-Based Violence Intervention Program		April 1, 2022 - July 31, 2022	31,961	20,891	20,891
NJ Hospital-Based Violence Intervention (HBVI) - Data Consultancy			18,126	10,445	10,445
NJ Hospital-Based Violence Intervention (HBVI) - Project Evaluation			31,980	20,891	20,891
Subtotal N.J. Department of Law and Public Safety			<u>132,067</u>	<u>102,227</u>	<u>77,115</u>
State of New Jersey					
Building Our Future Bond Act - Environmental	032-02	April 29, 2014 - June 30, 2022	46,878,894	46,816,140	37,329
Building Our Future Bond Act - School of Business	032-01	April 29, 2014 - June 30, 2020	39,284,018	39,284,018	
Subtotal State of New Jersey			<u>86,162,912</u>	<u>86,100,158</u>	<u>37,329</u>
Total Expenditures of State Financial Assistance			\$ 284,046,329	\$ 281,313,391	\$ 157,256,350

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

Notes to Schedules of Expenditures of Federal Awards
and State Financial Assistance

Year Ended June 30, 2022

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") have been prepared in the format required under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Office of Management and Budget Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these Schedules is to present a summary of those activities of the University for the year ended June 30, 2022 which have been financed by the Federal government and State of New Jersey. For purposes of these Schedules, Federal awards and State of New Jersey awards include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other non-cash assistance. Because these Schedules present only a selected portion of the activities of the University, they are not intended to, and do not, present the financial position, changes in net position or the current funds revenues, expenditures, cash flows, and other changes of the University in conformity with generally accepted accounting principles.

The accounting practice followed by the University in preparing the accompanying Schedules is as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the Uniform Guidance. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

2. Indirect Cost Rate

The University has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Perkins Loan Programs

	<u>AL #</u>	<u>Loans extended for the year ended June 30, 2022</u>	-	<u>Outstanding principal balance at June 30, 2022</u>
Perkins Loan Program	84.038	\$	-	\$ 1,579,251

4. Federal Direct Loan Program and New Jersey College Loans to Assist State Students ("NJ CLASS")

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan program and NJ CLASS program and, accordingly, these loans are not included in the University's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the University under this program as of June 30, 2022.



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

Independent Auditors' Report

**Board of Trustees of
Montclair State University**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of Montclair State University, a component unit of the State of New Jersey, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Montclair State University's basic financial statements, and have issued our report thereon dated February 17, 2023. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Report on Internal Control over Financial Reporting

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

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

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

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montclair State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 17, 2023



**Report on Compliance for Each Major Federal and State Program and Report
On Internal Control over Compliance Required by the
Uniform Guidance and New Jersey OMB Circular Letter 15-08**

Independent Auditors' Report

**Board of Trustees of
Montclair State University**

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Montclair State University's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of Montclair State University's major federal and state programs for the year ended June 30, 2022. Montclair State University's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Montclair State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey OMB Circular Letter 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Montclair State University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Montclair State University's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular Letter 15-08, we:

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

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

**Board of Trustees
Montclair State University**

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Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
March 24, 2023

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Are any material weakness(es) identified? ___ Yes X No
- Are any significant deficiency(ies) identified? ___ Yes X None reported
- Is any noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major federal programs:

- Are any material weakness(es) identified? ___ Yes X No
- Are any significant deficiency(ies) identified? ___ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425E/84.425F/84.425L/84.425C	CARES Act: Higher Education Emergency Relief Fund
10.310/93.859/93.865/93.866/93.173/ 15.611/66.516/66.454/66.605/66.951/ 43.001/43.008/11.417/45.149/47.041/ 47.049/47.050/47.070/47.074/47.075/ 47.076/47.078/47.079/93.853/93.855	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$2,302,219

Auditee qualified as low-risk auditee?

X Yes ___ No

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

Notes to Schedules of Expenditures of Federal Awards
and State Financial Assistance

Year Ended June 30, 2022

Part II – Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

**Part III - Schedule of Federal and State Award Findings
and Questioned Costs**

No federal award or state financial assistance program compliance findings or questioned costs were noted that are required to be reported in accordance with 2 CFR 200 section .516(a) or NJ OMB Circular Letter 15-08.

Montclair State University
(A Component Unit of the State of New Jersey)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

No prior year findings were noted.