



# KEAN

(A Component Unit of the State of New Jersey)

## REPORT ON FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**REPORT ON FINANCIAL STATEMENTS AND  
SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
IN ACCORDANCE WITH  
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST  
PRINCIPLES AND AUDIT REQUIREMENTS FOR FEDERAL  
AWARDS (UNIFORM GUIDANCE) AND  
NEW JERSEY OMB CIRCULAR 15-08**

**YEARS ENDED JUNE 30, 2023 AND 2022**

**KEAN UNIVERSITY**  
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## INDEPENDENT AUDITORS' REPORT

**The Board of Trustees  
Kean University**

**Report on the Audit of the Financial Statements**

### ***Opinions***

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and the discretely presented component unit of Kean University, as of June 30, 2023 and 2022, 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.

We did not audit the financial statements of the Kean University Foundation, Inc. and subsidiaries (the "Foundation"), the discretely presented component unit of Kean University. The Foundation's financial statements represent 12% of total assets, 25% of total net position and 3% of total operating revenues for the year ended June 30, 2023 and 11% of total assets, 23% of total net position and 2% of total operating revenues for the year ended June 30, 2022. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards and requirements are further described in the Auditor's 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.

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**The Board of Trustees  
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***Change in Accounting Policy***

We draw attention to Note 22 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. 96, "*Subscription-Based Information Technology Arrangements*". 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.

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.

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

***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.

**The Board of Trustees  
Kean University**

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- 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the University's proportionate share of the net pension liability Public Employees' Retirement System – PERS, schedule of University contributions Public Employees' Retirement System - PERS, schedule of the University's proportionate share of the net pension liability Police and Firemen's Retirement System – PFRS, schedule of University contributions Police and Firemen's Retirement System – PFRS, schedule of the State's proportionate share of the net pension liability associated with the University Teacher's Pension and Annuity Fund – TPAF and schedule of the State's Proportionate Share of the Net OPEB Liability – State Health Benefit Retired Employees Fund as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information as presented in the table of contents, which consists of the schedules of expenditures of federal awards and state financial assistance, 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* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**The Board of Trustees  
Kean University**

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The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information identified above is fairly stated, in all material respects, in relation to the basic 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 21, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
February 21, 2024



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

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*Overview of Basic Financial Statements and Financial Analysis*

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This section of the financial statements for Kean University of New Jersey (the "University") presents management's discussion and analysis of the University's financial position and changes in financial position for the years ended June 30, 2023 and 2022 and comparative amounts for the year ended June 30, 2021. The discussion in this report focuses on the operations and financial position of Kean University. It is an overview of the reporting unit's financial activities and should be read in conjunction with the financial statements and notes, which follow this section. Management has prepared the financial statements and the related note disclosures, along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. All dollar amounts referred to in this Management's Discussion and Analysis are expressed in thousands.

**University Overview**

Kean University of New Jersey, one of twelve public institutions in the New Jersey system of public higher education, offers programs in the liberal arts and sciences as well as in business and other professional studies within a liberal context at both the bachelor's and master's level. Organized into schools, which provide thematic learning communities, the University presents a curriculum of traditional majors and innovative programs in an interdisciplinary fashion. Supported by global partnerships and telecommunications, international and intercultural education have become central themes in Kean's programming. The University purposely involves students in the cultural diversity of the world and of American society.

**Financial Statements**

The University's financial statements include the following: the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles and accounting principles generally accepted in the United States of America.

Kean University Foundation, Inc. and subsidiaries (the "Foundation") is a legally separate component unit of Kean University and is exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation's purpose is to obtain private funding to enhance the educational goals of Kean University. Because the resources of the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is presented as a discretely presented component unit in the University's financial statements in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statement No. 14 and No. 61*.

Separate financial statements of the Foundation can be obtained from the Kean University Foundation, Inc. at 1000 Morris Avenue, T-130, Union, NJ 07083 and/or from the Foundation's website at [www.keanfoundation.org](http://www.keanfoundation.org).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
***(Required Supplementary Information)***

**YEARS ENDED JUNE 30, 2023 and 2022**

**New Accounting Standard**

The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for the University's fiscal year beginning June 15, 2022. This statement defines and establishes a SBITA in a right-to use subscription asset, intangible asset, and corresponding subscription liability. The statement provides capitalization criteria for outlays other than subscription payments, including implementation costs and required note disclosures. Except for fiscal 2021 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 recognized a SBITA asset of \$8.0 million with an offsetting SBITA payable of \$7.8 million as of June 30, 2023 and recognized a SBITA asset of \$2.8 million with an offsetting SBITA payable of \$2.8 million as of June 30, 2022.

**Statements of Net Position**

Net position represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists primarily of grants and contracts and capital funds that are subject to regulations or restrictions governing their use. The unrestricted component of net position is available to the University for general purposes but may be internally designated for various academic and student programs. The following represents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University at June 30, 2023, 2022 and 2021:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

|                                  | Net Position          |                      |                      |
|----------------------------------|-----------------------|----------------------|----------------------|
|                                  | <i>(in thousands)</i> |                      |                      |
|                                  | June 30,              |                      |                      |
|                                  | <u>2023</u>           | <u>2022</u>          | <u>2021</u>          |
|                                  |                       | <i>(as restated)</i> | <i>(as restated)</i> |
| Current assets                   | \$ 208,473            | \$ 207,878           | \$ 204,609           |
| Capital assets, net              | 558,917               | 559,800              | 569,778              |
| Other noncurrent assets          | <u>1,660</u>          | <u>2,392</u>         | <u>3,588</u>         |
| Total Assets                     | <u>769,050</u>        | <u>770,070</u>       | <u>777,975</u>       |
| Deferred Outflows of Resources   | <u>33,562</u>         | <u>33,367</u>        | <u>35,085</u>        |
| Current liabilities              | 68,079                | 43,412               | 43,047               |
| Noncurrent liabilities           | <u>371,765</u>        | <u>381,331</u>       | <u>401,120</u>       |
| Total Liabilities                | <u>439,844</u>        | <u>424,743</u>       | <u>444,167</u>       |
| Deferred Inflows of Resources    | <u>54,100</u>         | <u>70,205</u>        | <u>78,330</u>        |
| Net Position:                    |                       |                      |                      |
| Net investment in capital assets | 255,822               | 246,460              | 247,107              |
| Restricted                       | 25,342                | 30,185               | 26,509               |
| Unrestricted                     | <u>27,504</u>         | <u>31,844</u>        | <u>16,947</u>        |
| Total Net Position               | <u>\$ 308,668</u>     | <u>\$ 308,489</u>    | <u>\$ 290,563</u>    |

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

Kean University's net position increased slightly during fiscal 2023. Operating revenues of \$146.0 million, plus net non-operating revenues and capital related revenues, net of interest expense of \$169.7 million, exceeded operating expenses of \$301.3 million and transfers to the Foundation of \$2.1 million. State appropriations and State payment of fringe benefits totaling \$108.7 million plus Federal and State Non-Operating Grants of \$52.7 million more than offset the year's operating loss of \$155.3 million and net interest expense, investment income, and other expenses of \$12.0 million.

Net investment in capital assets increased \$9.4 million which was due mostly to a mix of offsetting activity. Such activity includes the transfers of completed construction in progress to capital assets as well as new construction spending offset by depreciation/amortization related to existing capital assets. Restricted net position decreased \$4.8 million which was mainly the result of a decrease in the cash transferred to the Plant fund for upcoming projects.

In fiscal year 2022, net position increased approximately \$17.9 million. Operating revenues of \$130.7 million, plus net non-operating revenues and capital related revenues, net of interest expense of \$173.4 million, exceeded operating expenses of \$282.6 million and transfers to the Foundation of \$3.6 million. State appropriations and State payment of fringe benefits totaling \$96.7 million plus Federal and State Non-Operating Grants of \$90.3 million more than offset the year's operating loss of \$151.9 million and net interest expense, investment income, and other expenses of \$13.7 million.

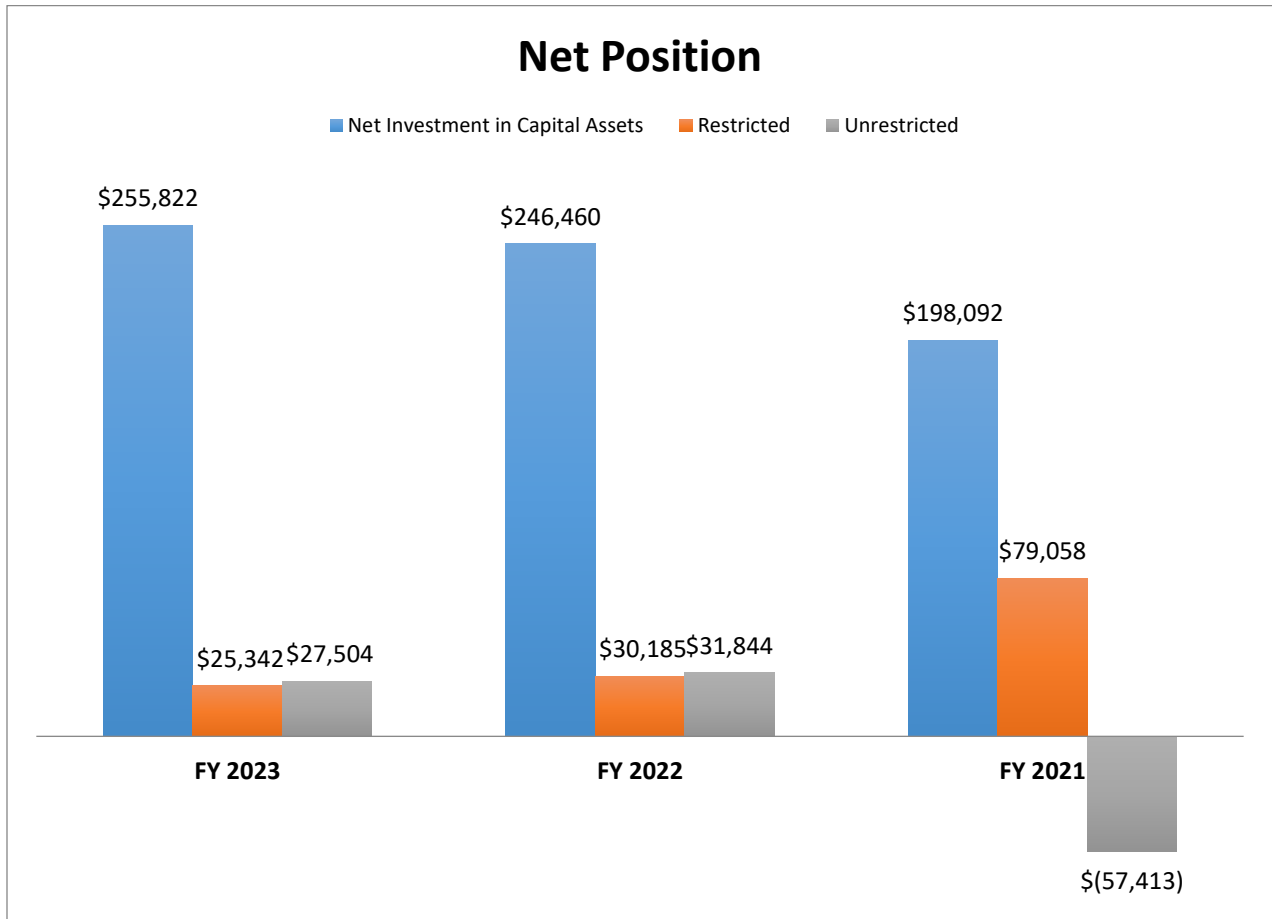
Current assets consist primarily of cash and equivalents, deposits held by bond trustees under bond agreements for capital activities, investments and accounts receivable. Noncurrent assets consist primarily of investments, land, construction-in-progress, capital assets, leases payable, and right-of-use assets net of accumulated depreciation and amortization. Current liabilities consist primarily of accounts payable, accrued expenses, unearned revenue and long-term debt – current portion. Noncurrent liabilities consist primarily of long-term debt and the net pension liability.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

Graphically displayed below is net position by category as of June 30, 2023, 2022 and 2021.



**KEAN UNIVERSITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

**Statements of Revenues and Expenses and Changes in Net Position**

The statements of revenues, expenses and changes in net position present the University's changes in net position. The purpose of the statement is to present the revenues earned by Kean University, including operating, non-operating and capital and expenses incurred by the University, both operating and non-operating. A summary of the University's revenues for the years ended June 30, 2023, 2022 and 2021 follows:

|  | Year Ended June 30, |                |                |
|--|---------------------|----------------|----------------|
|  | 2023                | 2022           | 2021           |
| Operating revenues:  |                     |                |                |
| Student revenues, net  | \$ 123,194          | \$ 114,056     | \$ 128,449     |
| Grants and contracts   | 11,198              | 8,175          | 5,721          |
| Other  | 11,604              | 8,423          | 4,533          |
| Total Operating Revenues   | 145,996             | 130,654        | 138,703        |
| Non-operating revenues (expenses) and capital revenues:              |                     |                |                |
| State appropriation/paid fringe benefits                             | 108,654             | 96,707         | 79,173         |
| State appropriation - capital  | 235                 | 85             | 74             |
| Grants and contracts   | 52,648              | 90,343         | 92,842         |
| Private gifts, investment income, interest<br>expense and other, net | (4,028)             | (13,652)       | (11,315)       |
| Total Non-operating revenues (expenses), and capital revenues        | 157,509             | 173,483        | 160,774        |
| <br>Total Revenues and Non-Operating Expenses                        | <br>\$ 303,505      | <br>\$ 304,137 | <br>\$ 299,477 |

**Operating Revenues**

Operating revenues are recognized by Kean University for providing goods and services directly to its customers (students). Operating revenues increased \$15.3 million in fiscal 2023 versus fiscal 2022. Net student revenues increased \$9.1 million, while federal and state grants and contracts increased \$3.0 million. Other operating revenues increased \$3.1 million.

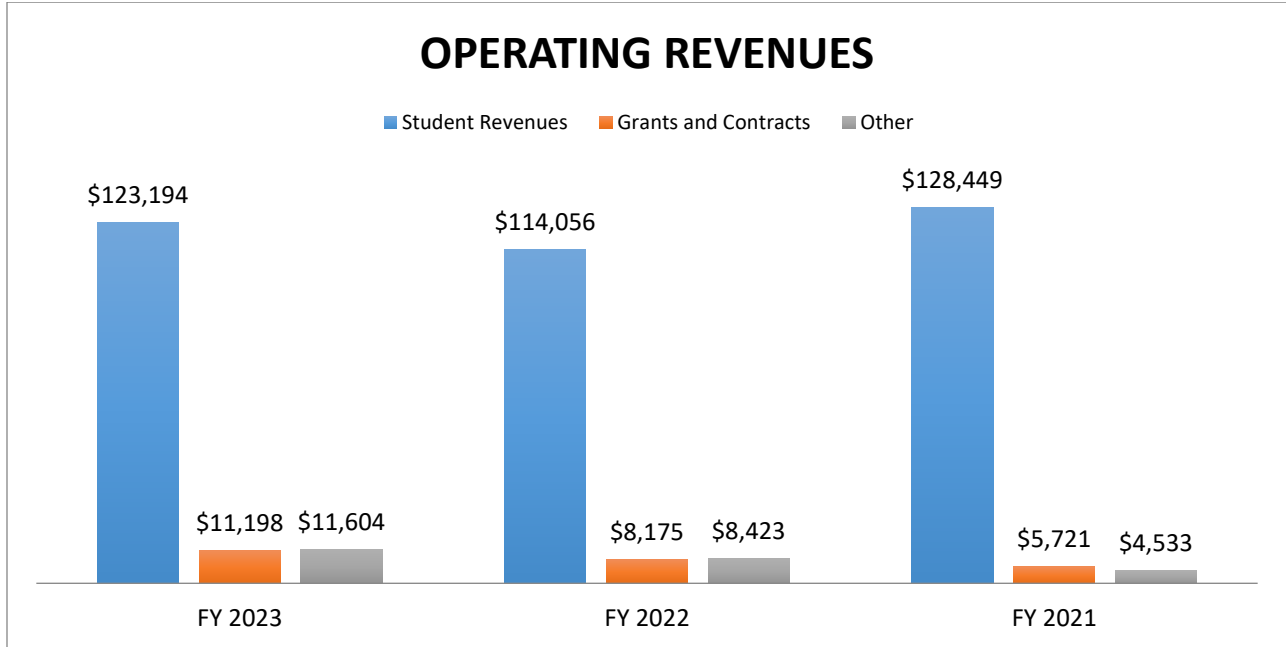
In fiscal 2022, operating revenues decreased \$8.0 million in fiscal 2023 versus fiscal 2022. Net student revenues decreased \$14.4 million, while federal and state grants and contracts increased \$2.5 million. Other operating revenues increased \$3.9 million.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

Following is a breakdown of operating revenues by category for the years ended June 30, 2023, 2022 and 2021:



**Non-Operating and Capital Revenues**

Non-operating and capital related revenues are revenues earned for which no goods or services have been provided. The primary non-operating and capital revenues earned by the University are State appropriations and State payments of fringe benefits (on-behalf) which totaled \$108.7 and \$97.7 million in 2023 and 2022, respectively, for an increase of \$11.0 million.

Approximately \$8.6 million of this increase was due to increased State appropriations mostly related to the outcomes based initiative. The remaining \$2.4 million variance was primarily due to two top side allocations that do not impact the bottom line increase in net position. The first is the required GASB Statement No. 75 allocation for Postemployment Benefits other than Pensions. This allocation of revenue decreased \$7.8 million compared to 2022. The second is the State fringe benefit allocation, which increased \$10.2 million due to an increase in the State’s allocation rate. These decreases are offset by an equal decrease in the amount of expenses allocated to the various functional categories.

The University also incurred a net increase in investment income and expense of \$8.8 million in addition to decreases in Grant and contract revenue and private gifts of \$36.9 million. This was mostly due to funds received related to Federal HEERF grants received in 2022. This program was substantially completed in 2022 and thus did not have significant revenue in 2023.

In total, this resulted in non-operating and capital revenues *decreasing* \$16.0 million when comparing fiscal 2023 to fiscal 2022.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**YEARS ENDED JUNE 30, 2023 and 2022**

In fiscal 2022, State appropriations and State payments of fringe benefits (on-behalf) which totaled \$96.7 and \$79.2 million in 2022 and 2021, respectively, for an increase of \$17.5 million .

Approximately \$8.4 million of this increase was due to increased State appropriations mostly related to the outcomes based initiative. The remaining \$9.1 million variance was primarily due to two top side allocations that do not impact the bottom line increase in net position. The first is the required GASB Statement No. 75 allocation for Postemployment Benefits other than Pensions. This allocation of revenue decreased \$2.0 million compared to 2021. The second is the State fringe benefit allocation, which also increased \$11.1 million due to an increase in the State's allocation rate. These decreases are offset by an equal decrease in the amount of expenses allocated to the various functional categories.

The University also incurred a net decrease in investment income and expense of \$2.4 million in addition to decreases in Grant and contract revenue and private gifts of \$2.5 million. This was mostly due to funds received related to Federal HEERF grants winding down compared to the prior year.

**Operating Expenses**

Operating expenses are those incurred to acquire or produce goods and services in return for operating revenues, and to carry out the mission of the University. Operating expenses include pension-related expenses due to State-managed pension plans of the University. Non-operating expenses are those for which the University does not receive goods or services in return.

For the year ended June 30, 2023, operating expenses *increased* by approximately \$18.7 million. One component of this was due to a decrease in the OPEB allocation charged to revenues and an offset to expenses of \$7.8 million. This is a result of GASB Statement No. 75 which requires financial reporting for Postemployment Benefits other than Pensions. In addition to the GASB Statement No. 75 adjustment, there was also a small *increase* of \$1.0 million in the allocation charge as a result of the GASB Statement No. 68 requirement to record expenses for the PERS and PFRS State-managed pension programs. These pension expenses consisted of employer (i.e., Kean) contributions as well as pension activity expenses to each plan.

Also included in the \$18.7 million variance noted above was an *increase* of \$10.2 million in the fringe benefit expense allocations due to a decrease in the State's Fringe benefit rate. The annual circular rate provided by the NJ Department of Treasury applies an expense allocation to the various programs that have state funded employee positions. These expenses are offset against a corresponding revenue allocation shown in non-operating revenues. The total allocation amounted to \$63.0 and \$52.8 million in 2023 and 2022, respectively.

For financial statement purposes, GASB Statement No. 68 Pension, GASB Statement No. 75 OPEB, and State's Fringe Benefit expenses were allocated among the various program expense line items based on a percentage of salary expenses incurred. For purposes of the Management's Discussion and Analysis, such expense allocation has been excluded and are shown as separate line items in the schedule below.

Excluding the fringe benefit, pension, and OPEB allocations mentioned above, the remaining variance was an *increase* of \$18.7 million in operating expenses. This was primarily due to increases noted in the, Research (\$4.5 million), Public Service (\$2.8 million), Instruction (\$3.0 million), Institutional Support (\$4.0 million), Auxiliary enterprises (\$2.1 million), and Depreciation (\$3.6 million). These increases were offset by a decrease



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**YEARS ENDED JUNE 30, 2023 and 2022**

in scholarship and fellowships expense of \$10.4 million. The decrease in scholarship and fellowships expense was due mostly to the completion of HEERF student grant awards provided through the CARES Act that ended in 2022. Research expenses increased as a result of the University's initiative to achieve research status under the Carnegie Classification system. Increases in Public Service were spread across multiple cost centers including the Watson Institute and Entrepreneurial Education. Institutional Support saw increases in advertising, as well investments in areas such as Information Technology, the Division of Strategic Analysis, and a new Covid Testing Lab cost center. Increases in depreciation and amortization were mostly due to the capitalization of new assets including the Fitness Center, Hutchinson Hall upgrade and various deferred maintenance projects (such as roofing upgrades). The increase also includes recognition of a full year of expense for new assets capitalized in the prior year including the New Faculty Housing complex.

For the year ended June 30, 2022, operating expenses increased by approximately \$48.2 million. One component of this was due to a decrease in the OPEB allocation charged to revenues and an offset to expenses of \$2.0 million. This is a result of GASB Statement No. 75 which requires financial reporting for Postemployment Benefits other than Pensions. In addition to the GASB Statement No. 75 adjustment, there was also a decrease of \$5.8 million in the allocation charge as a result of the GASB Statement No. 68 requirement to record expenses for the PERS and PFRS State-managed pension programs. These pension expenses consisted of employer (i.e., Kean) contributions as well as pension activity expenses to each plan.

Also included in the \$5.1 million variance noted above was an increase of \$11.1 million in the fringe benefit expense allocations due to a decrease in the State's Fringe benefit rate. The annual circular rate provided by the NJ Department of Treasury applies an expense allocation to the various programs that have state funded employee positions. These expenses are offset against a corresponding revenue allocation shown in non-operating revenues. The total allocation amounted to \$52.7 and \$41.6 million in 2022 and 2021, respectively.

For financial statement purposes, GASB Statement No. 68 *Pension*, GASB Statement No. 75 *OPEB*, and State's Fringe Benefit expenses were allocated among the various program expense line items based on a percentage of salary expenses incurred. For purposes of the Management's Discussion and Analysis, such expense allocation has been excluded and are shown as separate line items in the schedule below.

Excluding the fringe benefit, pension, and OPEB allocations mentioned above, the remaining variance was an increase of \$44.8 million in operating expenses. This was primarily due to increases noted in the Scholarships (\$13.8 million), Research (\$4.2 million), Operations (\$5.7 million), Student Services (\$6.1 million), Instruction (\$4.9 million), Institutional Support (\$1.0 million), Auxiliary enterprises (\$3.7 million), Public Service (\$2.2 million), and Depreciation (\$2.3 million). The increase in Scholarship expense was due mostly to the HEERF student grant awards provided through the CARES act along with an increase in academic merit scholarships. Research expenses increased as a result of the Universities initiative to achieve research status under the Carnegie Classification system. Increases in expenses for the remaining functional categories noted above were due to a "return to normal" in terms of campus operations. Fiscal 2021 noted decreases across many of the categories including utilities, household and security, student aides, professional services, and repairs and maintenance. These were all lower in the prior year due to limited occupancy and state mandated social distancing restrictions. Increases in Depreciation and Amortization were mostly due to the capitalization of new assets such as the New Faculty Housing complex as well as the recognition of a full year of expense for new assets capitalized in the prior year including Hynes Hall and Nancy Thompson Library improvement.

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

The following is a summary of operating expenses by category for the fiscal years ended June 30, 2023, 2022 and 2021:

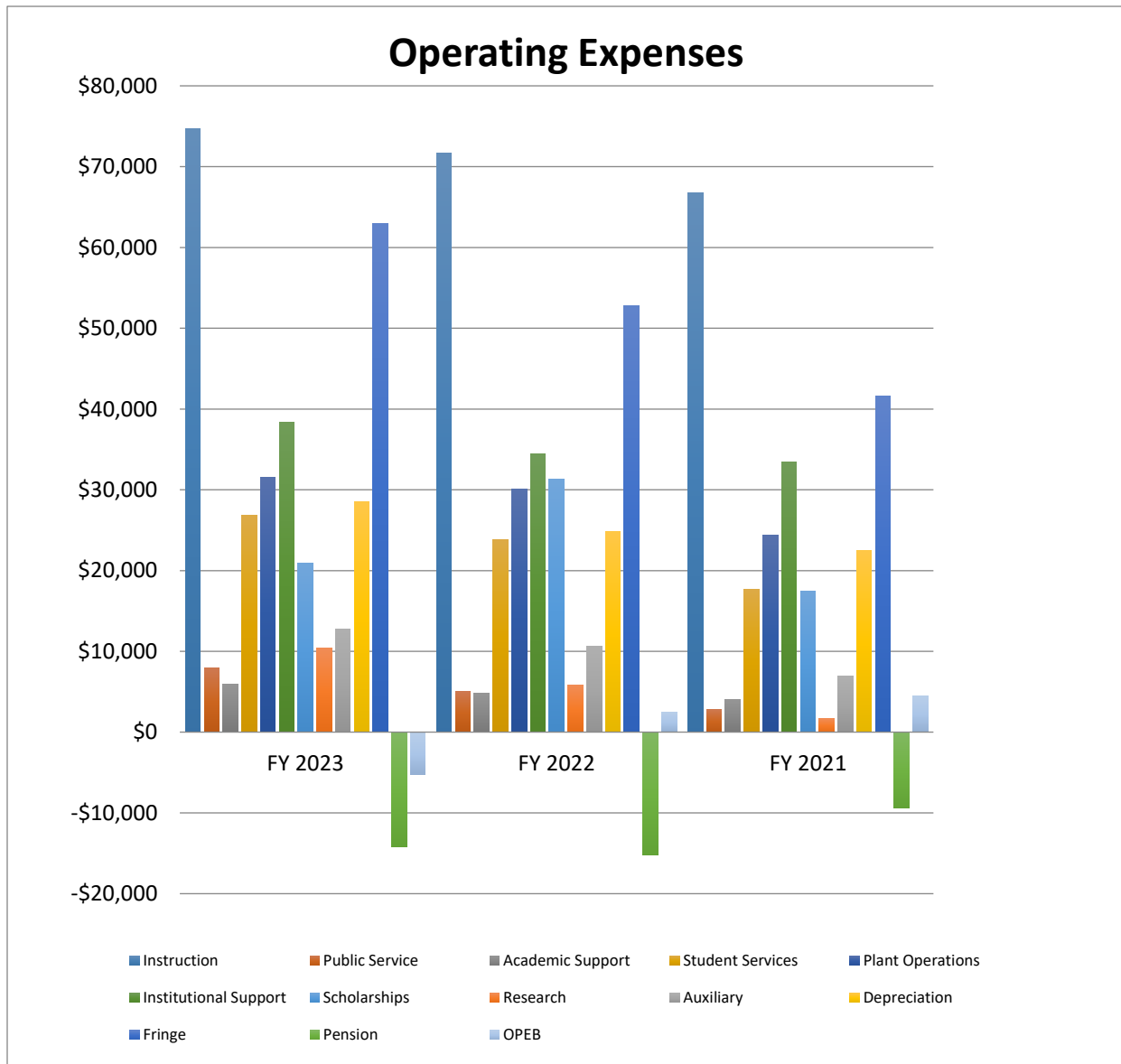
| Total Operating Expenses                  |                     |            |            |
|---|---------------------|------------|------------|
| <i>(in thousands)</i>                     |                     |            |            |
|   | Year Ended June 30, |            |            |
|   | 2023                | 2022       | 2021       |
| Operating expenses:                       |                     |            |            |
| Instruction                               | \$ 74,656           | \$ 71,688  | \$ 66,799  |
| Public service                            | 7,893               | 5,025      | 2,827      |
| Academic support                          | 5,893               | 4,776      | 4,015      |
| Student services                          | 26,849              | 23,871     | 17,727     |
| Operations and maintenance of plant       | 31,501              | 30,110     | 24,342     |
| Institutional support                     | 38,401              | 34,445     | 33,432     |
| Scholarships and fellowships              | 20,892              | 31,292     | 17,481     |
| Research                                  | 10,390              | 5,874      | 1,718      |
| Auxiliary enterprises                     | 12,778              | 10,611     | 6,890      |
| Depreciation and amortization             | 28,469              | 24,783     | 22,440     |
| Subtotal                                  | \$ 257,722          | \$ 242,475 | \$ 197,671 |
| State Fringe Benefit allocation impact    | \$ 62,989           | \$ 52,763  | \$ 41,620  |
| GASB 68 Pension Expense allocation impact | (14,149)            | (15,151)   | (9,385)    |
| GASB 75 OPEB allocation impact            | (5,297)             | 2,499      | 4,460      |
| Total operating expenses                  | \$ 301,265          | \$ 282,586 | \$ 234,366 |

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

The following chart provides a graphical breakdown of operating expenses by category for the fiscal years ended June 30, 2023, 2022 and 2021:



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

**Capital Assets and Debt Administration**

*Capital Assets*

Capital Assets, net (including construction-in-progress) decreased approximately \$0.9 million in 2023 compared to 2022. This was primarily due to a decrease in new capital construction-in-progress spending of \$7.5 million combined with \$19.8 million of new capital assets placed into service partially described below. This overall capital asset increase of \$27.6 million was offset by depreciation and amortization expense of \$28.5 million resulting in the net decrease. The University had approximately \$558.9 million invested in capital assets, net of accumulated depreciation and amortization of \$321.9 million at June 30, 2023 as compared to approximately \$559.8 million net of accumulated depreciation and amortization of \$293.7 million at June 30, 2022. Depreciation and amortization charges totaled \$28.5 and \$24.8 million for the years ended June 30, 2023 and 2022, respectively..

Details of these capital assets, net of accumulated depreciation and amortization, are as follows:

|                                  | June 30,   |               |               |
|----------------------------------|------------|---------------|---------------|
|                                  | 2023       | 2022          | 2021          |
|                                  |            | (as restated) | (as restated) |
| Construction-in-progress         | \$ 27,117  | \$ 19,616     | \$ 33,067     |
| Land                             | 9,123      | 9,123         | 9,123         |
| Land improvements                | 14,213     | 11,947        | 9,707         |
| Buildings and improvements       | 472,153    | 488,688       | 491,214       |
| Right of use - Building          | 192        | 271           | -             |
| Equipment                        | 22,294     | 20,598        | 19,082        |
| Right of use - Equipment         | 967        | 1,567         | 2,166         |
| Right of use subscription assets | 7,976      | 2,840         | -             |
| Infrastructure                   | 4,882      | 5,150         | 5,419         |
|                                  | 531,800    | 540,184       | 536,711       |
|                                  | \$ 558,917 | \$ 559,800    | \$ 569,778    |

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*

**YEARS ENDED JUNE 30, 2023 and 2022**

Major capital additions during the 2023 fiscal year included (in thousands):

|   |    |                    |
|---|----|--------------------|
| Miron Student Center - Center Court Renovations | \$ | 2,067              |
| Summer Maintenance Capital Projects             |    | 1,975              |
| University Phone System Upgrade                 |    | 1,500              |
| Patton Ave Project                              |    | 1,316              |
| Various Maintenance & Roofing Upgrades          |    | 4,076              |
| Total (project to date spending)                | \$ | 10,934             |
|   |    | <u>In progress</u> |
| Additional Roofing Upgrades                     | \$ | 5,088              |
| Miron Student Center HVAC Upgrades              |    | 1,677              |
| Fitness Center Upgrade                          |    | 1,470              |
| Residence Hall Renovations                      |    | 1,147              |
| Hennings Hall Cooling Tower                     |    | 923                |
| Electric Bus/Car Lot                            |    | 762                |
| Elevator Modernization                          |    | 490                |
| Townsend Electrical Repair                      |    | 489                |
| Total (current year spending)                   | \$ | 12,046             |

See Note 3 to the financial statements for additional information relating to the University's capital assets.

**Debt and Long-Term Liabilities**

The University had \$283.2 and \$292.9 million in outstanding debt/long-term liabilities for the years ended June 30, 2023 and 2022, respectively. The outstanding debt/long-term liabilities are summarized below by the type of liability.

|                                     | June 30,   |               |               |
|-------------------------------------|------------|---------------|---------------|
|                                     | 2023       | 2022          | 2021          |
|                                     |            | (as restated) | (as restated) |
| Bonds                               | \$ 265,815 | \$ 279,165    | \$ 291,605    |
| Lease obligations-NJEFA             | 2,462      | 2,691         | 2,909         |
| Lease obligations-Bld/Equip         | 1,217      | 1,890         | 2,194         |
| SBITA payable                       | 7,799      | 2,792         | -             |
| Unamortized premium (discount), net | 5,937      | 6,332         | 6,727         |
|                                     | \$ 283,230 | \$ 292,870    | \$ 303,435    |

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
***(Required Supplementary Information)***

**YEARS ENDED JUNE 30, 2023 and 2022**

Year to year reductions in outstanding debt are primarily due to the payment of principal on outstanding debt and lease obligations. See Note 4 to the financial statements for additional information relating to the University's debt and noncurrent liabilities.

**Summary and Outlook**

Although operating expenses plus interest at Kean University *increased* from \$295.2 million in FY 2002 to \$313.4 million in FY 2023, state aid revenue (appropriations and revenue) only *increased* from \$99.7 million in FY 2002 to \$108.6 million in FY 2023. It is anticipated that state aid appropriations in future years will continue to *decrease*, or at best, remain flat. To offset the increasing gap between state aid revenues and operating expenses, so as to minimize required tuition *increases*, the University will continue its effort to pursue alternate funding sources from outside contributors and other gifts and grants.

**Requests for Information**

This financial report is designed to provide a general overview of Kean University's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joseph Antonowicz, Director of General Accounting, Kean University, 1000 Morris Avenue, Union, New Jersey 07083.

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**STATEMENTS OF NET POSITION**  
(dollars in thousands)

|   | June 30, 2023                                     |   |            | June 30, 2022 - Restated                          |   |            |
|---|---|---|------------|---|---|------------|
|   | Business-Type<br>Activities<br>Kean<br>University | Component<br>Unit<br>Kean<br>University<br>Foundation | Total      | Business-Type<br>Activities<br>Kean<br>University | Component<br>Unit<br>Kean<br>University<br>Foundation | Total      |
| <b>ASSETS</b>   |   |   |            |   |   |            |
| <b>CURRENT ASSETS:</b>  |   |   |            |   |   |            |
| Cash and equivalents  | \$ 38,754   | \$ 4,918  | \$ 43,672  | \$ 33,532   | \$ 2,364  | \$ 35,896  |
| Deposits held by Bond Trustees  | 11,173  | -   | 11,173     | 11,127  | -   | 11,127     |
| Investments   | 142,989   | 86,649  | 229,638    | 142,914   | 82,830  | 225,744    |
| Accounts receivable:  |   |   |            |   |   |            |
| Student accounts (less allowance for doubtful<br>accounts of \$14,441 in 2023 and \$12,916 in 2022)         | 5,573   | -   | 5,573      | 3,779   | -   | 3,779      |
| Student loans   | 495   | -   | 495        | 641   | -   | 641        |
| Gifts and grants  | 3,815   | -   | 3,815      | 8,213   | -   | 8,213      |
| Lease receivables   | -   | -   | -          | 633   | -   | 633        |
| Due from State of New Jersey  | 2,485   | -   | 2,485      | 4,941   | -   | 4,941      |
| Other receivables (less allowance for doubtful<br>collections of \$13 in 2023 and \$37 in 2022)             | 3,189   | 8,534   | 11,723     | 2,098   | 8,046   | 10,144     |
| Total Accounts Receivable   | 15,557  | 8,534   | 24,091     | 20,305  | 8,046   | 28,351     |
| Prepaid expenses and other assets   | -   | 139   | 139        | -   | 72  | 72         |
| Total Current Assets  | 208,473   | 100,240   | 308,713    | 207,878   | 93,312  | 301,190    |
| <b>NONCURRENT ASSETS:</b>   |   |   |            |   |   |            |
| Investments   | 1,556   | -   | 1,556      | 1,783   | -   | 1,783      |
| Student loans receivable  | 104   | -   | 104        | 590   | -   | 590        |
| Land  | 9,123   | -   | 9,123      | 9,123   | -   | 9,123      |
| Construction-in-progress  | 27,117  | -   | 27,117     | 19,616  | -   | 19,616     |
| Capital assets (net of accumulated depreciation/amortization<br>of \$323,725 in 2023 and \$295,539 in 2022) | 522,677   | 1,286   | 523,963    | 531,061   | 1,315   | 532,376    |
| Lease receivable  | -   | -   | -          | 19  | -   | 19         |
| Other Non Current Assets  | -   | 957   | 957        | -   | 892   | 892        |
| Total Noncurrent Assets   | 560,577   | 2,243   | 562,820    | 562,192   | 2,207   | 564,399    |
| Total Assets  | 769,050   | 102,483   | 871,533    | 770,070   | 95,519  | 865,589    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>  |   |   |            |   |   |            |
| Swap termination and loss on refinancing  | 19,821  | -   | 19,821     | 21,462  | -   | 21,462     |
| Pension deferrals   | 13,741  | -   | 13,741     | 11,905  | -   | 11,905     |
| Total Deferred Outflows of Resources  | 33,562  | -   | 33,562     | 33,367  | -   | 33,367     |
| <b>LIABILITIES</b>  |   |   |            |   |   |            |
| <b>CURRENT LIABILITIES:</b>   |   |   |            |   |   |            |
| Accounts payable and accrued expenses   | 23,351  | 363   | 23,714     | 11,903  | -   | 11,903     |
| Accrued interest payable  | 4,205   | -   | 4,205      | 4,338   | -   | 4,338      |
| Unearned revenue  | 18,822  | -   | 18,822     | 7,831   | -   | 7,831      |
| Deposits and other  | 65  | -   | 65         | 65  | -   | 65         |
| Compensated absences - current portion  | 4,596   | -   | 4,596      | 4,245   | -   | 4,245      |
| Lease Payable   | 703   | -   | 703        | 673   | -   | 673        |
| Subscription based information technology arrangements payable  | 2,017   | -   | 2,017      | 778   | -   | 778        |
| Other Current Liabilities   | -   | 108   | 108        | -   | 111   | 111        |
| Long-term debt - current portion  | 14,320  | -   | 14,320     | 13,579  | -   | 13,579     |
| Total Current Liabilities   | 68,079  | 471   | 68,550     | 43,412  | 111   | 43,523     |
| <b>NONCURRENT LIABILITIES:</b>  |   |   |            |   |   |            |
| Compensated absences  | 717   | -   | 717        | 743   | -   | 743        |
| U.S. Government grants refundable   | 25  | -   | 25         | 55  | -   | 55         |
| Lease Payable   | 514   | -   | 514        | 1,217   | -   | 1,217      |
| Subscription based information technology arrangements payable  | 5,782   | -   | 5,782      | 2,014   | -   | 2,014      |
| Other Liabilities   | -   | 1,151   | 1,151      | -   | 1,134   | 1,134      |
| Long-term debt, less current portion  | 259,894   | -   | 259,894    | 274,609   | -   | 274,609    |
| Net pension liability   | 104,833   | -   | 104,833    | 102,693   | -   | 102,693    |
| Total Noncurrent Liabilities  | 371,765   | 1,151   | 372,916    | 381,331   | 1,134   | 382,465    |
| Total Liabilities   | 439,844   | 1,622   | 441,466    | 424,743   | 1,245   | 425,988    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |   |   |            |   |   |            |
| Pension deferrals   | 18,756  | -   | 18,756     | 33,209  | -   | 33,209     |
| Deferred gain on refinancing  | 211   | -   | 211        | 224   | -   | 224        |
| Deferred service concession arrangement   | 35,133  | -   | 35,133     | 36,119  | -   | 36,119     |
| Deferred Inflow amount from Leases  | -   | -   | -          | 653   | -   | 653        |
| Total Deferred Inflows of Resources   | 54,100  | -   | 54,100     | 70,205  | -   | 70,205     |
| <b>NET POSITION</b>   |   |   |            |   |   |            |
| Net investment in capital assets  | 255,822   | -   | 255,822    | 246,460   | -   | 246,460    |
| Restricted:   |   |   |            |   |   |            |
| Nonexpendable   | -   | 93,854  | 93,854     | -   | 87,146  | 87,146     |
| Expendable:   |   |   |            |   |   |            |
| Capital projects  | 25,342  | -   | 25,342     | 30,185  | -   | 30,185     |
| Unrestricted  | 27,504  | 7,007   | 34,511     | 31,844  | 7,128   | 38,972     |
| Total Net Position  | \$ 308,668  | \$ 100,861  | \$ 409,529 | \$ 308,489  | \$ 94,274   | \$ 402,763 |

See accompanying notes to financial statements.

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**(dollars in thousands)**

|   | Year ended June 30, 2023                          |   |                   | Year ended June 30, 2022 - Restated               |   |                   |
|---|---|---|-------------------|---|---|-------------------|
|   | Business-Type<br>Activities<br>Kean<br>University | Component<br>Unit<br>Kean<br>University<br>Foundation | Total             | Business-Type<br>Activities<br>Kean<br>University | Component<br>Unit<br>Kean<br>University<br>Foundation | Total             |
| <b>OPERATING REVENUES:</b>                                    |   |   |                   |   |   |                   |
| Student revenues:   |   |   |                   |   |   |                   |
| Student tuition and fees                                      | \$ 164,137  | \$ -  | \$ 164,137        | \$ 154,295  | \$ -  | \$ 154,295        |
| Auxiliary enterprises   | 19,164  | -   | 19,164            | 13,415  | -   | 13,415            |
| Less: Scholarship allowances                                  | <u>(60,107)</u>                                   | <u>-</u>  | <u>(60,107)</u>   | <u>(53,654)</u>                                   | <u>-</u>  | <u>(53,654)</u>   |
| Student revenues, net   | 123,194   | -   | 123,194           | 114,056   | -   | 114,056           |
| Federal grants and contracts                                  | 5,156   | -   | 5,156             | 3,408   | -   | 3,408             |
| State and local grants and contracts                          | 6,042   | -   | 6,042             | 4,767   | -   | 4,767             |
| Fundraising revenue   | -   | 3,735   | 3,735             | -   | 2,254   | 2,254             |
| Other operating revenues                                      | <u>11,604</u>                                     | <u>61</u>   | <u>11,665</u>     | <u>8,423</u>                                      | <u>210</u>  | <u>8,633</u>      |
| Total operating revenues                                      | <u>145,996</u>                                    | <u>3,796</u>  | <u>149,792</u>    | <u>130,654</u>                                    | <u>2,464</u>  | <u>133,118</u>    |
| <b>OPERATING EXPENSES:</b>                                    |   |   |                   |   |   |                   |
| Instruction   | 98,806  | -   | 98,806            | 94,113  | -   | 94,113            |
| Public service  | 8,852   | -   | 8,852             | 5,749   | -   | 5,749             |
| Academic support  | 6,979   | -   | 6,979             | 5,614   | -   | 5,614             |
| Student services  | 32,862  | -   | 32,862            | 29,585  | -   | 29,585            |
| Operations and maintenance of plant                           | 33,999  | -   | 33,999            | 32,514  | -   | 32,514            |
| Institutional support   | 47,072  | 6,514   | 53,586            | 42,360  | 3,720   | 46,080            |
| Scholarships and fellowships                                  | 20,892  | -   | 20,892            | 31,291  | -   | 31,291            |
| Research  | 10,556  | -   | 10,556            | 5,978   | -   | 5,978             |
| Auxiliary enterprises   | 12,778  | -   | 12,778            | 10,599  | -   | 10,599            |
| Depreciation and amortization                                 | <u>28,469</u>                                     | <u>57</u>   | <u>28,526</u>     | <u>24,783</u>                                     | <u>57</u>   | <u>24,840</u>     |
| Total operating expenses                                      | <u>301,265</u>                                    | <u>6,571</u>  | <u>307,836</u>    | <u>282,586</u>                                    | <u>3,777</u>  | <u>286,363</u>    |
| <b>OPERATING (LOSS)</b>                                       | <u>(155,269)</u>                                  | <u>(2,775)</u>  | <u>(158,044)</u>  | <u>(151,932)</u>                                  | <u>(1,313)</u>  | <u>(153,245)</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                     |   |   |                   |   |   |                   |
| State of New Jersey appropriations - State                    | 50,962  | -   | 50,962            | 41,445  | -   | 41,445            |
| State of New Jersey paid fringe benefits - on behalf payments | 57,692  | -   | 57,692            | 55,262  | -   | 55,262            |
| Federal nonoperating grants and contracts                     | 28,030  | -   | 28,030            | 67,764  | -   | 67,764            |
| State and local nonoperating grants and contracts             | 24,618  | -   | 24,618            | 22,579  | -   | 22,579            |
| Private gifts   | 1,593   | -   | 1,593             | 808   | -   | 808               |
| Investment income (loss)                                      | 6,536   | 7,384   | 13,920            | (1,839)   | (9,517)   | (11,356)          |
| Interest expense  | (12,157)  | (75)  | (12,232)          | (12,613)  | (51)  | (12,664)          |
| Other expense   | <u>-</u>  | <u>-</u>  | <u>-</u>          | <u>-</u>  | <u>24</u>   | <u>24</u>         |
| Total net non-operating revenues (expenses)                   | <u>157,274</u>                                    | <u>7,309</u>  | <u>164,583</u>    | <u>173,406</u>                                    | <u>(9,544)</u>  | <u>163,862</u>    |
| <b>STATE OF NEW JERSEY APPROPRIATIONS - CAPITAL</b>           | <u>235</u>  | <u>-</u>  | <u>235</u>        | <u>85</u>   | <u>-</u>  | <u>85</u>         |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>                         | 2,240   | 4,534   | 6,774             | 21,559  | (10,857)  | 10,702            |
| <b>TRANSFERS:</b>   |   |   |                   |   |   |                   |
| Transfers to Kean University Foundation                       | <u>(2,053)</u>                                    | <u>2,053</u>  | <u>-</u>          | <u>(3,633)</u>                                    | <u>3,633</u>  | <u>-</u>          |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                    | 187   | 6,587   | 6,774             | 17,926  | (7,224)   | 10,702            |
| <b>NET POSITION, BEGINNING OF YEAR</b>                        | <u>308,481</u>                                    | <u>94,274</u>   | <u>402,755</u>    | <u>290,563</u>                                    | <u>101,498</u>  | <u>392,061</u>    |
| <b>NET POSITION, END OF YEAR</b>                              | <u>\$ 308,668</u>                                 | <u>\$ 100,861</u>                                     | <u>\$ 409,529</u> | <u>\$ 308,489</u>                                 | <u>\$ 94,274</u>                                      | <u>\$ 402,763</u> |

*See accompanying notes to financial statements.*



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**STATEMENTS OF CASH FLOWS**  
**Business-Type Activities - University Only**

(dollars in thousands)

|  | <b>Year Ended June 30,</b> |                        |
|--|----------------------------|------------------------|
|  | <b>2023</b>                | <b>2022 - Restated</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                            |                        |
| Student revenues   | \$ 133,023                 | \$ 116,868             |
| Government grants  | 78,555                     | 60,181                 |
| Payments to suppliers  | (159,944)                  | (156,976)              |
| Payments for employee salaries and benefits  | (120,849)                  | (116,398)              |
| Other receipts   | 11,471                     | 8,144                  |
| Net cash flows from operating activities   | (57,744)                   | (88,181)               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                              |                            |                        |
| State of New Jersey appropriations   | 53,653                     | 40,089                 |
| Government grants  | 52,648                     | 90,343                 |
| Direct lending receipts  | 59,916                     | 60,890                 |
| Direct lending disbursements   | (59,916)                   | (60,890)               |
| Transfers (to)/from Component Unit   | (2,053)                    | (3,633)                |
| Private gifts  | 1,593                      | 808                    |
| Net cash flows from noncapital financing activities                                  | 105,841                    | 127,607                |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                     |                            |                        |
| Loss on disposal of capital assets   | 68                         | -                      |
| Purchases of capital assets  | (29,274)                   | (15,108)               |
| Principal paid on long-term debt   | (13,579)                   | (12,659)               |
| Interest paid on long-term debt  | (6,732)                    | (10,890)               |
| Deposits held by Bond Trustees   | (46)                       | (61)                   |
| Net cash flows from capital and related financing activities                         | (49,563)                   | (38,718)               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                            |                        |
| Net sales of investments   | 152                        | (5,603)                |
| Net investment income and other  | 6,536                      | (1,839)                |
| Net cash flows from investing activities   | 6,688                      | (7,442)                |
| <b>NET CHANGE IN CASH AND EQUIVALENTS</b>  | 5,222                      | (6,734)                |
| <b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>                                       | 33,532                     | 40,266                 |
| <b>CASH AND EQUIVALENTS, END OF YEAR</b>   | \$ 38,754                  | \$ 33,532              |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b> |                            |                        |
| Operating loss   | \$ (155,269)               | \$ (151,932)           |
| Adjustments to reconcile operating loss to net cash flows from operating activities: |                            |                        |
| Depreciation and amortization expenses   | 28,469                     | 24,783                 |
| State of New Jersey paid fringe benefits   | 57,692                     | 55,262                 |
| State of New Jersey paid pension contributions                                       | (14,148)                   | (15,151)               |
| Changes in operating assets and liabilities:   |                            |                        |
| Accounts receivable, net   | 2,115                      | (1,105)                |
| Prepaid expenses and other assets  | 633                        | 12                     |
| Accounts payable and accrued expenses  | 11,448                     | (420)                  |
| Unearned revenue   | 10,991                     | (643)                  |
| Other liabilities  | -                          | 1,217                  |
| Compensated absences   | 325                        | (204)                  |
| Net cash flows from operating activities   | \$ (57,744)                | \$ (88,181)            |

*See accompanying notes to financial statements.*

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:**

*Nature of the Organization* - Kean University (the “University”), a multi-purpose institution of higher education, offers graduate and undergraduate programs that are administered through the University’s six (6) colleges: the College of Business and Public Management; the College of Education; the College of Health Professions and Human Services; the College of Liberal Arts; the Dorothy and George Hennings College of Science, Mathematics and Technology; and the Michael Graves College; as well as through its online platform, Kean Online. Certain amounts in the footnotes include amounts for the Foundation that are reported as a discretely presented component unit.

The University is recognized as a public institution of higher education by the State of New Jersey (the “State”). This recognition is supported by an annual appropriation between the University and the State whereby the University agrees to render services of public higher education for the State.

In 1986, State College Autonomy legislation was enacted, which granted certain fiscal and financial responsibility to the University Board of Trustees. In 1994, the Higher Education Restructuring Act further expanded the role of the Board of Trustees. However, under Governmental Accounting Standards Board (“GASB”) Statement No. 14 and No. 61, *The Financial Reporting Entity*, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University’s financial statements are included in the State of New Jersey’s Annual Comprehensive Financial Report.

Kean University Foundation, Inc. and Subsidiaries (the “Foundation”) is a legally separate component unit of Kean University, exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation’s purpose is to obtain private funding to enhance the educational goals of Kean University. Because the resources of the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is presented as a discretely presented component-unit in the University’s financial statements.

Complete financial statements can be obtained from the Kean University Foundation, Inc. at 1000 Morris Avenue, T-130, Union, NJ 07083-01 or from the Foundation’s website at [www.keanfoundation.org](http://www.keanfoundation.org).

The significant accounting policies employed by the University are described below:

*Basis of Presentation* - The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities and the accounts are maintained on the accrual basis of accounting. The University 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*.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

Kean University Foundation, Inc. and Subsidiaries is a private not-for-profit organization that reports under Financial Accounting Board Standards (“FASB”), including FASB Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. These standards provide for certain revenue recognition and presentation features which may be different from GASB criteria. The Foundation follows FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-For-Profit Entities*.

**Net Position** - GASB Statements No. 35 and No. 63 established the standards for external financial reporting for public colleges and universities. The University classifies its resources into three net position categories in accordance with the provisions of these Statements.

- **Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation/amortization, 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 they 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. They 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.

**Measurement Focus and Basis of Accounting** - The financial statements of the University have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with the Governmental Accounting Standards Board. The University reports its financial statements 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.

**Estimates and Uncertainties** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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, as determined at a later date, could differ from those estimates.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

***Cash and Equivalents*** - Cash and equivalents consist of cash and highly liquid investments that have maturities of three months or less when purchased. The University invests a certain portion of its cash in the State of New Jersey Cash Management Fund. This is an interest-bearing account from which funds are available upon demand. Cash and equivalents under the Foundation include highly liquid short-term investments purchased with original maturities 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.

***Deposits Held by Bond Trustees*** - Deposits held by bond trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and equivalents and U.S. Treasury obligations and government securities.

***Capital Assets and Right-of-Use Subscription Assets*** - Capital assets are recorded at actual incurred cost if purchased or constructed. Construction-in-progress is recorded as costs are incurred during construction. Donated capital assets are recorded at acquisition value at the date of acquisition. Assets acquired under lease agreements and subscription arrangements are classified as right of use assets and are recorded as capital assets.

***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. Loan receivables consist of funds loaned to students under federal loan programs. Lease receivables consist of the present value of lease 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.

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

|                                  | <u>Useful Lives</u> |
|----------------------------------|---------------------|
| Land and building improvements   | 15                  |
| Buildings                        | 40                  |
| Right of use building            | 4                   |
| Equipment                        | 5-7                 |
| Right of use equipment           | 5                   |
| Right of use subscription assets | 5                   |
| Infrastructure                   | 40                  |

***Unearned Revenue*** - Unearned revenue consists primarily of amounts received from grants and NJEFA funds, which have not yet been earned under the terms of the agreement. Unearned revenue also includes student tuition and fees billed and collected in advance of the applicable academic term.

***Student Tuition and Fees*** - Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarships expenses, and are recognized in the period earned.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

**Grants and Contracts** - Federal, State and local grants and contracts revenue is comprised mainly of grant revenues received from the Federal Government, State of New Jersey and local entities 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 in the accompanying statements of net position.

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

**Financial Dependency** - One of the University's largest sources of revenue is appropriations from the State of New Jersey. The University is economically dependent on these appropriations to carry on its operations.

**Classification of Operating Revenues and Expenses** - 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 payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) most Federal, State and local grants and contracts. Operating expenses include administrative and educational costs, as well as depreciation and amortization. All revenues and expenses not meeting this definition including formula-based state aid and non-exchange, non-operating grants and contracts are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as they are needed.

**Income Taxes** - The University and Foundation are exempt from Federal income taxes under Internal Revenue Code Section 115 and 501(c)(3), respectively.

Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income and related matters. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. Therefore, management has concluded that no tax benefits or liabilities are required to be recognized.

The Foundation believes it is no longer subject to income tax examinations for years prior to June 30, 2020.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

***Deferred Outflows/Inflows of Resources*** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the University has two items that qualify for reporting in this category, including deferred swap termination and loss from the refinancing of debt and deferred amounts related to pensions. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University has four items that qualify for reporting in this category, including deferred gain on the refinancing of debt, deferred amounts related to pensions, deferred inflow amounts from leases and deferred service concession arrangement. Deferred inflows from leases relate to lease receivables and amounts deferred and amortized to lease revenue in a systematic and rational manner over the terms of the lease.

***Leases*** - The University is a lessor for noncancellable leases of buildings. 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.   |

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

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.

*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.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

***Recently Issued Accounting Pronouncements*** - In June 2017, GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2022. 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 ("SBITAs"). The University adopted GASB Statement No. 96 effective July 1, 2022. The University has recognized right-to-use subscription assets associated with its SBITA agreements and discloses the total amount of subscription assets separately from other capital assets. This statement requires a subscriber to also recognize a software subscription liability on a retrospective basis.

The GASB issued Statement No. 99, Omnibus 2023 in April 2023. 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, 2023. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2021. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for periods beginning after June 15, 2023. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 101, *Compensated Absences* in June 2023. 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.



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**NOTES TO FINANCIAL STATEMENTS**  
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*(dollars in thousands)*

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):**

**Cumulative Effect of Change in Accounting Principle** - The University implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023 which established a single model for SBITA accounting based on the concept that SBITAs are a financing of a “right-to-use” underlying asset. This statement requires a subscriber to recognize a software subscription liability and a right-to-use subscription asset on a retrospective basis. As a result, the University has reported a cumulative effect of change in accounting policy of \$2.8 million for the right-to-use subscription asset, net of accumulated amortization and a \$2.7 million for a subscription liability for a net cumulative effect of \$0.8 million to the July 1, 2022 net position.

**Reclassification** - Certain prior year amounts related to the Statement No. GASB 96 adoption and other amounts have been reclassified to conform with the current year presentation.

**Subsequent Events** - Management has reviewed and evaluated all events and transactions that occurred between June 30, 2023 and February 21, 2024, the date that the financial statements were available for issuance. The effect of those events and transactions that provide additional pertinent information about conditions that existed at the balance sheet and statement of net position date, have been recognized in the accompanying financial statements.

**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees:**

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the New Jersey Division of Investments 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 agreements; equity and convertible equity securities; and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such things as minimum capital, dividend paying history, credit history and other evaluation factors.

Cash and equivalents of the University are comprised of the following as of June 30, 2023 and 2022:

|                                  | 2023      | 2022      |
|----------------------------------|-----------|-----------|
| Cash and cash equivalents        | \$ 23,634 | \$ 16,022 |
| State of NJ Cash Management Fund | 15,120    | 17,510    |
| Total Cash and Equivalents       | \$ 38,754 | \$ 33,532 |

As of June 30, 2023 and 2022, the University’s cash and equivalents book balance (excluding State of New Jersey Cash Management Fund) was \$23,634 and \$16,022, respectively; the actual amount of cash on deposit in the University’s bank accounts was \$25,758 and \$19,572, respectively. Of these bank balances, \$25,758 at June 30, 2023, and \$19,572 at June 30, 2022, were either fully insured by the Federal Deposit Insurance Corporation, covered by a collateralization agreement or backed by US Government Securities.

For additional information regarding the cash and equivalents and investments of the Foundation, please refer to the separately issued Foundation report.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
*(dollars in thousands)*

**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees (continued):**

***Custodial Credit Risk*** - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's Investment Policy addresses custodial credit risk by limiting deposits and investments to specific banks and financial institutions that meet criteria established by the New Jersey Department of Banking and Insurance.

The University participates in the State of New Jersey Cash Management Fund ("NJCMF") wherein amounts also contributed by other State entities are combined into a large-scale investment program. The NJCMF is administered by the State of New Jersey, Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2023 and 2022 was \$15,120 and \$17,510, respectively, which represented the amount on deposit with the Fund. The amount of cash and equivalents is equal to the amount on deposit with the pool. The debt instruments in the New Jersey Cash Management Fund are rated by three national rating agencies.

Lastly, deposits held by the bond trustees of \$11,173 and \$11,127 at June 30, 2023 and 2022, respectively, are carried in the financial statements at fair value, and consist of cash and equivalents and U.S. Government obligations.

***Investments*** - GASB Statement No. 40 requires that the University disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the University would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the University. The University's investment balances as of June 30, 2023 and 2022, of \$144,545 and \$144,697, respectively, were comprised of instruments that were either fully insured by the FDIC, and/or registered in the University's name. The Foundation's investment balances as of June 30, 2023 and 2022, of \$86,649 and \$82,830, respectively, were comprised of mutual funds, charitable gift annuities and limited partnership interests registered in the name of the Foundation.

The University's Centralized Cash Management and Investment Policy ("Investment Policy") states, "Preservation of capital is regarded as the highest priority in the handling of University investments. All other investment objectives are secondary to the safety of capital." To that end, the Investment Policy addresses custodial credit risk by limiting deposits and investments to specific banks and financial institutions that meet criteria established by the New Jersey Department of Banking and Insurance.

Investments held by various bank custodians, investments in debt securities and equity securities with readily determinable fair values are carried at fair value.

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

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**  
(dollars in thousands)

**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees (continued):**

The following table sets forth by level, within fair value hierarchy, the investment assets at fair value as of June 30, 2023 and 2022:

|   | Assets at Fair Value as of June 30, 2023 |             |             |                   |
|---|--|-------------|-------------|-------------------|
|   | Level 1                                  | Level 2     | Level 3     | Total             |
| Kean University                             |  |             |             |                   |
| Fixed Income Securities                     | \$ 1,556                                 | -           | -           | \$ 1,556          |
| Short Term Bond Funds                       | 142,989                                  | -           | -           | 142,989           |
| Total Kean University                       | <u>144,545</u>                           | <u>-</u>    | <u>-</u>    | <u>144,545</u>    |
| Kean University Foundation                  |  |             |             |                   |
| Mutual Funds                                | 68,888                                   | -           | -           | 68,888            |
| Commodity Trust Fund                        | 1,778                                    | -           | -           | 1,778             |
| Investments Measured at Net Asset Value (a) |  |             |             | <u>15,983</u>     |
| Total Kean University Foundation            | <u>70,666</u>                            | <u>-</u>    | <u>-</u>    | <u>86,649</u>     |
| Total Assets at Fair Value                  | <u>\$ 215,211</u>                        | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 231,194</u> |

|   | Assets at Fair Value as of June 30, 2022 |               |             |                   |
|---|--|---------------|-------------|-------------------|
|   | Level 1                                  | Level 2       | Level 3     | Total             |
| Kean University                             |  |               |             |                   |
| US Treasury Securities                      | \$ -                                     | \$ 762        | \$ -        | \$ 762            |
| Fixed Income Securities                     | 1,783                                    | -             | -           | 1,783             |
| Short Term Bond Funds                       | 142,152                                  | -             | -           | 142,152           |
| Total Kean University                       | <u>143,935</u>                           | <u>762</u>    | <u>-</u>    | <u>144,697</u>    |
| Kean University Foundation                  |  |               |             |                   |
| Mutual Funds                                | 67,644                                   | -             | -           | 67,644            |
| Commodity Trust Fund                        | 2,536                                    | -             | -           | 2,536             |
| Investments Measured at Net Asset Value (a) |  |               |             | <u>12,650</u>     |
| Total Kean University Foundation            | <u>70,180</u>                            | <u>-</u>      | <u>-</u>    | <u>82,830</u>     |
| Total Assets at Fair Value                  | <u>\$ 214,115</u>                        | <u>\$ 762</u> | <u>\$ -</u> | <u>\$ 227,527</u> |

(a) As it relates to the Foundation, in accordance with FASB Accounting Standards Codification Subtopic 820-10 *Fair Value Measurement* - Overall, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position within the separately issued Foundation audit report.

**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 managing its exposure to fair value losses arising from increasing interest rates, the University's Investment Policy requires that, to the fullest extent possible, investment maturities be matched to anticipated cash flow requirements. Furthermore, the Investment Policy prohibits direct investments in securities maturing more than five years from the date of purchase unless they are matched to a specific cash flow. The average maturity of the University's investments in the NJCMF are less than one year.

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*(dollars in thousands)*

**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees (continued):**

As of June 30, 2023, the University and Foundation had the following investments and maturities:

| Investment Type                             | Quality Rating | Fair Value        | Maturities (in years) |                 |                |
|---|----------------|-------------------|-----------------------|-----------------|----------------|
|   |                |                   | Less than 1           | 1 - 5           | Greater than 5 |
| <b>Kean University</b>                      |                |                   |                       |                 |                |
| Fixed Income Securities                     | AAA            | \$ 1,556          |                       | \$ 1,556        |                |
| Short Term Bond Funds                       | AAA            | 142,989           | \$ 142,989            |                 |                |
| <b>Kean University Foundation</b>           |                |                   |                       |                 |                |
| Mutual Funds                                |                | 68,888            | 68,888                |                 |                |
| Commodity Trust Fund                        |                | 1,778             | 1,778                 |                 |                |
| <b>Total</b>                                |                | <b>\$ 215,211</b> | <b>\$ 213,655</b>     | <b>\$ 1,556</b> | <b>\$ -</b>    |
| Investments Measured at Net Asset Value (a) |                | 15,983            |                       |                 |                |
|   |                | <u>\$ 231,194</u> |                       |                 |                |

As of June 30, 2022, the University and Foundation had the following investments and maturities:

| Investment Type                             | Quality Rating | Fair Value       | Maturities (in years) |                 |                |
|---|----------------|------------------|-----------------------|-----------------|----------------|
|   |                |                  | Less than 1           | 1 - 5           | Greater than 5 |
| <b>Kean University</b>                      |                |                  |                       |                 |                |
| US Treasury Securities                      | AAA            | \$ 762           | \$ 762                | \$ -            |                |
| Fixed Income Securities                     | AAA            | 1,783            | 248                   | 1,535           |                |
| <b>Kean University Foundation</b>           |                |                  |                       |                 |                |
| Mutual Funds                                |                | 67,644           | 67,644                |                 |                |
| Commodity Trust Fund                        |                | 2,536            | 2,536                 |                 |                |
| <b>Total</b>                                |                | <b>\$ 72,725</b> | <b>\$ 71,190</b>      | <b>\$ 1,535</b> | <b>\$ -</b>    |
| Investments Measured at Net Asset Value (a) |                | 12,650           |                       |                 |                |
|   |                | <u>\$ 85,375</u> |                       |                 |                |

(a) As it relates to the Foundation, in accordance with FASB Accounting Standards Codification Subtopic 820-10 *Fair Value Measurement* - Overall, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position within the separately issued Foundation audit report.

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**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees (continued):**

***Credit Risk*** - GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of U.S. government or investments guaranteed by the U.S. government as well as pooled investments such as the New Jersey Cash Management Fund.

***Concentration of Credit Risk*** - This is the risk associated with the amount of investments the University has with any one issuer. The University's Investment Policy requires that investments be diversified by limiting investments to avoid over-concentration in securities from a specific issuer or business sector. 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 equivalents and U.S. Government obligations.

***Deposits Held by Bond Trustees*** - The deposits held by bond trustees under bond indenture agreements are maintained for the following:

|  | June 30,      |               |
|--|---------------|---------------|
|  | 2023          | 2022          |
| Construction fund                            | \$ 336        | \$ 769        |
| Debt service fund for principal and interest | <u>10,837</u> | <u>10,358</u> |
|  | 11,173        | 11,127        |
| Less: Current Portion                        | <u>11,173</u> | <u>11,127</u> |
| Non-current Deposits Held by Trustees        | <u>\$ -</u>   | <u>\$ -</u>   |

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**Note 2 - Cash and Equivalents, Investments and Deposits held by Bond Trustees (continued):**

Deposits held by bond trustees are recorded in the financial statements at fair value, as determined by quoted market prices, and consist of the following:

|                      | June 30,         |                  |                  |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | 2023             |                  | 2022             |                  |
|                      | Cost             | Fair Value       | Cost             | Fair Value       |
| Cash and equivalents | <u>\$ 11,173</u> | <u>\$ 11,173</u> | <u>\$ 11,127</u> | <u>\$ 11,127</u> |

The University's deposits held with bond trustees are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2023 and 2022, the University's deposits held with bond trustees are invested in money market accounts. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2023 and 2022, no deposits held with bond trustees had maturities greater than one year.

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**Note 3 - Capital Assets:**

The University's principal capital assets are buildings, which are owned by the State of New Jersey and are dedicated for use to the University. Although legal title rests with the State of New Jersey, the University has been given, through legislation, exclusive use of the buildings and has included the cost of these capital assets in the accompanying statements of net position. For the years ended June 30, 2023 and 2022, capital assets and accumulated depreciation/amortization activity was as follows:

|   | Year Ended June 30, 2023              |                 |  |                   |
|---|---------------------------------------|-----------------|--|-------------------|
|   | Beginning<br>of Year<br>(as restated) | Additions       | Retirements/<br>Placed into<br>Service | End<br>of Year    |
| Nondepreciable assets:                      |                                       |                 |  |                   |
| Construction-in-progress                    | \$ 19,616                             | \$ 13,083       | \$ (5,582)                             | \$ 27,117         |
| Land  | 9,123                                 | -               | -                                      | 9,123             |
|   | <u>28,739</u>                         | <u>13,083</u>   | <u>(5,582)</u>                         | <u>36,240</u>     |
| Depreciable/Amortizable assets:             |                                       |                 |  |                   |
| Land improvements                           | 45,220                                | 1,340           | 2,702                                  | 49,262            |
| Buildings and improvements                  | 718,760                               | 1,263           | 1,638                                  | 721,661           |
| Right of use - Buildings                    | 315                                   | -               | -                                      | 315               |
| Equipment                                   | 47,125                                | 4,072           | 1,174                                  | 52,371            |
| Right of use - Equipment                    | 2,166                                 | -               | -                                      | 2,166             |
| SBITA Asset                                 | 3,572                                 | 7,857           | (273)                                  | 11,156            |
| Infrastructure                              | 10,756                                | 1               | -                                      | 10,757            |
|   | <u>827,914</u>                        | <u>14,533</u>   | <u>5,241</u>                           | <u>847,688</u>    |
| Less: Accumulated depreciation/amortization |                                       |                 |  |                   |
| Land improvements                           | 33,273                                | 1,776           | -                                      | 35,049            |
| Buildings and improvements                  | 228,757                               | 19,455          | -                                      | 248,212           |
| Right of use - Buildings                    | 44                                    | 79              | -                                      | 123               |
| Equipment                                   | 26,529                                | 3,558           | -                                      | 30,087            |
| Right of use - Equipment                    | 599                                   | 600             | -                                      | 1,199             |
| SBITA Amortization                          | 731                                   | 2,722           | (273)                                  | 3,180             |
| Infrastructure                              | 5,606                                 | 269             | -                                      | 5,875             |
|   | <u>295,539</u>                        | <u>28,459</u>   | <u>(273)</u>                           | <u>323,725</u>    |
| Capital Assets, Net                         | <u>\$ 561,114</u>                     | <u>\$ (843)</u> | <u>\$ (68)</u>                         | <u>\$ 560,203</u> |
| Kean University                             |                                       |                 |  | 558,917           |
| Kean University Foundation                  |                                       |                 |  | 1,286             |
|   |                                       |                 |  | <u>\$ 560,203</u> |

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**Note 3 - Capital Assets (continued):**

|                                       | Year Ended June 30, 2022 |                    |                |                                 |
|---------------------------------------|--------------------------|--------------------|----------------|---------------------------------|
|                                       | Beginning<br>of Year     | Additions          | Retirements    | End<br>of Year<br>(as restated) |
| Nondepreciable assets:                |                          |                    |                |                                 |
| Construction-in-progress              | \$ 33,067                | \$ (13,451)        | \$ -           | \$ 19,616                       |
| Land                                  | 9,123                    | -                  | -              | 9,123                           |
|                                       | <u>42,190</u>            | <u>(13,451)</u>    | <u>-</u>       | <u>28,739</u>                   |
| Depreciable/amortizable assets:       |                          |                    |                |                                 |
| Land improvements                     | 41,243                   | 3,977              | -              | 45,220                          |
| Buildings and improvements            | 702,200                  | 16,560             | -              | 718,760                         |
| Rights of Use Buildings               | -                        | 315                | -              | 315                             |
| Equipment                             | 42,584                   | 4,564              | (23)           | 47,125                          |
| Rights of Use Equipment               | 2,166                    | -                  | -              | 2,166                           |
| SBITA Asset                           | -                        | 3,572              | -              | 3,572                           |
| Infrastructure                        | 10,755                   | 1                  | -              | 10,756                          |
|                                       | <u>798,948</u>           | <u>28,989</u>      | <u>(23)</u>    | <u>827,914</u>                  |
| Less                                  |                          |                    |                |                                 |
| Accumulated depreciation/amortization |                          |                    |                |                                 |
| Land improvements                     | 31,536                   | 1,737              | -              | 33,273                          |
| Buildings and improvements            | 209,623                  | 19,134             | -              | 228,757                         |
| Rights of Use Buildings               | -                        | 44                 | -              | 44                              |
| Equipment                             | 23,491                   | 3,038              | -              | 26,529                          |
| Rights of Use Equipment               | -                        | 599                | -              | 599                             |
| SBITA Amortization                    | -                        | 731                | -              | 731                             |
| Infrastructure                        | 5,337                    | 269                | -              | 5,606                           |
|                                       | <u>269,987</u>           | <u>25,552</u>      | <u>-</u>       | <u>295,539</u>                  |
| Capital Assets, Net                   | <u>\$ 571,151</u>        | <u>\$ (10,014)</u> | <u>\$ (23)</u> | <u>\$ 561,114</u>               |
| Kean University                       |                          |                    |                | \$ 559,799                      |
| Kean University Foundation            |                          |                    |                | 1,315                           |
|                                       |                          |                    |                | <u>\$ 561,114</u>               |

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$28,469 and \$24,783, respectively. Commitments outstanding on construction projects amounted to approximately \$4,193 and \$6,875 as of June 30, 2023 and 2022, respectively.



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**Note 4 – Noncurrent Liabilities:**

The Board of Trustees of the University, the New Jersey Board of Higher Education and the New Jersey Educational Facilities Authority (the “Authority”) have entered into various agreements whereby the University is given use of buildings, improvements and equipment and the University agrees to make payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority.

In March 2014, the University also entered into a Capital Improvement Fund agreement with the Authority for the purpose of providing funds for the renewal, renovation, improvement, expansion, construction and reconstruction of certain facilities, or technology infrastructure. The University was allocated \$7,800 which was funded with the proceeds of the 2014A Revenue Bonds issued by the Authority.

In September 2016, the University was awarded an additional \$3,000 under the Capital Improvement Fund which was funded with the proceeds of the 2016B Revenue Bonds issued by the Authority. In addition, the Authority issued 2016A Revenue Bonds which were a result of an advance refunding of the 2005A and 2006A Capital Improvement Fund Revenue Bonds.

The terms of the agreement require the University to pay the Authority an amount equal to one-third (1/3) of the amount necessary to pay the principal of and interest on the Bonds and any refunding bonds, plus the University’s share of any fees allocable to the University.

In 2014, the University, along with other colleges and universities, was awarded multiple grants under the State of New Jersey’s Building our Future Bond Act (\$40,838) as well as the Authority’s Higher Education Technology Infrastructure Fund (\$238), and Higher Education Facilities Trust Fund (\$2,500). The University did not incur any debt with respect to these new grant agreements, however the University was required to provide matching funds equal to 25% for the Building our Future Bond Act grant and matching funds equal to the grant amount for the Higher Education Technology Infrastructure Fund. A matching component was not required for the Higher Education Facilities Trust Fund grant.

On August 1, 2015, the Authority issued \$117,175 of revenue refunding bonds (Series 2015 H) on behalf of the University. The University completed the advance refunding to reduce its total debt service payments over the next twenty-four years by \$8,288 and to obtain an economic gain (the difference between the present values of the old and new debt service) of \$5,836. As of June 30, 2023, there is no refunded debt that remains outstanding.

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**Note 4 - Noncurrent Liabilities (continued):**

In December 2017, the Authority issued \$199,884 of revenue refunding bonds consisting of \$184,230 Series 2017C and \$15,655 Series 2017D. The proceeds were used to advance refund and defease (a) a portion of the Authority's revenue refunding bonds series 2009A and (b) all of the Bergen County Improvement Authority's Revenue Bonds Series 2010A, and pay certain costs of issuance of the Bonds. The refunding and the assignment and transference of the Foundations' interest in the Gateway Building resulted in a loss of \$1,566. The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$29,668 (loss). The University completed the advance refunding to reduce its total debt service payments over the next twenty three years by \$18,726 and to obtain an economic gain (the difference between the present values of the old and new debt service) of \$18,062. . As of June 30, 2023, there is no refunded debt that remains outstanding.

The following represents the components and changes in outstanding debt for the years ended June 30, 2023 and 2022:

|                           | June 30, 2023        |           |             |                | Amount Due<br>Within One<br>Year |
|---------------------------|----------------------|-----------|-------------|----------------|----------------------------------|
|                           | Beginning<br>of Year | Additions | Reductions  | End<br>of Year |                                  |
| Bonds payable - gross     | \$ 281,856           | \$ -      | \$ (13,579) | \$ 268,277     | \$ 14,320                        |
| Unamortized premium       | 6,332                | -         | (395)       | 5,937          |                                  |
| Total bonds payable - net | \$ 288,188           | \$ -      | \$ (13,974) | \$ 274,214     |                                  |

|                           | June 30, 2022        |           |             |                | Amount Due<br>Within One<br>Year |
|---------------------------|----------------------|-----------|-------------|----------------|----------------------------------|
|                           | Beginning<br>of Year | Additions | Reductions  | End<br>of Year |                                  |
| Bonds payable - gross     | \$ 294,514           | \$ -      | \$ (12,658) | \$ 281,856     | \$ 13,579                        |
| Unamortized premium       | 6,727                | -         | (395)       | 6,332          |                                  |
| Total bonds payable - net | \$ 301,241           | \$ -      | \$ (13,053) | \$ 288,188     |                                  |

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**Note 4 - Noncurrent Liabilities (continued)**

The following principal payments due were outstanding at June 30, 2023 and 2022:

|  | Interest Rates | June 30,         |                  |
|--|----------------|------------------|------------------|
|  |                | 2023             | 2022             |
| New Jersey Educational Facilities          |                |                  |                  |
| Authority Revenue Bonds:                   |                |                  |                  |
| Series 2015 H, due 2018 to 2040            | 1.00%-5.00%    | \$ 87,790        | \$ 91,145        |
| Series 2017 C, due 2020 to 2032            | 2.25%-3.79%    | 162,750          | 172,365          |
| Series 2017 D, due 2022 to 2040            | 4.00%-5.00%    | <u>15,275</u>    | <u>15,655</u>    |
|  |                | <u>265,815</u>   | <u>279,165</u>   |
| Other debt:                                |                |                  |                  |
| Higher Education Capital Improvement Fund: |                |                  |                  |
| Series 2014 A, due serially to 2024        | 3.50%-5.00%    | 1,657            | 1,769            |
| Series 2016 A, due serially to 2025        | 1.69%-3.36%    | 22               | 36               |
| Series 2016 B, due serially to 2037        | 3.00%-5.50%    | 783              | 821              |
| Higher Education Master Equipment Lease:   |                |                  |                  |
| 2014 A, due serially to 2023               | 5.00%          | <u>-</u>         | <u>65</u>        |
|  |                | <u>2,462</u>     | <u>2,691</u>     |
| Total principal                            |                | <u>268,277</u>   | <u>281,856</u>   |
| Additional amounts representing:           |                |                  |                  |
| Net premiums/discounts                     |                | <u>5,937</u>     | <u>6,332</u>     |
| Total long-term debt                       |                | 274,214          | 288,188          |
| Less: Non-current portion                  |                | <u>259,894</u>   | <u>274,609</u>   |
| Long-term debt - current portion           |                | <u>\$ 14,320</u> | <u>\$ 13,579</u> |

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**Note 4 - Noncurrent Liabilities (continued):**

Payments due on long-term debt for the Kean University, including mandatory sinking fund payments on the Authority and Higher Education revenue bonds, for the next five years and thereafter are as follows as of June 30, 2023:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2024                        | \$ 14,320         | \$ 10,066        | \$ 24,386         |
| 2025                        | 14,976            | 9,530            | 24,506            |
| 2026                        | 15,674            | 8,954            | 24,628            |
| 2027                        | 16,422            | 8,339            | 24,761            |
| 2028                        | 16,520            | 7,695            | 24,215            |
| 2029-2033                   | 95,462            | 28,116           | 123,578           |
| 2034-2038                   | 78,723            | 9,907            | 88,630            |
| 2039-2041                   | 16,180            | 375              | 16,555            |
| Total                       | <u>\$ 268,277</u> | <u>\$ 82,982</u> | <u>\$ 351,259</u> |

**Note 5 - Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses of the University and Foundation were as follows:

|   | <u>June 30,</u>  |                  |
|---|------------------|------------------|
|   | <u>2023</u>      | <u>2022</u>      |
| Salaries and fringe benefits            | \$ 5,055         | \$ 25            |
| Accounts payable - construction related | 3,058            | 917              |
| Accounts payable - other                | <u>15,601</u>    | <u>10,961</u>    |
| Total                                   | <u>\$ 23,714</u> | <u>\$ 11,903</u> |

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**Note 6 - Other Non-current Liabilities:**

Activity in other non-current liabilities of the University and Foundation for the year ended June 30, 2023 was as follows:

|                                   | June 30,<br><u>2022</u> | <u>Additions</u> | <u>Reductions</u> | June 30,<br><u>2023</u> | Current<br><u>Portion</u> |
|-----------------------------------|-------------------------|------------------|-------------------|-------------------------|---------------------------|
| Compensated absences              | \$ 4,988                | \$ 724           | \$ 399            | \$ 5,313                | \$ 4,596                  |
| U.S. Government grants refundable | 55                      | -                | 30                | 25                      | -                         |
| Annuity Payable                   | 592                     | -                | 34                | 558                     | 108                       |
| Gear Up Scholarship Fund          | 653                     | 48               | -                 | 701                     | -                         |
| Lease Liability                   | 1,890                   | -                | 673               | 1,217                   | 703                       |
| SBITA Payable                     | 2,792                   | 7,857            | 2,850             | 7,799                   | 2,017                     |
| Net pension liability             | <u>102,693</u>          | <u>2,140</u>     | <u>-</u>          | <u>104,833</u>          | <u>-</u>                  |
|                                   | <u>\$ 113,663</u>       | <u>\$ 10,769</u> | <u>\$ 3,986</u>   | <u>\$ 120,446</u>       | <u>\$ 7,424</u>           |

Activity in other non-current liabilities of the University and Foundation for the year ended June 30, 2022 (as restated) was as follows:

|                                   | June 30,<br><u>2021</u> | <u>Additions</u> | <u>Reductions</u> | June 30,<br><u>2022</u> | Current<br><u>Portion</u> |
|-----------------------------------|-------------------------|------------------|-------------------|-------------------------|---------------------------|
| Compensated absences              | \$ 5,192                | \$ 596           | \$ 800            | \$ 4,988                | \$ 4,245                  |
| SBITA Payable                     | -                       | 2,792            | -                 | 2,792                   | 778                       |
| U.S. Government grants refundable | 65                      | -                | 10                | 55                      | -                         |
| Annuity Payable                   | 654                     | -                | 62                | 592                     | 37                        |
| Gear Up Scholarship Fund          | 735                     | -                | 82                | 653                     | -                         |
| Lease Liability                   | 2,194                   | 315              | 619               | 1,890                   | 673                       |
| Paycheck Protection Program Loan  | 154                     | -                | 154               | -                       | -                         |
| Net pension liability             | <u>110,155</u>          | <u>-</u>         | <u>7,462</u>      | <u>102,693</u>          | <u>-</u>                  |
|                                   | <u>\$ 119,149</u>       | <u>\$ 3,703</u>  | <u>\$ 9,189</u>   | <u>\$ 113,663</u>       | <u>\$ 5,733</u>           |

**Note 7 - Benefits Paid by the State of New Jersey:**

The State of New Jersey pays certain fringe benefits on behalf of University employees. It is the policy of the University to reflect such amounts, aggregating \$57,692 and \$55,262 in 2023 and 2022, respectively, in the financial statements as part of non-operating revenues and expenses, which are distributed to the various functional categories.

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**Note 8 - Retirement Plans:**

***Plan Descriptions*** - All full-time employees of the University participate in a retirement program. The University has four retirement plans for its employees - Public Employees' Retirement System ("PERS"), Police and Firemen's Retirement System ("PFRS"), the Teachers' Pension and Annuity Fund ("TPAF"), and the Alternate Benefit Program ("ABP") which provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. PERS and PFRS are cost-sharing multiple-employer defined benefit pension plans administered by the State of New Jersey.

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agency 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 of New Jersey firemen appointed after June 30, 1994.

Certain faculty members of the University participate in the Teachers' Pension and Annuity Fund ("TPAF") which is a State of New Jersey cost-sharing, defined benefit plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care, to substantially all full-time public school employees in the State of New Jersey. The plans eligibility requirements are similar to PERS' requirements. The State of New Jersey issues publicly available financial reports that include financial statements and required supplementary information for PERS, PFRS and TPAF. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

***PERS Funding Policy*** - Chapter 78, P.L. 2011, the Pension and Health Benefit Reform Law, increased the contribution required from PERS members to 7.5% of base salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included within the state paid fringe benefits in the accompanying financial statements. The University has no direct pension obligation associated with this plan. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**Note 8 - Retirement Plans (continued):**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Public Employees' Retirement System (PERS) - 2023*

At June 30, 2023, the University reported a liability of \$97,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2021, which was rolled forward to June 30, 2022. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating state colleges, actuarially determined. At June 30, 2023, the University's proportion was 0.4356279117 percent, which was a decrease of 0.0012514836 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the University recognized full accrual pension credit of \$5,119 in the financial statements. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of assumptions   | \$ 146  | \$ 7,139                                     |
| Difference between expected and actual experience  | 1,573   | 514  |
| Net difference between projected and actual earnings<br>on pension plan investments                                | 2,355   | -  |
| Changes in proportion and differences between<br>University contributions and proportionate share of contributions | -   | 8,792  |
| University contributions subsequent to the<br>measurement date   | 7,278   | -  |
|  | \$ 11,352                                     | \$ 16,445                                    |

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**Note 8 - Retirement Plans (continued):**

\$7,278 is reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |                    |
|----------------------------|--------------------|
| 2024                       | \$ (8,082)         |
| 2025                       | (3,770)            |
| 2026                       | (1,238)            |
| 2027                       | 733                |
| 2028                       | (14)               |
|                            | <u>\$ (12,371)</u> |

*Actuarial Assumptions*

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

|                           |              |
|---------------------------|--------------|
| Inflation rate            |              |
| Price                     | 2.75%        |
| Wage                      | 3.25%        |
| Salary increases          | 2.75 - 6.55% |
| Investment rate on return | 7.00%        |

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

*Mortality Rates*

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4%



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**Note 8 - Retirement Plans (continued):**

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.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| U.S. Equity                       | 27.00%                   | 8.12%   |
| Non-U.S. developed markets equity | 13.50%                   | 8.38%   |
| Emerging markets equity           | 5.50%                    | 10.33%  |
| Private equity                    | 13.00%                   | 11.80%  |
| Real estate                       | 8.00%                    | 11.19%  |
| Real assets                       | 3.00%                    | 7.60%   |
| High yield                        | 4.00%                    | 4.95%   |
| Private credit                    | 8.00%                    | 8.10%   |
| Investment grade credit           | 7.00%                    | 3.38%   |
| Cash equivalents                  | 4.00%                    | 1.75%   |
| U.S. Treasuries                   | 4.00%                    | 1.75%   |
| Risk mitigation strategies        | 3.00%                    | 4.91%   |
|                                   | <u>100.00%</u>           |   |

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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**Note 8 - Retirement Plans (continued):**

*Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate*

The following presents the University's proportionate share of the net pension liability as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 % percent) or 1-percentage-point higher (8.00% percent) than the current rate:

|  | <b>At 1%<br/>Decrease<br/>(6.00%)</b> | <b>At Current<br/>Discount Rate<br/>(7.00%)</b> | <b>At 1%<br/>Increase<br/>(8.00%)</b> |
|--|---------------------------------------|---|---------------------------------------|
| University's proportionate share<br>of the net pension liability | \$ 111,282                            | \$ 97,523                                       | \$ 85,845                             |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information Related to the State Group*

Collective balances of the State Group at June 30, 2022 are as follows:

|   |               |
|---|---------------|
| Collective deferred outflows of resources | \$ 1,298,856  |
| Collective deferred inflows of resources  | 2,120,365     |
| Collective net pension liability          | 22,386,831    |
| University's proportion                   | 0.4356279117% |

Collective pension expense for the State Group for the measurement period ended June 30, 2022 is \$181,746.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57 and 5.72 years, respectively.

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**Note 8 - Retirement Plans (continued):**

*Public Employees' Retirement System (PERS) - 2022*

At June 30, 2022, the University reported a liability of \$94,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2020, which was rolled forward to June 30, 2021. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating state colleges, actuarially determined. At June 30, 2021, the University's proportion was 0.4368793953 percent, which was a decrease of 0.0232898858 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized full accrual pension credit of \$6,189 in the financial statements. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of assumptions   | \$ 192  | \$ 13,393                                    |
| Difference between expected and actual experience  | 2,297   | 326  |
| Net difference between projected and actual earnings<br>on pension plan investments                                | -   | 2,972  |
| Changes in proportion and differences between<br>University contributions and proportionate share of contributions | -   | 14,386                                       |
| University contributions subsequent to the<br>measurement date   | 7,544   | -  |
|  | <u>\$ 10,033</u>                              | <u>\$ 31,077</u>                             |

\$7,544 is reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |                    |
|----------------------------|--------------------|
| 2023                       | \$ (13,108)        |
| 2024                       | (8,738)            |
| 2025                       | (4,344)            |
| 2026                       | (2,280)            |
| 2027                       | (118)              |
|                            | <u>\$ (28,588)</u> |

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**Note 8 - Retirement Plans (continued):**

*Actuarial Assumptions*

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. This actuarial valuation used the following actuarial assumptions:

|                           |              |                           |
|---------------------------|--------------|---------------------------|
| Inflation rate            |              |                           |
| Price                     | 2.75%        |                           |
| Wage                      | 3.25%        |                           |
| Salary increases          |              |                           |
| Through 2026              | 2.00 - 6.00% |                           |
|                           |              | based on years of service |
| Thereafter                | 3.00 - 7.00% |                           |
|                           |              | based on years of service |
| Investment rate on return | 7.00%        |                           |

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, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

*Mortality Rates*

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

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**Note 8 - Retirement Plans (continued):**

*Long-Term Rate of Return*

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

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------------------|--------------------------|---|
| U.S. Equity                       | 27.00%                   | 8.09%   |
| Non-U.S. developed markets equity | 13.50%                   | 8.71%   |
| Emerging markets equity           | 5.50%                    | 10.96%  |
| Private equity                    | 13.00%                   | 11.30%  |
| Real assets                       | 8.00%                    | 9.15%   |
| Real estate                       | 3.00%                    | 7.40%   |
| High yield                        | 2.00%                    | 3.75%   |
| Private credit                    | 8.00%                    | 7.60%   |
| Investment grade credit           | 8.00%                    | 1.68%   |
| Cash equivalents                  | 4.00%                    | 0.50%   |
| U.S. Treasuries                   | 5.00%                    | 0.95%   |
| Risk mitigation strategies        | 3.00%                    | 3.35%   |
|                                   | 100.00%                  |   |

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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**Note 8 - Retirement Plans (continued):**

*Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate*

The following presents the University's proportionate share of the net pension liability as of June 30, 2021 calculated using the discount rate as disclosed above as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|  | <b>At 1%<br/>Decrease<br/>(6.00%)</b> | <b>At Current<br/>Discount Rate<br/>(7.00%)</b> | <b>At 1%<br/>Increase<br/>(8.00%)</b> |
|--|---------------------------------------|---|---------------------------------------|
| University's proportionate share<br>of the net pension liability | \$ 108,454                            | \$ 94,494                                       | \$ 82,684                             |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information Related to the State Group*

Collective balances of the State Group at June 30, 2021 are as follows:

|   |               |
|---|---------------|
| Collective deferred outflows of resources | \$ 1,008,893  |
| Collective deferred inflows of resources  | 4,259,559     |
| Collective net pension liability          | 21,629,498    |
| University's proportion                   | 0.4368793953% |

Collective pension expense for the State Group for the measurement period ended June 30, 2021 is \$46,455.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57 and 5.72 years, respectively.

*Police and Firemen's Retirement System (PFRS) - 2023*

At June 30, 2023, the University reported a liability of \$7,310 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2021, which was rolled forward to June 30, 2022. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating state colleges, actuarially determined. At June 30, 2022, the

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**Note 8 - Retirement Plans (continued):**

University's proportion was 0.1689566600 percent, which was a decrease of 0.0327486934 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the University recognized full accrual pension credit of \$184 in the financial statements. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Changes of assumptions  | \$ 7  | \$ 351                                       |
| Difference between expected and actual experience   | 54  | 181  |
| Net difference between projected and actual earnings<br>on pension plan investments                                   | 259   | -  |
| Changes in proportion and differences between<br>University contributions and proportionate share of<br>contributions | 620   | 1,779  |
| University contributions subsequent to the<br>measurement date  | 1,449   | -  |
|   | \$ 2,389                                      | \$ 2,311                                     |

\$1,449 is reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |            |
|----------------------------|------------|
| 2024                       | \$ (524)   |
| 2025                       | (300)      |
| 2026                       | (249)      |
| 2027                       | (34)       |
| 2028                       | (214)      |
| 2029                       | (50)       |
|                            | \$ (1,371) |

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**Note 8 - Retirement Plans (continued):**

*Actuarial Assumptions*

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

|   |                           |
|---|---------------------------|
| Inflation rate                            |                           |
| Price                                     | 2.75%                     |
| Wage                                      | 3.25%                     |
| Salary increases through all future years | 3.25 - 16.25%             |
|   | based on years of service |
| Investment rate on return                 | 7.00%                     |

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

*Mortality Rates*

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. 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. 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. Mortality improvement is based on Scale MP-2021.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for



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**Note 8 - Retirement Plans (continued):**

each major asset class included in PFRS's target asset allocation as of June 30, 2022 are summarized in the following table:

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| U.S. equity                     | 27.00%                   | 8.12%   |
| Non-US developed markets equity | 13.50%                   | 8.38%   |
| Emerging markets equity         | 5.50%                    | 10.33%  |
| Private equity                  | 13.00%                   | 11.80%  |
| Real estate                     | 8.00%                    | 11.19%  |
| Real assets                     | 3.00%                    | 7.60%   |
| High yield                      | 4.00%                    | 4.95%   |
| Private credit                  | 8.00%                    | 8.10%   |
| Investment grade credit         | 7.00%                    | 3.38%   |
| Cash equivalents                | 4.00%                    | 1.75%   |
| U.S. Treasuries                 | 4.00%                    | 1.75%   |
| Risk mitigation strategies      | 3.00%                    | 4.91%   |
|                                 | <u>100.00%</u>           |   |

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

*Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate*

The following presents the University's proportionate share of the net pension liability as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|   | <u>At 1%<br/>Decrease<br/>(6.00%)</u> | <u>At Current<br/>Discount Rate<br/>(7.00%)</u> | <u>At 1%<br/>Increase<br/>(8.00%)</u> |
|---|---------------------------------------|---|---------------------------------------|
| University's proportionate share of the net pension liability | \$ 8,507                              | \$ 7,310  | \$ 6,313                              |

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**Note 8 - Retirement Plans (continued):**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Fireman’s Retirement System.

*Additional Information Related to the State Group*

|   |    |               |
|---|----|---------------|
| Collective deferred outflows of resources | \$ | 217,974       |
| Collective deferred inflows of resources  |    | 343,205       |
| Collective net pension liability          |    | 4,326,593     |
| <br>                                      |    |               |
| University's proportion                   |    | 0.1689566600% |

Collective pension expense for the State Group for the measurement period ended June 30, 2022 is \$218,636.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 is 6.22, 6.17, 5.90, 5.92, 5.73, 5.59, 5.58 and 5.53 years, respectively.

*Police and Firemen’s Retirement System (PFRS) – 2022*

At June 30, 2022, the University reported a liability of \$8,198 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2020, which was rolled forward to June 30, 2021. The University’s proportion of the net pension liability was based on a projection of the University’s long-term share of contributions to the pension plan relative to the projected contributions of all participating state colleges, actuarially determined. At June 30, 2021, the University’s proportion was 0.2017053534 percent, which was an increase of 0.0182467874 from its proportion measured as of June 30, 2020.

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*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

For the year ended June 30, 2022, the University recognized full accrual pension credit of \$237 in the financial statements. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Changes of assumptions  | \$ 11   | \$ 651                                       |
| Difference between expected and actual experience   | -   | 296  |
| Net difference between projected and actual earnings<br>on pension plan investments                                   | -   | 213  |
| Changes in proportion and differences between<br>University contributions and proportionate share of<br>contributions | 777   | 972  |
| University contributions subsequent to the<br>measurement date  | 1,084   | -  |
|   | \$ 1,872                                      | \$ 2,132                                     |

\$1,084 is reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |    |         |
|----------------------------|----|---------|
| 2023                       | \$ | (728)   |
| 2024                       |    | (405)   |
| 2025                       |    | (181)   |
| 2026                       |    | (130)   |
| 2027                       |    | 85      |
| 2028                       |    | 15      |
|                            | \$ | (1,344) |

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*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

*Actuarial Assumptions*

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. This actuarial valuation used the following actuarial assumptions:

|   |                           |
|---|---------------------------|
| Inflation rate                            |                           |
| Price                                     | 2.75%                     |
| Wage                                      | 3.25%                     |
| Salary increases through all future years | 3.25 - 15.25%             |
|   | based on years of service |
| Investment rate on return                 | 7.00%                     |

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, 2013 to June 30, 2018.

*Mortality Rates*

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. 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 (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2021 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**  
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(dollars in thousands)

**Note 8 - Retirement Plans (continued):**

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| U.S. equity                     | 27.00%                   | 8.09%   |
| Non-US developed markets equity | 13.50%                   | 8.71%   |
| Emerging markets equity         | 5.50%                    | 10.96%  |
| Private equity                  | 13.00%                   | 11.30%  |
| Real assets                     | 8.00%                    | 9.15%   |
| Real estate                     | 3.00%                    | 7.40%   |
| High yield                      | 2.00%                    | 3.75%   |
| Private credit                  | 8.00%                    | 7.60%   |
| Investment grade credit         | 8.00%                    | 1.68%   |
| Cash equivalents                | 4.00%                    | 0.50%   |
| U.S. Treasuries                 | 5.00%                    | 0.95%   |
| Risk mitigation strategies      | 3.00%                    | 3.35%   |
|                                 | <u>100.00%</u>           |   |

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

*Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate*

The following presents the University's proportionate share of the net pension liability as of June 30, 2021 calculated using the discount rate as disclosed above as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|   | <u>At 1%<br/>Decrease<br/>(6.00%)</u> | <u>At Current<br/>Discount Rate<br/>(7.00%)</u> | <u>At 1%<br/>Increase<br/>(8.00%)</u> |
|---|---------------------------------------|---|---------------------------------------|
| University's proportionate share of the net pension liability | \$ 9,596                              | \$ 8,198  | \$ 7,035                              |

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 8 - Retirement Plans (continued):**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Fireman’s Retirement System.

*Additional Information Related to the State Group*

|   |    |                   |
|---|----|-------------------|
| Collective deferred outflows of resources | \$ | 36,199            |
| Collective deferred inflows of resources  |    | 605,392           |
| Collective net pension liability          |    | 4,064,572         |
| <br>University's proportion               |    | <br>0.2017053534% |

Collective pension expense for the State Group for the measurement period ended June 30, 2021 is \$133,596.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2021, 2019, 2018, 2017, 2016 and 2015 is 5.90, 5.92, 5.73, 5.59, 5.58 and 5.53 years, respectively.

*Teachers Pension and Annuity Fund (TPAF) - 2023 – Special Funding Situation*

The employer contributions for participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these 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 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 participating employers.

However, the notes to the financial statements of the participating employers must disclose the portion of the non-employer contributing entities’ total proportionate share of the net pension liability that is associated with the local participating employer.

The State’s proportionate share of the TPAF net pension liability associated with the University as of June 30, 2023 was \$3,230. The University’s proportionate share was \$0.

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*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The State's proportionate share of the net pension liability associated with the University was based on a projection of the State's long-term contributions to the pension plan associated with the University relative to the projected contributions by the State associated with all participating Universities, actuarially determined. At June 30, 2022, the State's proportionate share of the TPAF net pension liability associated with the University was 0.0062596944 percent, which was a decrease of 0.0000886491 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the University recognized on-behalf pension expense and revenue in the financial statements of \$87 for contributions incurred by the State.

*Actuarial assumptions*

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                           |
|---------------------------|---------------------------|
| Inflation rate            |                           |
| Price                     | 2.75%                     |
| Wage                      | 3.25%                     |
| Salary increases          | 2.75 - 5.65%              |
|                           | based on years of service |
| Investment rate on return | 7.00%                     |

*Mortality Rates*

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

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**Note 8 - Retirement Plans (continued):**

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

*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, 2022) 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, 2022 are summarized in the following table:

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| U.S. equity                     | 27.00%                   | 8.12%   |
| Non-US developed markets equity | 13.50%                   | 8.38%   |
| Emerging markets equity         | 5.50%                    | 10.33%  |
| Private equity                  | 13.00%                   | 11.80%  |
| Real estate                     | 8.00%                    | 11.19%  |
| Real assets                     | 3.00%                    | 7.60%   |
| High yield                      | 4.00%                    | 4.95%   |
| Private credit                  | 8.00%                    | 8.10%   |
| Investment grade credit         | 7.00%                    | 3.38%   |
| Cash equivalents                | 4.00%                    | 1.75%   |
| U.S. Treasuries                 | 4.00%                    | 1.75%   |
| Risk mitigation strategies      | 3.00%                    | 4.91%   |
|                                 | <u>100.00%</u>           |   |

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 the contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumption, 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 I determining the total pension liability.



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**Note 8 - Retirement Plans (continued):**

*Sensitivity of the State's proportionate share of the net pension liability associated with the University to changes in the discount rate*

The following presents the State's proportionate share of the net pension liability associated with the University as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the University would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|  | <b>At 1%<br/>Decrease<br/>(6.00%)</b> | <b>At Current<br/>Discount Rate<br/>(7.00%)</b> | <b>At 1%<br/>Increase<br/>(8.00%)</b> |
|--|---------------------------------------|---|---------------------------------------|
| University's proportionate share<br>of the net pension liability | \$ 3,786                              | \$ 3,230  | \$ 2,760                              |

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

**Additional Information**

Collective balances of the State Group at June 30, 2022 are as follows:

|   |    |                   |
|---|----|-------------------|
| Collective deferred outflows of resources | \$ | 7,768             |
| Collective deferred inflows of resources  |    | 150,078           |
| Collective net pension liability          |    | 82,171            |
| <br>University's proportion               |    | <br>0.0062596944% |

Collective pension credit for the plan for the measurement period ended June 30, 2022 is \$33,728.

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 8 - Retirement Plans (continued):**

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2022, 2021, 2019, 2018, 2017, 2016, and 2015 is 7.83, 7.93, 7.99, 8.04, 8.29, 8.3, and 8.3 years, respectively.

*Teachers Pension and Annuity Fund (TPAF) - 2022 – Special Funding Situation*

The employer contributions for participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these 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 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 participating employers.

However, the notes to the financial statements of the participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the University as of June 30, 2022 was \$3,052. The University's proportionate share was \$0.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The State's proportionate share of the net pension liability associated with the University was based on a projection of the State's long-term contributions to the pension plan associated with the University relative to the projected contributions by the State associated with all participating Universities, actuarially determined. At June 30, 2021, the State's proportionate share of the TPAF net pension liability associated with the University was 0.0063483435 percent, which was a decrease of 0.0007653438 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized on-behalf pension expense and revenue in the financial statements of \$72 for contributions incurred by the State.

*Actuarial assumptions*

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

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

|                           |                           |
|---------------------------|---------------------------|
| Price                     | 2.75%                     |
| Wage                      | 3.25%                     |
| Salary increases          |                           |
| Through 2026              | 1.55 - 4.45%              |
|                           | based on years of service |
| Thereafter                | 2.75 - 5.65%              |
|                           | based on years of service |
| Investment rate on return | 7.00%                     |

*Mortality Rates*

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. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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.

*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) 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 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| U.S. equity                     | 27.00%                   | 8.09%   |
| Non-US developed markets equity | 13.50%                   | 8.71%   |
| Emerging markets equity         | 5.50%                    | 10.96%  |
| Private equity                  | 13.00%                   | 11.30%  |
| Real assets                     | 3.00%                    | 9.15%   |
| Real estate                     | 8.00%                    | 7.40%   |
| High yield                      | 2.00%                    | 3.75%   |
| Private credit                  | 8.00%                    | 7.60%   |
| Investment grade credit         | 8.00%                    | 1.68%   |
| Cash equivalents                | 4.00%                    | 0.50%   |
| U.S. Treasuries                 | 5.00%                    | 0.95%   |
| Risk mitigation strategies      | 3.00%                    | 3.35%   |
|                                 | <u>100.00%</u>           |   |

*Discount Rate*

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

*Sensitivity of the State's proportionate share of the net pension liability associated with the University to changes in the discount rate*

The following presents the State's proportionate share of the net pension liability associated with the University as of June 30, 2021 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the University would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

|  | <b>Decrease<br/>(6.00%)</b> | <b>Discount Rate<br/>(7.00%)</b> | <b>Increase<br/>(8.00%)</b> |
|--|-----------------------------|----------------------------------|-----------------------------|
| University's proportionate share<br>of the net pension liability | \$ 3,579                    | \$ 3,052                         | \$ 2,608                    |

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

**Additional Information**

Collective balances of the State Group at June 30, 2021 are as follows:

|   |               |
|---|---------------|
| Collective deferred outflows of resources | \$ 17,302     |
| Collective deferred inflows of resources  | 188,467       |
| Collective net pension liability          | 90,803        |
| University's proportion                   | 0.0063483435% |

Collective pension credit for the plan for the measurement period ended June 30, 2021 is \$25,269.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2021, 2019, 2018, 2017, 2016 and 2015 is 7.93, 7.99, 8.04, 8.29, 8.3, and 8.3 years, respectively.

***Alternate Benefits Program Information*** - The Alternate Benefits Program ("ABP") is a defined contribution retirement program for eligible full time non-temporary appointed employees of the public institutions of higher education in New Jersey. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law and IRS Code. An employee is a vested member if he/she has an existing qualified retirement account from his/her previous employer. From that point on, all of the contributions and accumulations in the account belong to employees and provide benefit. An employee never enrolled in a retirement plan will be considered as delayed enrollment and will be vested on the second year of employment. ABP provides retirement benefits, life insurance, long-term disability and loans for vested members. The University assumes no liability for ABP members other than payment of contributions.

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 8 - Retirement Plans (continued):**

Participating University employees are required to contribute 5.0% and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions to ABP of 8.0% of salary are paid by the State of New Jersey and are reflected in the accompanying financial statements as appropriation revenue and expenses.

Participating University employees are required to contribute 5.0%. Employer contributions to ABP of 8.0% of salary are paid by Kean University and reimbursed by the State of New Jersey, and are reflected in the accompanying financial statements as appropriation revenue and expenses.

During the year ended June 30, 2023 and 2022, ABP received employer and employee contributions that approximated the following from the University:

|                                 | <b>2023</b> | <b>2022</b> |
|---------------------------------|-------------|-------------|
| Employer contributions          | \$ 6,454    | \$ 6,167    |
| Employee contributions          | \$ 7,884    | \$ 7,756    |
| Basis for contributions:        |             |             |
| Participating employee salaries | \$ 80,680   | \$ 77,090   |

**Note 9 – Postemployment Benefits Other than Pensions:**

The State of New Jersey funds post-retirement medical benefits for those State employees who retire from a full-time SHBP eligible position with an accumulated 25 years of credited service in a State-administered retirement plan. Any required retiree contributions towards premium costs will be determined by the date on which the employee completed 25 years of service. These expenses are not included in the University’s financial statements.

The University contributes to the New Jersey Health Benefits Program (the “Plan”), a multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c.384 and P.L. 1990, c.6 required the Public Employees’ Retirement System (PERS) to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L.

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 9 – Postemployment Benefits Other than Pensions (continued):**

1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

*Postemployment Benefits Other Than Pensions (OPEB) – 2023 – Special Funding Situation*

*Plan description, including benefits provided*

The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan, with a special funding situation, for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75).

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

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

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*(dollars in thousands)*

**Note 9 – Postemployment Benefits Other than Pensions (continued):**

*Total OPEB Liability and OPEB Expense*

As of June 30, 2023, the State recorded a liability of \$182,754, which represents the portion of the State’s total proportionate share of the collective total OPEB liability that is attributable to the University (the University’s share) and includes 1,257 plan members. The University’s share was based on the ratio of its members to the total members of the Plan. At June 30, 2023, the State’s proportionate share was 3.203854% of the total collective OPEB liability under the Plan.

For the year ended June 30, 2023, the University recognized OPEB expense of \$5,297. 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 \$5,297.

*Actuarial assumptions and other inputs*

The State’s total OPEB liability associated with the University at June 30, 2023 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to the measurement date of June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

|                   |                  |                  |                  |
|-------------------|------------------|------------------|------------------|
| Inflation rate    | 2.50%            |                  |                  |
| Discount rate     | 3.54%            |                  |                  |
| Salary increases: |                  |                  |                  |
|                   | TPAF             | PERS             | PFRS             |
|                   | All future years | All future years | All future years |
|                   | 2.75 - 4.25%     | 2.75 - 6.55%     | 3.25 - 16.25%    |
|                   | based on years   | based on years   | based on years   |
|                   | of service       | of service       | of service       |
| Thereafter        | Not applicable   | Not applicable   | Not applicable   |

*Discount Rate*

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is 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.

*Mortality Rates*

Preretirement 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 Scale MP-2021. Postretirement



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**Note 9 – Postemployment Benefits Other than Pensions (continued):**

mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 “Safety” (PFRS) “Teachers” (TPAF) and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2018 through June 30, 2021), TPAF/ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2018 through June 30, 2021), and PFRS (July 1, 2018 through June 30, 2021).

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend rate is initially is 6.25% 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 for fiscal 2023 through 2024 are reflected. For PPO the trend is initially 6.36% in fiscal year 2025, increasing to 14.35% in fiscal year 2025 and decreases to 4.5% after eight years. For HMO the trend is initially 6.53% in fiscal year 2025, increasing to 15.47% in fiscal year 2026 and decreases to 4.5% after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreases to a 4.5% long-term trend rate after seven years.

*Postemployment Benefits Other Than Pensions (OPEB) – 2022 – Special Funding Situation*

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 standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees’ Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen’s Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University’s employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75).

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree’s annual retirement benefit and level of coverage.

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 9 – Postemployment Benefits Other than Pensions (continued):**

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

*Total OPEB Liability and OPEB Expense*

As of June 30, 2022, the State recorded a liability of \$214,722, which represents the portion of the State’s total proportionate share of the collective total OPEB liability that is attributable to the University (the University’s share) and includes 1,257 plan members. The University’s share was based on the ratio of its members to the total members of the Plan. At June 30, 2022, the State’s proportionate share was 3.203854% of the total collective OPEB liability under the Plan.

For the year ended June 30, 2022, the University recognized OPEB expense of \$4,459. 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 \$2,499.

*Actuarial assumptions and other inputs*

The State’s total OPEB 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 actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

|                   |                              |                              |                              |
|-------------------|------------------------------|------------------------------|------------------------------|
| Inflation rate    | 2.50%                        |                              |                              |
| Discount rate     | 2.16%                        |                              |                              |
| Salary increases: |                              |                              |                              |
|                   | TPAF                         | PERS                         | PFRS                         |
|                   | Through 2026                 | Through 2026                 | All future years             |
|                   | 1.55 - 4.45%                 | 2.00 - 6.00%                 | 3.25 - 15.25%                |
|                   | based on years<br>of service | based on years<br>of service | based on years<br>of service |
| Thereafter        | 2.75 - 5.65%                 | 3.00 - 7.00%                 | Not applicable               |
|                   | based on years<br>of service | based on years<br>of service |                              |

*Discount Rate*

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is 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.

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 9 – Postemployment Benefits Other than Pensions (continued):**

*Mortality Rates*

Preretirement 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 Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 “Safety” (PFRS) “Teachers” (TPAF) 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 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, 2019), TPAF/ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2015 through June 30, 2019), and PFRS (July 1, 2013 through June 30, 2019).

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend rate is initially is 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 for fiscal 2023 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

**Note 10 - Compensated Absences:**

The University has recorded a liability for compensated absences in the amount of \$5,313 and \$4,988 as of June 30, 2023 and 2022, respectively. The liability is calculated based upon employees’ accrued vacation leave as of each respective year-end, as well as estimated vested amounts for accrued sick leave and paid leave bank.

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. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. The University paid approximately \$52 and \$179 in sick leave payments for employees who retired during the years ended June 30, 2023 and 2022, respectively.

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**Note 11 - Agency Transactions:**

The University collects and distributes monies as the agent for various student organizations and certification programs, as well as the Federal Direct Loan Program. The revenues and related expenses have not been included in the accompanying financial statements. However, the related assets and liabilities are presented in the statements of net position.

**Note 12 - Contingencies:**

The University receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors.

As of June 30, 2023, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the University's financial statements.

The University is also involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the University's financial position. Liabilities for claims are accrued when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

There have been no significant reductions in insurance coverage from the prior year and there have been no settlements in the prior three years that exceeded insurance coverage.

**Note 13 - Middle States Commission on Higher Education:**

The Middle States Association of Colleges and Schools (MSA), established in 1887, is a nonprofit organization dedicated to educational improvement through evaluation and accreditation. Accreditation by the Commission on Higher Education follows a period of candidacy lasting up to five years. MSCHE reviews institutions periodically through either on-site evaluation or other reports. Accreditation is reaffirmed only as a result of periodic reviews and evaluations through assessments of institutional achievements.

The Commission maintains a 10-year cycle of review alternating between self-study and on-site evaluation and a Periodic Review Report. Institutions granted initial accreditation following self-study and on-site evaluation conduct a second self-study for on-site evaluation in the fifth year following the grant of accreditation. From that point forward, institutions reflect on progress and changes in a Periodic Review Report five years later. In addition to these set reviews, institutions also may be reviewed in conjunction with follow-up reporting or substantive institutional change, or at the initiation of the Commission, based on developments within the institution.

Kean University was first accredited in 1960 and has since been reaccredited in November 2023 as part of the commission's review cycle. The next evaluation visit is scheduled for 2029-2030. Refer to the MSCHE website for additional information: <https://www.msche.org/institution/0226/>.

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**Note 14 - Unrestricted Net Position:**

As described in Note 1 to the financial statements, unrestricted net position are those amounts not subject to externally imposed stipulations. Net position 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. Unrestricted net position of the University and the Foundation is comprised of the following:

|                                       | June 30,    |             |
|---------------------------------------|-------------|-------------|
|                                       | <u>2023</u> | <u>2022</u> |
| Operating reserve - University        | \$ 49,744   | \$ 63,311   |
| Operating reserve - Foundation        | 7,007       | 7,128       |
| State pension allocation              | (109,849)   | (123,997)   |
| Academic and other programs           | 25,754      | 26,804      |
| Curriculum Devel. / Pres. Initiatives | 6,460       | 8,063       |
| Capital - renewal and replacement     | 16,274      | 20,411      |
| Capital project reserve               | 19,000      | 19,000      |
| Student loan program                  | 1,846       | 2,444       |
| Quasi Endowment                       | 15,537      | 12,294      |
| Operating programs                    | 2,738       | 3,514       |
|                                       | \$ 34,511   | \$ 38,972   |

**Note 15 - Operations in China:**

On May 8, 2006, Kean University entered into an agreement with Wenzhou University in China and signed a cooperation agreement (the “Agreement”) on the establishment and operation of Wenzhou-Kean University (WKU), a jointly governed organization. The Agreement, supplemented in 2010, is to establish a co-operative university in Wenzhou, China which will provide an independent Sino-American co-operative educational institution with legal status and qualified to grant certificates, diplomas and degrees independently. Additionally, this institution will introduce high-quality educational resources and will advance teaching, research and management methods, to provide easier access to high-class educational opportunities and resources to students and to contribute to the development and internationalization of Chinese Higher Education.

Under the agreement, the principal responsibilities of Wenzhou University include: assisting in obtaining all necessary approvals, permits and licenses, and any other documents for the operation of WKU; acting as liaison for the procurement of various services and infrastructure required for the operation of WKU; assisting expatriate employees of WKU in obtaining necessary visas, work permits and residences; providing student support services to WKU at the expense of WKU; and assisting in the design, construction and maintenance of a new campus location and providing the funds required to build academic and administrative structures and facilities as well as required infrastructure for the campus. After WKU is established, the Board

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 15 - Operations in China (continued):**

of Directors of WKU will be responsible for supplementary financing to satisfy the capital requirements of operation and development of WKU. The entire revenue of WKU shall be completely dedicated to the operation and development of WKU. Neither party seeks profit from the operation of WKU. WKU shall hold the user's right of the land and title and ownership of the building and facilities being that the Chinese party raised the funds for such and thus the Kean University claims no interests in the assets or any associated debt in this regard.

Kean University's principal responsibilities under the agreement include: providing all necessary legal documents required for approval, registration and establishment of WKU; providing teaching and administrative staff for academic and administrative work at WKU in compliance with relevant regulations of the People's Republic of China; issuing certificates, diplomas and degrees of Kean University, which are the same as those issued in New Jersey and acceptable in the United States, to qualified WKU students; introducing internationally advanced academic systems and materials at the same level as those in use at Kean University; and accept credits of WKU students for study at Kean University.

On November 16, 2011, the Chinese Ministry of Education approved the initiative, giving the University the name "Wenzhou Kean University (in preparation)" and granting it three years to prepare for its official establishment in 2014.

On March 31, 2014, the Chinese Ministry of Education officially approved the formal establishment of Wenzhou-Kean University, making it the first Sino-US University in Zhejiang.

**Note 16 - Acquisition of Liberty Hall Museum:**

On December 22, 2006, the University entered into an agreement with the Liberty Hall Foundation (the "Foundation") for the sale of real estate and the formation of a Historic Precinct. The Foundation and the University have jointly organized the Liberty Hall Museum, Inc. ("LHM").

As part of the agreement, the University purchased property from the Foundation in the amount of \$5,150, which represents the land, the museum and associated buildings. At the time of the closing, the University took ownership of the land and Museum buildings, but did not take ownership of the Historical Documents contained in the Museum. In accordance with the terms of the agreement, the Foundation was to retain possession and control of the Historical Documents until they were formally donated to the University after a Cataloging Period was completed.

In June 2015, Stuart Lutz Historic Documents Inc. of Short Hills, New Jersey was hired to undertake the appraisal work. As of September 2016, the appraisal was substantially complete and the Deed of Gift was finalized in November 2016 of which the final appraised value was determined to be \$550.

Management elected not to capitalize these items in accordance with GASB Statement No. 34 and rather record this in the University's financial statements as non-operating revenue and expense in the June 30, 2017 fiscal year. LHM, Inc. was established to operate and preserve the Museum and the Historic Precinct. The Board of Trustees consists of eight individuals, three appointed by the University and five appointed by the Liberty Hall Foundation. At closing, LHM, Inc. and the University entered into a ground lease, which provides for the

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 16 - Acquisition of Liberty Hall Museum (continued):**

lease of the Historical Precinct, including the Museum and all other buildings and improvements within the Historical Precinct, to LHM for a period of ninety-eight years at an annual rent of one dollar. Annually, LHM is responsible for establishing an operating budget for the Museum and the Historic Precinct approved by its Board of Trustees. Annually, the Foundation provides funding to LHM in an amount not to exceed five percent of the Foundation's total endowment. In the event that LHM's annual operating expenses exceed the amount contributed by the Foundation, the University is required to contribute to the shortfall in an amount not to exceed \$200 per year unless mutually agreed upon and in compliance with the terms of the original contract. In fiscal year 2023, it was mutually agreed that the University's annual support would include additional funds to cover the cost of grounds maintenance, bringing the total annual support to \$240. Any additional support deemed necessary will be mutually agreed upon and set forth in a separate agreement. The amount the University contributed in 2023 and 2022 was \$240 and \$240, respectively.

**Note 17 - The Institute for Life Science Entrepreneurship:**

On March 3, 2014, the Kean University Board of Trustees passed a resolution approving seed funding in the amount of \$250 for the creation of the Institute for Life Science Entrepreneurship, Inc. (ILSE), a new non-profit entity based in the New Jersey Center for Science, Technology and Mathematics (STEM building) located on the university campus. ILSE is a regional research integrator, accelerator and incubator, bringing basic researchers and clinical scientists from academia together with entrepreneurs, R&D experts and business leaders to facilitate the translation of early innovation into meaningful health care solutions. ILSE was incorporated as a NJ non-profit 501(c)(3) corporation on April 29, 2014, "organized and operated exclusively for charitable, educational and scientific purposes."

On December 11, 2014, the parties formalized the status of Kean as a founding member as well as a "use of space" agreement which established a life sciences incubator facility in the STEM building, under the direction of ILSE. Under the agreements, the principal responsibilities of ILSE are to provide one seat on its Board of Trustees to Kean University (currently filled by Andrew Brannen, Senior VP, Finance at Kean), facilitate networking and collaboration for university faculty, students and staff including participation in seminars, conferences and other educational events organized by ILSE, and the facilitation of internships, advisory roles and research collaborations between ILSE, ILSE partners and the university community. The parties will also seek to collaborate on the submission of research grants and other funding opportunities to support scientific research activities common to the university and ILSE.

ILSE will also be responsible for creating and operating a life sciences incubator facility in a portion of the STEM building, bringing start-up and small entity life science companies and their advisors to STEM in order to create a vibrant research community and ecosystem of entrepreneurship, all in close proximity with the university. Neither party seeks profit from the operation of ILSE, although a for-profit subsidiary of ILSE was established to develop and fund commercially viable health care innovation that result from the activities of ILSE and its partners, this subsidiary has now been dissolved. As a founding member of ILSE, Kean will be entitled to an ownership portion or other benefits from any subsidiary that may be established in the future and are lawful and consistent with the missions and non-profit status of both ILSE and Kean University. Kean University's principal responsibilities under the agreement include providing space and staff support for the activities of ILSE in the STEM building. The Associate Provost will serve part time as interim CEO of ILSE until such time as additional funds are raised and a permanent CEO and a full management team can be recruited. University staff, under the direction of the Associate Provost, will also provide administrative and operational support to ILSE on a part-time basis.

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**NOTES TO FINANCIAL STATEMENTS**  
*(dollars in thousands)*

**Note 18 – Student Concession Arrangement for Student Residence Hall Facility:**

On February 1, 2017, the University entered into a 40 year Project Development agreement with The Provident Group – Kean Properties LLC to undertake the design, finance, and construction of a student housing facility on the University’s campus. The Provident Group will be entitled to all of the housing revenues during the term of the 40 year agreement. At the end of the term, the residence hall facility and its operations will be transferred to the University. During fiscal year 2019, construction was completed on the Student Residence Hall Facility pursuant to the agreement. At June 30, 2019, the University has reported the dormitory as a capital asset and related deferred inflows of resources with a carrying amount of \$38,924. The capital assets are being depreciated in accordance with the University’s capitalization policies and accumulated depreciation as of June 30, 2023 and 2022 was \$1,499 and \$1,497, respectively. As of June 30, 2023 and 2022, the deferred inflow of resources on the concession arrangement was \$35,133 and \$36,119, respectively, in the Statements of Net Position.

**Note 19 – Related Party Transaction:**

On July 1, 2018, the University entered into an operating relationship with Foundation upon the elimination of the Division of Institutional Advancement at Kean University and the simultaneous decision of the Foundation Board of Directors to directly employ its own staff and manage its operations independent of the University structure. To aid the Foundation in this transition to a self-managed and operated organization, the University agreed to provide financial support. During the year ended June 30, 2023, the University provided \$2,800 to the Foundation representing the fifth annual payment.

Effective July 1, 2023, the Foundation will operate independently, with no additional subsidies from the University, and be fully responsible for the cost of its operations.

**Note 20 – Leases Payable:**

The University reported leases payable of \$1.2 million and \$1.9 million, as of June 30, 2023 and 2022 for right-of-use equipment and building, respectively. The University’s leases are related to various printing and copying equipment as well as a building located in Trenton, NJ.

The following is a schedule of future minimum payments on the University’s leases payable as of June 30, 2023:

| Year Ending June 30, | Principal       | Interest     | Total           |
|----------------------|-----------------|--------------|-----------------|
| 2024                 | \$ 703          | \$ 33        | \$ 736          |
| 2025                 | 451             | 11           | 462             |
| 2026                 | 63              | -            | 63              |
| Total                | <u>\$ 1,217</u> | <u>\$ 44</u> | <u>\$ 1,261</u> |



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*(dollars in thousands)*

**Note 21 – Subscription Based Information Technology Arrangements (SBITAs) Payable:**

Effective July 1, 2022, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* for which the University has entered into subscription-based information technology arrangements (SBITAs) with various vendors to access and use software applications and related data hosted by the vendor on the vendor’s servers. At June 30, 2023, the University recognized a right-to use subscription asset associated with its SBITA agreements of \$11.2 million, net of accumulated amortization of \$3.2 million. Amortization expense was \$2.7 million in fiscal year 2023 and \$0.7 million in fiscal year 2022.

The University reported SBITAs payable of 7.8 million and \$2.7 million, as of June 30, 2023 and 2022, respectively. The University’s SBITAs are related to various information technology and software agreements utilized by the University.

The following is a schedule of future minimum payments on the University’s SBITAs payable as of June 30, 2023:

| Year Ending June 30, | Principal | Interest | Total    |
|----------------------|-----------|----------|----------|
| 2024                 | \$ 2,017  | \$ 108   | \$ 2,125 |
| 2025                 | 1,732     | 237      | 1,969    |
| 2026                 | 1,685     | 169      | 1,854    |
| 2027                 | 1,512     | 103      | 1,615    |
| 2028                 | 853       | 44       | 897      |
| Total                | \$ 7,799  | \$ 661   | \$ 8,460 |

**Note 22 – Change in Accounting Policy:**

In fiscal year 2023, the University adopted GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* with retroactive application and reclassified certain amounts. As a result, the University restated \$2.8 million in right of use assets with an offsetting SBITA liability of \$2.7 million as of June 30, 2022 and net position by \$0.8 million.

**KEAN UNIVERSITY**  
Schedule of the University's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System  
Required Supplementary Information  
(dollars in thousands)  
Last Ten Fiscal Years\*

|  | 2023             | 2022             | 2021              | 2020              | Year Ended June 30,<br>2019 | 2018              | 2017              | 2016              | 2015              |
|--|------------------|------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| University's proportion of the net pension liability (asset) - State Group                                   | 0.4356279117%    | 0.4368793953%    | 0.4601692811%     | 0.4788429429%     | 0.5030546560%               | 0.5499250943%     | 0.5694857985%     | 0.5741010825%     | 0.6229794340%     |
| University's proportionate share of the net pension liability (asset)  | <u>\$ 97,523</u> | <u>\$ 94,495</u> | <u>\$ 102,268</u> | <u>\$ 110,193</u> | <u>\$ 119,246</u>           | <u>\$ 141,032</u> | <u>\$ 167,376</u> | <u>\$ 136,189</u> | <u>\$ 125,388</u> |
| University's covered payroll   | <u>\$ 20,956</u> | <u>\$ 19,724</u> | <u>\$ 18,072</u>  | <u>\$ 18,882</u>  | <u>\$ 18,981</u>            | <u>\$ 18,819</u>  | <u>\$ 20,436</u>  | <u>\$ 20,526</u>  | <u>\$ 23,254</u>  |
| University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 465.37%          | 479.09%          | 565.89%           | 583.59%           | 628.24%                     | 749.41%           | 819.01%           | 663.48%           | 539.21%           |
| Plan fiduciary net position as a percentage of the total pension liability - State Group                     | 23.19%           | 25.29%           | 21.39%            | 22.03%            | 22.11%                      | 21.18%            | 19.02%            | 24.96%            | 30.06%            |

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, the University presents information for those years for which information is available.

**Notes to Required Supplementary Information:**

Benefit Changes

There were none.

Changes of Assumptions

There were none.

**KEAN UNIVERSITY**  
Schedule of University Contributions  
Public Employees' Retirement System  
Required Supplementary Information  
(dollars in thousands)

Last Ten Fiscal Years\*

|  | <u>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | Year Ended June 30, |                  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|
|  |                  |                  |                  |                  | <u>2019</u>         | <u>2018</u>      |                  |                  |                  |
| Contractually required contribution                                  | \$ 7,278         | \$ 7,544         | \$ 5,270         | \$ 4,271         | \$ 3,876            | \$ 3,252         | \$ 2,588         | \$ 1,857         | \$ 886           |
| Contributions in relation to the contractually required contribution | (7,278)          | (7,544)          | (5,270)          | (4,271)          | (3,876)             | (3,252)          | (2,588)          | (1,857)          | (886)            |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>         | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| University's covered payroll   | <u>\$ 20,956</u> | <u>\$ 19,724</u> | <u>\$ 18,072</u> | <u>\$ 18,882</u> | <u>\$ 18,981</u>    | <u>\$ 18,819</u> | <u>\$ 20,436</u> | <u>\$ 20,526</u> | <u>\$ 23,254</u> |
| Contributions as a percentage of covered payroll                     | 34.73%           | 38.25%           | 29.16%           | 22.62%           | 20.42%              | 17.28%           | 12.66%           | 9.05%            | 3.81%            |

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

**KEAN UNIVERSITY**  
Schedule of the University's Proportionate Share of the Net Pension Liability  
Police and Firemen's Retirement System  
Required Supplementary Information  
(dollars in thousands)

Last Ten Fiscal Years\*

|  | 2023            | 2022            | 2021            | 2020            | Year Ended June 30,<br>2019 | 2018            | 2017             | 2016             | 2015            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------------|-----------------|------------------|------------------|-----------------|
| University's proportion of the net pension liability (asset) - State Group                                   | 0.1689566600%   | 0.2017053534%   | 0.1834585660%   | 0.1973929503%   | 0.1953740267%               | 0.2266066008%   | 0.2510633291%    | 0.2810715320%    | 0.2803984261%   |
| University's proportionate share of the net pension liability (asset)  | <u>\$ 7,310</u> | <u>\$ 8,198</u> | <u>\$ 7,887</u> | <u>\$ 8,294</u> | <u>\$ 8,458</u>             | <u>\$ 9,961</u> | <u>\$ 11,827</u> | <u>\$ 12,068</u> | <u>\$ 9,963</u> |
| University's covered payroll   | <u>\$ 953</u>   | <u>\$ 909</u>   | <u>\$ 803</u>   | <u>\$ 920</u>   | <u>\$ 866</u>               | <u>\$ 945</u>   | <u>\$ 940</u>    | <u>\$ 1,024</u>  | <u>\$ 1,195</u> |
| University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 767.05%         | 901.87%         | 982.19%         | 901.52%         | 976.67%                     | 1054.07%        | 1258.19%         | 1178.52%         | 834.03%         |
| Plan fiduciary net position as a percentage of the total pension liability - State Group                     | 27.20%          | 29.72%          | 24.81%          | 26.06%          | 25.84%                      | 25.99%          | 24.70%           | 29.07%           | 48.72%          |

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, the University presents information for those years for which information is available.

**Notes to Required Supplementary Information:**

Benefit Changes

There were none.

Changes of Assumptions

There were none.

**KEAN UNIVERSITY**  
Schedule of University Contributions  
Police and Firemens' Retirement System  
Required Supplementary Information  
(dollars in thousands)

Last Ten Fiscal Years\*

|  | 2023          | 2022          | 2021          | 2020          | Year Ended June 30,<br>2019 | 2018          | 2017          | 2016            | 2015            |
|--|---------------|---------------|---------------|---------------|-----------------------------|---------------|---------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 1,449      | \$ 1,084      | \$ 897        | \$ 697        | \$ 636                      | \$ 507        | \$ 443        | \$ 347          | \$ 392          |
| Contributions in relation to the contractually required contribution | (1,449)       | (1,084)       | (897)         | (697)         | (636)                       | (507)         | (443)         | (347)           | (392)           |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                 | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>     | <u>\$ -</u>     |
| University's covered payroll   | <u>\$ 953</u> | <u>\$ 909</u> | <u>\$ 803</u> | <u>\$ 920</u> | <u>\$ 866</u>               | <u>\$ 945</u> | <u>\$ 940</u> | <u>\$ 1,024</u> | <u>\$ 1,195</u> |
| Contributions as a percentage of covered payroll                     | 152.05%       | 119.25%       | 111.71%       | 75.76%        | 73.44%                      | 53.65%        | 47.13%        | 33.89%          | 32.82%          |

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

**KEAN UNIVERSITY**  
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the University  
Teachers' Pension and Annuity Fund  
Required Supplementary Information  
(dollars in thousands)

Last Ten Fiscal Years\*

|   | 2023            | 2022            | 2021            | 2020            | Year Ended June 30,<br>2019 | 2018            | 2017            | 2016             | 2015             |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|------------------|------------------|
| State's proportion of the net pension liability (asset) associated with the University          | 0.0062596944%   | 0.0063483435%   | 0.0071136873%   | 0.0081832550%   | 0.0085063653%               | 0.0089503436%   | 0.0090329168%   | 0.0345727610%    | 0.0404391681%    |
| University's proportionate share of the net pension liability (asset)                           | \$ -            | \$ -            | \$ -            | \$ -            | \$ -                        | \$ -            | \$ -            | \$ -             | \$ -             |
| State's proportionate share of the net pension liability (asset) associated with the University | \$ 3,230        | \$ 3,052        | \$ 4,684        | \$ 5,022        | \$ 5,412                    | \$ 6,035        | \$ 7,106        | \$ 21,851        | \$ 21,613        |
| Total proportionate share of the net pension liability (asset) associated with the University   | <u>\$ 3,230</u> | <u>\$ 3,052</u> | <u>\$ 4,684</u> | <u>\$ 5,022</u> | <u>\$ 5,412</u>             | <u>\$ 6,035</u> | <u>\$ 7,106</u> | <u>\$ 21,851</u> | <u>\$ 21,613</u> |
| Plan fiduciary net position as a percentage of the total pension liability                      | 32.29%          | 35.52%          | 24.60%          | 26.95%          | 26.49%                      | 25.41%          | 22.33%          | 28.71%           | 33.64%           |

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, the University presents information for those years for which information is available.

**Notes to Required Supplementary Information:**

Benefit Changes

There were none.

Changes of Assumptions

There were none.

**KEAN UNIVERSITY**  
Schedule of Proportionate Share of the Total OPEB Liability\*  
and Note to Required Supplementary Information  
State Health Benefit Retired Employees Fund  
Required Supplementary Information  
(dollars in thousands)

Last Ten Fiscal Years\*

|   | Year Ended June 30, |                   |                   |                   |                   |                   |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2023                | 2022              | 2021              | 2020              | 2019              | 2018              |
| University's proportion of the total OPEB liability   | 0.00%               | 0.00%             | 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 total OPEB liability   | \$ 182,754          | \$ 214,722        | \$ 254,371        | \$ 170,816        | \$ 230,515        | \$ 264,692        |
| Total OPEB liability  | <u>\$ 182,754</u>   | <u>\$ 214,722</u> | <u>\$ 254,371</u> | <u>\$ 170,816</u> | <u>\$ 230,515</u> | <u>\$ 264,692</u> |
| University covered payroll  | <u>\$ 69,561</u>    | <u>\$ 67,757</u>  | <u>\$ 68,844</u>  | <u>\$ 76,755</u>  | <u>\$ 79,199</u>  | <u>\$ 65,296</u>  |
| University's proportionate share of the Collective Total OPEB liability<br>as a percentage of covered payroll | 0.00%               | 0.00%             | 0.00%             | 0.00%             | 0.00%             | 0.00%             |

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

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

Note to Required Supplementary Information

For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*.

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Program Title/Cluster Title   | Federal<br>AL<br>Number | FAIN or Other Grant<br>Identifying Number | Current Year<br>Expenditures | Amounts<br>Provided to<br>Subrecipients |
|---|-------------------------|---|------------------------------|---|
| <b>U.S. DEPARTMENT OF EDUCATION:</b>  |                         |   |                              |   |
| Direct Awards:  |                         |   |                              |   |
| Student Financial Assistance Cluster:   |                         |   |                              |   |
| Federal Direct Student Loan Program   | 84.268                  | P268K210270                               | \$ 59,915,532                |   |
| Teacher Education Assistance Program  | 84.379                  | P379T210270                               | 241,226                      |   |
| Federal Supplemental Educational Opportunity Grants   | 84.007                  | P007A212574                               | 888,394                      |   |
| Federal Work-Study Program  | 84.033                  | P033A212574                               | 899,823                      |   |
| Federal Pell Grant Program  | 84.063                  | P063P210270                               | 26,893,779                   |   |
| Total Student Financial Assistance Cluster  |                         |   | <u>88,838,754</u>            |   |
| TRIO Cluster:   |                         |   |                              |   |
| McNair Scholars   | 84.217A                 | P217A0003                                 | 225,368                      |   |
| Upward Bound  | 84.047A                 | P047A0183                                 | 352,763                      |   |
| Total TRIO Cluster  |                         |   | <u>578,131</u>               |   |
| Expansion of Supplemental Instruction   | 84.031A                 | P031A0002                                 | 187,157                      |   |
| Seminar Institutes (12154)  | 84.021                  | P021A210004                               | 13,790                       |   |
| U.S. Environmental Protection Agency - Protein Binding Affinity   |                         | 84045601                                  | 51,582                       |   |
| Center for Veterans Success   | 84.116G                 | P116G20045                                | 178,628                      |   |
| Kean University Be Well Initiative  | 84.184X                 | S184X220084                               | 233,350                      |   |
| Childcare Access - Parents in   | 84.335A                 | P335A220159                               | 144,885                      |   |
| Education Stabilization Fund:   |                         |   |                              |   |
| Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (COVID-19):                          |                         |   |                              |   |
| Higher Education Emergency Relief Fund (HEERF III) - Student Aid  | 84.425E                 | P425E210963                               | 1,158                        |   |
| Total Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (COVID-19)                     |                         |   | <u>1,158</u>                 |   |
| Total Education Stabilization Fund  |                         |   | <u>1,158</u>                 |   |
| Total U.S. Department of Education - Direct Awards  |                         |   | <u>90,229,325</u>            |   |
| <b>U.S. DEPARTMENT OF EDUCATION:</b>  |                         |   |                              |   |
| Passed through State of New Jersey:   |                         |   |                              |   |
| Career and Technical Student Organizations - DECA   | 84.048                  | V048A210030                               | 142,306                      |   |
| Career and Technical Student Organizations - FBLA   | 84.048                  | V048A210030                               | 151,601                      |   |
| English Language Acquisition Grant - Perth Amboy Adelante   | 84.365                  | S365A210030                               | 104,934                      |   |
| Perth Amboy Adelante - English as a Second Language   | 84.365                  | S365A170030                               | 90,829                       |   |
| Total U.S. Department of Education Passed Through the State of New Jersey                                     |                         |   | <u>489,670</u>               |   |
| <b>SMALL BUSINESS ADMINISTRATION:</b>   |                         |   |                              |   |
| Passed through Rutgers University:  |                         |   |                              |   |
| Small Business Development Centers 2023   | 59.037                  | SBAHQ20B0053                              | 206,335                      |   |
| Small Business Development Centers 2022   | 59.037                  | SBAHQ18B0053                              | 91,135                       |   |
| Cares Act 2021 (COVID-19)   | 59.037                  | SBAHQ21C0073                              | 37,934                       |   |
| Total Small Business Administration Passed through Rutgers University   |                         |   | <u>335,404</u>               |   |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>  |                         |   |                              |   |
| Passed through NJ Department of Health and Senior Services:   |                         |   |                              |   |
| NIH - Department of Health and Human Services   | 93.865                  | R15HD102960                               | 243,115                      |   |
| Total U.S. Department of Health and Human Services Passed through NJ Department of Health and Senior Services |                         |   | <u>243,115</u>               |   |
| <b>U.S. DEPARTMENT OF TRANSPORTATION:</b>   |                         |   |                              |   |
| Passed through State of New Jersey:   |                         |   |                              |   |
| Traffic Safety Program  | 20.600                  | 69A37519300004020NJ0                      | 456,612                      |   |
| Total U.S. Department of Transportation Passed Through the State of New Jersey                                |                         |   | <u>456,612</u>               |   |
| Passed through The Economic Development Authority:  |                         |   |                              |   |
| Kean Ctr Bus/Workforce  | 11.303                  | ED21PHI3030010                            | 133,001                      |   |
| Total U.S. Department of Transportation Passed Through the Economic Development Authority                     |                         |   | <u>133,001</u>               |   |
| <b>U.S. DEPARTMENT OF DEFENSE:</b>  |                         |   |                              |   |
| FLBRGHT-HAYS GRP PRJ  | 84.021A                 | P021A210004                               | 6,440                        |   |
| Research and Development Cluster:   |                         |   |                              |   |
| <b>NATIONAL SCIENCE FOUNDATION:</b>   |                         |   |                              |   |
| Passed through Rutgers University:  |                         |   |                              |   |
| LSAMP   | 47.076                  | 1909824                                   | 166,551                      |   |
| Passed through University of Texas:   |                         |   |                              |   |
| Computer and Information Science and Engineering:   |                         |   |                              |   |
| NSF Alliance  | 47.076                  | HRD-1834620                               | 258,026                      |   |
| NSF Assignment  | 47.070                  | OAC-2208802                               | 170,661                      |   |
| NSF S-STEM  | 47.076                  | 2129795                                   | 160,656                      |   |
| NSF Career Grant  | 47.070                  | Not Available                             | 51,478                       |   |
| NSF Noyce Scholars  | 47.070                  | Not Available                             | 44,086                       |   |
| Embedding Equitable Design  | 47.070                  | Not Available                             | 26,561                       |   |
| Building Capacity Grant   | 47.076                  | 1928452                                   | 277,971                      |   |
| School of Environmental Sustainability Science Grant  | 47.041                  | Not Available                             | 47,503                       |   |
| Total Research and Development Cluster  |                         |   | <u>1,203,493</u>             |   |
| National Endowment for the Humanities:  |                         |   |                              |   |
| Promotion of the Humanities Teaching and Learning Resources and Curriculum Development - Holocaust Research   | 45.162                  | Not Available                             | 1,890                        |   |
| Promotion of the Humanities Teaching and Learning Resources and Curriculum Development                        | 45.162                  | AC25891518                                | 4,590                        |   |
| National Endowment for the Humanities   |                         |   | <u>6,480</u>                 |   |
| Total expenditures of Federal awards  |                         |   | <u>\$ 93,101,650</u>         | <u>\$ -</u>                             |

*See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.*



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2023**

| State of New Jersey<br>Grantor/Program Title             | Grant or<br>Account Number | Grant Period        | Current Year<br>Expenditures |
|--|----------------------------|---------------------|------------------------------|
| <b>Student Financial Assistance Cluster:</b>             |                            |                     |                              |
| N.J. Department of Treasury:                             |                            |                     |                              |
| New Jersey College Loans to Assist State Students        | N/A                        | 07/01/22 - 06/30/23 | \$ 1,049,624                 |
| Tuition Aid Grant  | 100-074-2405-007           | 07/01/22 - 06/30/23 | 23,370,786                   |
| NJ Best Scholarship                                      | N/A                        | 07/01/22 - 06/30/23 | 34,000                       |
| New Jersey Stars II                                      | 100-074-2405-313           | 07/01/22 - 06/30/23 | 135,759                      |
| Embrella   | N/A                        | 07/01/22 - 06/30/23 | 46,504                       |
| Law Enforcement Officer Memorial Scholarship             | N/A                        | 07/01/22 - 06/30/23 | 19,686                       |
| N.J. Department of State:                                |                            |                     |                              |
| Educational Opportunity Fund Undergraduate               | 200-100-074-2401-002       | 07/01/22 - 06/30/23 | 1,003,511                    |
| Educational Opportunity Fund Graduate                    | 200-100-074-2401-002       | 07/01/22 - 06/30/23 | 54,400                       |
| Total Student Financial Assistance Cluster               |                            |                     | 25,714,270                   |
|  |                            |                     |                              |
| N.J. Department of State:                                |                            |                     |                              |
| Educational Opportunity Fund Article IV - Academic Year  | 100-074-2401-002           | 07/01/22 - 06/30/23 | 803,566                      |
| Educational Opportunity Fund Article IV - Summer         | 100-074-2401-002           | 07/01/22 - 06/30/23 | 597,480                      |
| Educational Opportunity Fund Article IV - Winter         | 100-074-2401-002           | 07/01/22 - 06/30/23 | 73,038                       |
| Educational Opportunity Fund Praxis Core Prep Series     | 100-074-2401-002           | 07/01/22 - 06/30/23 | 36,197                       |
|  |                            |                     | 1,510,281                    |
|  |                            |                     |                              |
| Interdepartmental Accounts:                              |                            |                     |                              |
| FICA State Colleges and University Reimbursement Program | 100-094-9410-137           | 07/01/22 - 06/30/23 | 6,823,700                    |
| Fringe benefits paid by State of New Jersey              | 100-094-9410-137           | 07/01/22 - 06/30/23 | 56,165,920                   |
| N.J. Higher Education Capital Facilities:                |                            |                     |                              |
| Fire Safety Training Program                             | 100-022-8017-035           | 07/01/22 - 06/30/23 | 1,779,393                    |
| N.J. Office of the Secretary of Higher Education         |                            |                     |                              |
| Hunger Free Campus                                       | N/A                        | 07/01/22 - 06/30/23 | 23,710                       |
| OSHE OMIC to College and Student Success                 | OMIC                       | 07/01/22 - 06/30/23 | 193,780                      |
| Career Services Acceleration Grant                       | 22-10157                   | 07/01/22 - 06/30/23 | 587                          |
| N.J. Department of State:                                |                            |                     |                              |
| State of New Jersey Appropriation                        | 100-074-2455-001           | 07/01/22 - 06/30/23 | 50,962,000                   |
| NJ State Council on the Arts:                            |                            |                     |                              |
| Premier Stages   | 0625A050169                | 07/01/22 - 06/30/23 | 42,096                       |
| Passaic Board of Education:                              |                            |                     |                              |
| PASS Adelante  | N/A                        | 07/01/22 - 06/30/23 | 20,424                       |
| N.J. Historical Commission                               |                            |                     |                              |
| Restorative Justice in Education Comp                    | HC-PRO-2023-031            | 07/01/22 - 06/30/23 | 16,171                       |
| Computer Science Learning                                | 21E000182                  | 07/01/22 - 06/30/23 | 470,612                      |
| Computer Science Learning                                | 21E000179                  | 07/01/22 - 06/30/23 | 86,012                       |
| NJ Economic Development Authority                        |                            |                     |                              |
| Maternal Child Health Center                             | 00087123                   | 07/01/22 - 06/30/23 | 345,047                      |
| Department of Children and Families                      | N/A                        | 07/01/22 - 06/30/23 | 5,000                        |
| NJ Family Development                                    |                            |                     |                              |
| NJ ARP Stabilization Grant                               | NJARP-FR-000986            | 07/01/22 - 06/30/23 | 5,586                        |
| URBAN Focus Policy                                       | N/A                        | 07/01/22 - 06/30/23 | 774,234                      |
| NJDEP Organic Waste Recycling                            | SHW23-004                  | 07/01/22 - 06/30/23 | 1,713                        |
| NJDEP Food Waste Recycling and Compost                   | SHW20-010                  | 07/01/22 - 06/30/23 | 30,254                       |
|  |                            |                     | \$ 144,970,790               |

*See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.*

**KEAN UNIVERSITY**  
**(A Component of the State of New Jersey)**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE**

**1. Significant Accounting Policies/Basis of Presentation:**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of Kean University (the “University”) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance 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, it is not intended to, and does not, present the financial position, changes in net position 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 U.S. Office of Management and Budget (OMB) 2 CFR Part 220, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**2. Perkins Loan and Nursing Faculty Loan Programs:**

The University administers the following Federal loan programs:

|                              | <u>AL #</u> | Loans<br>Extended for<br>the Year Ended<br>June 30, 2023 | Outstanding<br>Principal<br>Balance at<br>June 30, 2023 |
|------------------------------|-------------|--|---|
| Perkins Loan Program         | 84.038      | \$ <u>          -</u>                                    | \$ <u>  29,385</u>                                      |
| Nursing Faculty Loan Program | 93.264      | \$ <u>          -</u>                                    | \$ <u> 567,669</u>                                      |

The University is no longer participating in the Perkins Loan Program and did not have any related expenses incurred during the 2023 or 2022 fiscal years.

**KEAN UNIVERSITY**  
**(A Component of the State of New Jersey)**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE**

**3. Other Loan Programs:**

During the fiscal year ended June 30, 2023, the University processed the following amount of new loans under the Federal Direct Stafford Student Loan programs (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

|  | AL #   | Value<br>of Loans |
|--|--------|-------------------|
| Stafford Loans (Direct):                       | 84.268 |                   |
| Subsidized                                     |        | \$ 15,649,188     |
| Unsubsidized                                   |        | 34,169,189        |
|  |        | \$ 49,818,377     |
| Parent Loans for Undergraduate Students (PLUS) |        | \$ 10,097,155     |

**4. Indirect Costs:**

The University did not elect to use the 10% de minimis indirect cost rate as allowed by the Uniform Guidance.

**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**

**The Board of Trustees  
Kean 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 of Kean University (the "University"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 21, 2024. The financial statements of the Kean University Foundation, Inc. and subsidiaries, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

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

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

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

**The Board of Trustees  
Kean University**

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**Report on Compliance and Other Matters**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
February 21, 2024



## 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 15-08

### Independent Auditors' Report

The Board of Trustees  
Kean University

#### Report on Compliance for Each Major Federal and State Program

#### Opinion on Each Major Federal and State Program

We have audited Kean University's (the "University") 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 the University's major federal and state programs for the year ended June 30, 2023. The 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, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

#### 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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), 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 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 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

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**The Board of Trustees  
Kean University**

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

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

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

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

**The Board of Trustees  
Kean 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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, as defined above. 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 15-08. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
February 21, 2024



**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditors' Results**

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***Financial Statements***

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_Yes      X   No
- Significant deficiency(ies) identified?            \_\_\_Yes      X   None reported

Noncompliance material to financial statements noted?    \_\_\_Yes      X   No

***Federal Awards and State Financial Assistance***

Internal control over major federal and state programs:

- Material weakness(es) identified?                    \_\_\_Yes      X   No
- Significant deficiency(ies) identified?            \_\_\_Yes      X   None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or NJ OMB 15-08?

\_\_\_Yes      X   No

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditors' Results**

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Identification of major programs:

| <u>Federal AL Numbers:</u>                | <u>Program Name</u>                           | <u>Department/Agency</u>             |
|---|---|--------------------------------------|
| 84.007, 84.033,<br>84.063, 84.268, 84,379 | Student Financial Assistance Programs Cluster | U.S. Department of<br>Education      |
| 47.070, 47.076, 47.041                    | Research and Development Cluster              | National Science<br>Foundation       |
| <u>State Grant Number:</u>                | <u>Program Name</u>                           |                                      |
| 100-082-2150-007                          | State Financial Assistance Cluster            | New Jersey Department of<br>Treasury |
| 100-074-2455-001                          | State of New Jersey Appropriations            | New Jersey Department of<br>Treasury |

Dollar threshold used to distinguish

between Type A and Type B programs:    \$750,000    Federal Awards

  \$3,000,000    State Financial Assistance

Auditee qualified as low-risk auditee?     X  Yes    \_\_\_ No

**KEAN UNIVERSITY**  
**(A Component Unit of the State of New Jersey)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

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**Section II - Financial Statement Findings**

None to report.

**Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs**

No federal award or state financial assistance program internal control over compliance or compliance findings or questioned costs were noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) or New Jersey State OMB Circular 15-08.