KEAN UNIVERSITY
(A Component Unit of the State of New Jersey)
REPORT ON FINANCIAL STATEMENTS AND
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, 2018 AND 2017

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

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(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Kean University

Report on the Financial Statements

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Kean University Foundation, Inc. and subsidiaries (the "Foundation"), the blended presented component unit of Kean University. The Foundation's financial statements represent 6% of total assets, 18% of total net position and 2% of total revenues for the year ended June 30, 2018 and 6% of total assets, 11% of total net position and 3% of total revenues for the year ended June 30, 2017. 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. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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 blended presented component unit of Kean University, as of June 30, 2018 and 2017, 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.

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 Employee's Retirement System – PERS, schedule of University contributions Public Employee's Retirement System - PERS, schedule of the University's proportionate share of the net pension liability Police and Firemen's Employee's Retirement System – PFRS, schedule of University contributions Police and Firemen's Employee'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 Proportionate Share of the Total 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.

Other Information

Our audits were conducted for the purpose of forming opinions 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 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 Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 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.

Wiss & Company

WISS & COMPANY, LLP

March 29, 2019
Livingston, New Jersey

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

YEARS ENDED JUNE 30, 2018 and 2017

Overview of Basic Financial Statements and Financial Analysis

This section of the basic financial statements for Kean University of New Jersey (the "University") presents management's discussion and analysis of the University's financial position for the years ended June 30, 2018 and 2017 and comparative amounts for the year ended June 30, 2016. The discussion in this report focuses on the combined operations and financial positions of Kean University and its blended component unit, the Kean University Foundation, Inc. and subsidiaries. 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 blended component unit in the University's financial statements in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

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.

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 and its component unit at June 30, 2018, 2017 and 2016:

Net Position

(in thousands)

	June 30,		
	2018	2017	2016
Current assets	$ 241,702	$ 215,633	$ 195,556
Capital assets, net	473,509	482,342	482,610
Other noncurrent assets	10,210	11,171	12,633
Total Assets	725,421	709,146	690,799
Deferred Outflows of Resources	55,313	48,880	29,667
Current liabilities	47,145	51,705	53,049
Noncurrent liabilities	473,178	497,140	479,502
Total Liabilities	520,323	548,845	532,551
Deferred Inflows of Resources	34,413	12,050	13,695
Net Position:			
Net investment in capital assets	166,587	166,974	160,383
Restricted	117,136	76,025	67,950
Unrestricted (deficit)	(57,725)	(45,868)	(54,113)
Total Net Position	$ 225,998	$ 197,131	$ 174,220

Kean University's net position *increased* approximately $28.9 million during fiscal 2018. Operating revenues of $152.6 million, plus net non-operating revenues and capital related revenues, net of interest expense of $120.1 million, *exceeded* operating expenses of $242.3 million and the $1.5 million decrease due to Debt Service Reserves released for early extinguishment of debt reported as a special item. State appropriations and State payment of fringe benefits totaling $85.1 million plus Federal and State Non-Operating Grants of $44.4 million *more than* offset the year's *operating loss* of $89.7 million and net interest expense, investment income, and other income of $9.4 million.

Net investment in capital assets *decreased* $0.4 million which was due mostly to a decrease in debt on related net assets from regular debt service payments offset by an increase from new capital asset spending. Restricted net position *increased* $41.1 million which was primarily due to an allocation of unrestricted cash being dedicated to the capital projects reserve accounts held within the NJ Cash Management Fund.

In fiscal year 2017, net investment in capital assets *increased* $6.6 million primarily due to regular debt service payments which resulted in a decrease in debt on the related capital assets. Additional capital spending on current projects were also a partial contributing factor. Restricted net position *increased* $8.1 million due to a $4.0 million increase in expendable reserves as well as a $4.0 million increase in the Foundation's restricted reserves.

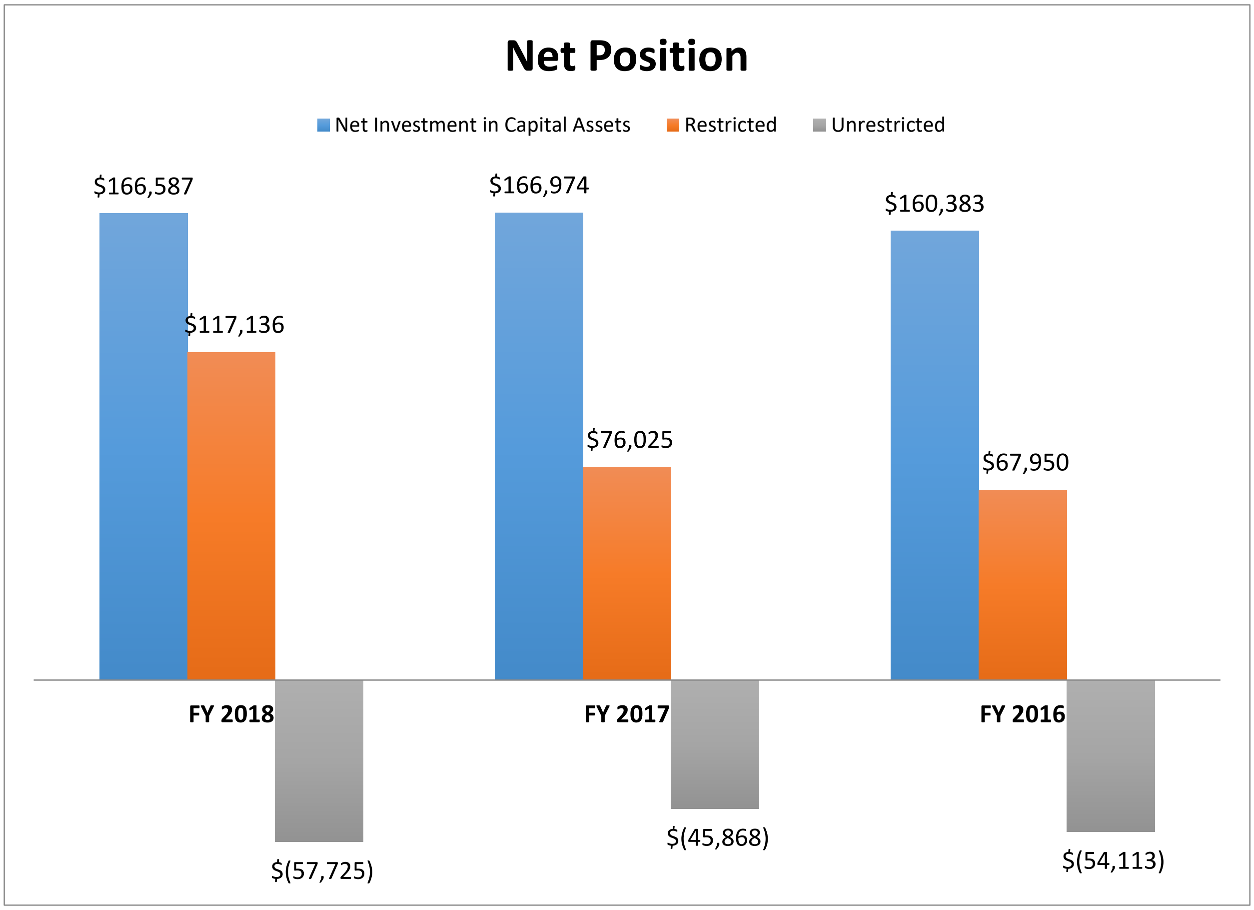
Current assets consist primarily of cash and equivalents, deposits held by bond trustees under bond agreements for capital activities, investments and accounts receivable. Noncurrent assets consist primarily of investments, land, construction-in-progress and capital assets, net of accumulated depreciation. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

YEARS ENDED JUNE 30, 2018 and 2017

Graphically displayed below is net position by category as of June 30, 2018, 2017 and 2016.



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, 2018, 2017 and 2016 follows:

Total Revenues

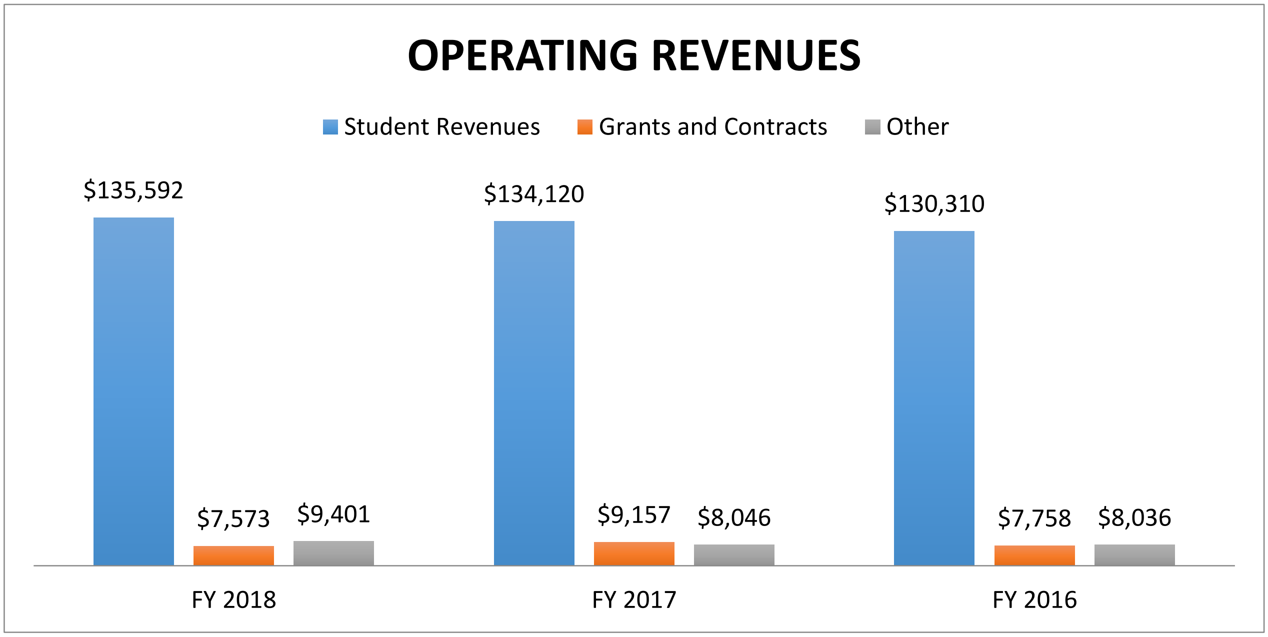
	Year Ended June 30,		
	2018	2017	2016
Operating revenues:			
Student revenues, net	$ 135,592	$ 134,120	$ 130,310
Grants and contracts	7,573	9,157	7,758
Other	9,401	8,046	8,036
Total Operating Revenues	152,566	151,323	146,104
Non-operating revenues (expenses), and capital revenues:			
State appropriation/paid fringe benefits	82,793	67,865	63,225
State appropriation - capital	2,323	5,386	7,342
Grants and contracts	44,392	39,090	39,876
Private gifts, investment income, interest expense and other, net	(9,430)	(12,361)	(17,056)
Total Non-operating revenues (expenses)	120,078	99,980	93,387
Total Revenues and Non-Operating Expenses	$ 272,644	$ 251,303	$ 239,491

Operating Revenues

Operating revenues are recognized by Kean University for providing goods and services directly to its customers (students). Operating revenues *increased* $1.2 million in fiscal 2018 versus fiscal 2017. Net student revenues *increased* $1.5 million, while federal and state grants and contracts *decreased* by $1.6 million. Net fundraising and other operating revenues *increased* $1.4 million.

In fiscal 2017, operating revenues *increased* $5.2 million in fiscal 2017 versus fiscal 2016. Net student revenues *increased* $3.8 million, while federal and state grants & contracts *increased* by $1.4 million. Net fundraising & other operating revenues remained flat.

Following is a breakdown of operating revenue by category for the years ended June 30, 2018, 2017 and 2016:



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 payment of fringe benefits (on-behalf) which totaled $85.1 million and $73.3 million in 2018 and 2017, respectively, for an *increase* of $11.9 million which was primarily due to the implementation of GASB 75 and the financial reporting for Postemployment Benefits other than Pensions. This statement resulted in an additional $15.6 million of revenues which were offset by equal amount of expenses allocated to the various functional categories. This increase was offset by a decrease of $3.1 million due to the winding down of state capital appropriations being drawn down as the construction projects are nearing completion. In addition, an *increase* in Grant and contract revenue of $5.3 million as well as a decrease in interest expense and an increase in investment and other income of $2.9 million also contributed to the overall *increase* in non-operating and capital revenues of $20.1 million in fiscal 2018 versus fiscal 2017.

In fiscal 2017, State appropriations and State payment of fringe benefits (on-behalf) which totaled $73.3 million and $70.6 million in 2017 and 2016, for an *increase* of $2.7 million. This *increase* combined with a *decrease* in interest expense of $1.6 million and an increase in investment income of $3.1 million primarily contributed to an overall *increase* in non-operating and capital revenues of $6.6 million in fiscal 2017 versus fiscal 2016.

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 Kean University. Non-operating expenses are those for which Kean University does not receive goods or services in return.

For the year ended June 30, 2018, operating expenses *increased* by approximately $13.9 million. The primary reason for this increase was due to an allocation charge of $15.6 million in revenues and expenses as a result of the implementation of GASB 75 which requires financial reporting for Postemployment Benefits other than Pensions. Offsetting the GASB 75 increase was a $6.7 million decrease in the top side allocation charge as a result of the GASB 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 $13.9 million noted above was a decrease of $0.6 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 $36.7 million and $37.4 million in 2018 and 2017, respectively.

For financial statement purposes GASB 68 Pension, GASB 75 OPEB, and State 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 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 $5.6 million in operating expenses, which was primarily due to the following: Instruction $2.8 million, Student Services $1.3 million, Operations and Maintenance $1.8 million, and Auxiliary Enterprises $0.7 million. The increases in Instruction can be attributed primarily to an increase in the Salary and Benefits accounts across various departments. Student Services was due to a combination of Salary and Benefits along with an increase in the enrollment management expenses compared to the prior year. Operations and Maintenance was the result of an increase in facilities and maintenance due to repairs related to the buildings and grounds along with vehicle maintenance. The increase in Auxiliary was mostly due to an increase in security expenses as well as improvements to the cafeteria seating in the residence halls. Additionally, there was an increase in Depreciation and amortization expenses of $0.7 million. The preceding increases were offset by a *decrease* in Institutional Support of $2.6 million which was primarily due to a decrease in the Professional Impact grant award expense which was phased out in 2018.

For the year ended June 30, 2017, operating expenses *increased* by approximately $13.7 million. Included in this increase was a $4.2 million increase in the top side operating charge resulting from the GASB requirement to record expenses due to 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 $13.7 million noted above was an additional $4.6 million expense allocation resulting from an *increase* 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 $37.4 million and $32.8 million in 2017 and 2016.

For financial statement purposes GASB 68 Pension and State Fringe Benefit expenses were allocated among the various program expense line items based on salary expenses incurred. For purposes of the Management Discussion and Analysis such expense allocation has been excluded and are shown as separate line items in the schedule below.

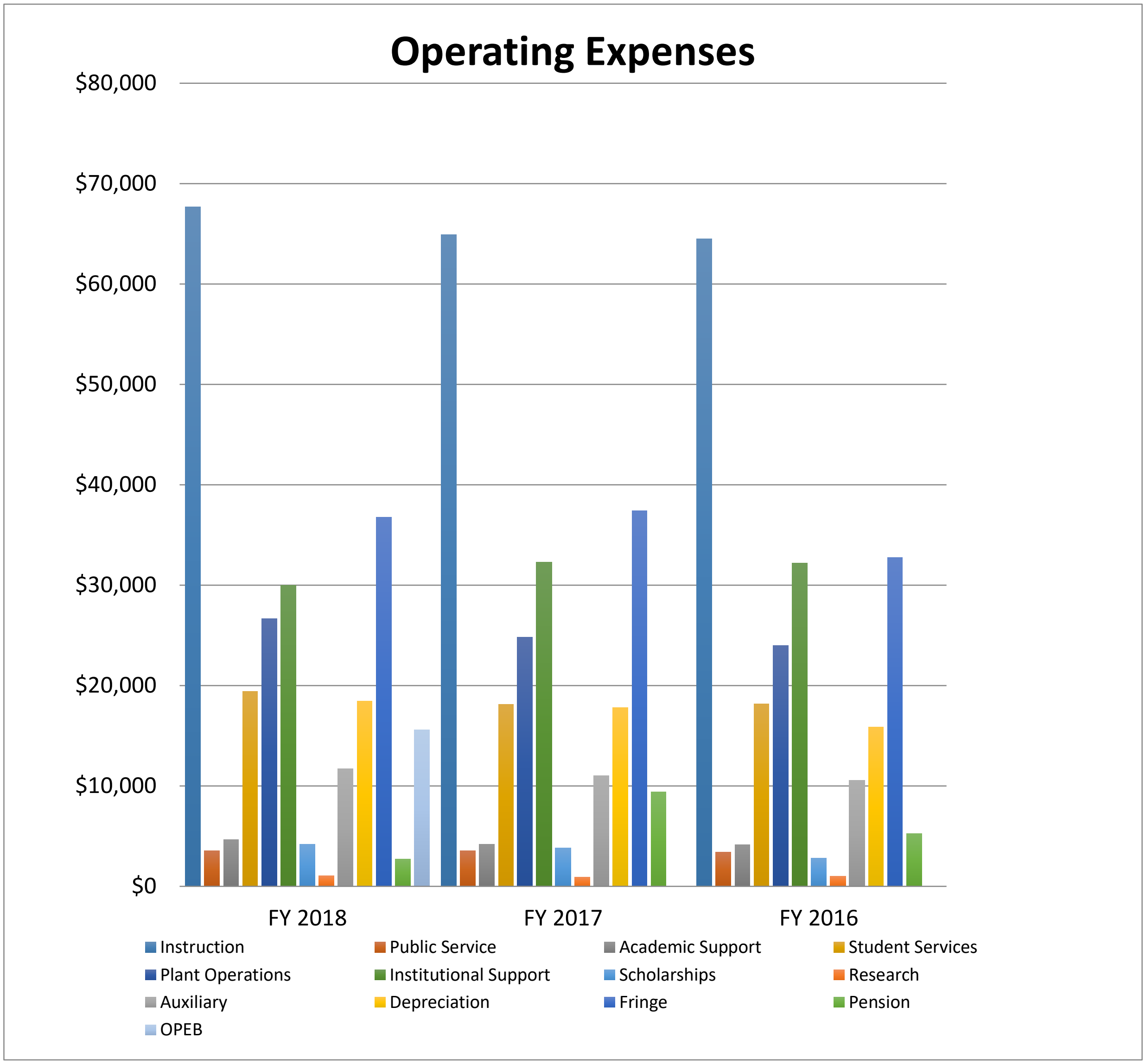
The primary reason for the $4.9 million *increase* in operating expenses, exclusive of the fringe benefits and pension allocations, are due to increases in the following: Instruction $0.4 million, Operations and Maintenance $0.8 million and Scholarships and fellowships $1.0 million which was due to various program expense fluctuations. Additionally there was an increase in depreciation and amortization expenses of $1.9 million which was the result of new capitalized buildings and improvements moving from construction in progress to capital assets.

The following is a summary of operating expenses by category for the fiscal years ended June 30, 2018, 2017 and 2016:

Total Operating Expenses
(in thousands)

	Year Ended June 30,		
	2018	2017	2016
Operating expenses:			
Instruction	$ 67,705	$ 64,922	$ 64,487
Public service	3,560	3,569	3,422
Academic support	4,674	4,234	4,149
Student services	19,438	18,112	18,209
Operations and maintenance of plant	26,677	24,808	23,990
Institutional support	29,686	32,316	32,201
Scholarships and fellowships	4,185	3,829	2,825
Research	1,067	963	993
Auxiliary enterprises	11,731	11,032	10,554
Depreciation and amortization	18,481	17,799	15,888
Subtotal	$ 187,204	$ 181,584	$ 176,718
State Fringe Benefit allocation impact	$ 36,753	$ 37,397	$ 32,755
GASB 68 Pension Expense allocation impact	2,725	9,411	5,259
GASB 75 OPEB allocation impact	15,571	-	-
Total operating expenses	$ 242,253	$ 228,392	$ 214,732

The following chart provides a graphical breakdown of operating expenses by category for the fiscal years ended June 30, 2018, 2017 and 2016:



Capital Assets and Debt Administration

Capital Assets

Capital Asset, net (including construction-in-progress) *decreased* approximately $8.8 million in 2018 over 2017. This was primarily due to new capital construction-in-progress spending of $6.9 million and $2.8 million of new capital asset spending placed into service as described below. This was offset by depreciation and amortization expense of $18.5 million. The University had approximately $473.5 million invested in capital assets, net of accumulated depreciation of $209.9 million at June 30, 2018 as compared to approximately $482.3 million net of accumulated depreciation of $191.6 million at June 30, 2017. Depreciation charges totaled $18.5 and $17.8 million for the years ended June 30, 2018 and 2017, respectively.

Details of these capital assets, net of accumulated depreciation, are as follows (in thousands):

	June 30,		
	2018	2017	2016
Construction-in-progress	$ 18,046	$ 13,842	$ 56,236
Land	9,123	9,123	9,123
Land improvements	11,430	12,348	13,619
Buildings and improvements	419,922	430,885	390,842
Equipment	8,764	9,651	6,028
Infrastructure	6,224	6,493	6,762
	455,463	468,500	426,374
	$ 473,509	$ 482,342	$ 482,610

Major capital additions (project to date spending) during the 2018 fiscal year included:

Child Care Center (completed)	$ 2,672
Residence Life & Miron Center Cooling Towers (completed)	1,106
Regional Highlands Center at Mt Paul (in progress)	4,385
New Academic Building (Merck) Property (in progress)	1,347
Liberty Hall Museum (in progress)	592
Total	$ 10,102

See Note 3 to the financial statements for more information relating to the capital assets of the University.

Debt and Long-Term Liabilities

The University had $331.1 and $327.8 million in outstanding debt for the years ended June 30, 2018 and 2017, respectively. The outstanding debt is summarized below by the type of debt instrument.

Outstanding Debt, at Year-End

	June 30,		
	2018	2017	2016
Bonds	$ 312,885	$ 311,405	$ 320,896
Lease obligations	10,324	13,077	14,706
Unamortized premium (discount), net	7,871	3,272	3,482
	$ 331,080	$ 327,754	$ 339,084

Year to year reductions in outstanding debt are primarily due to the payment of principal on outstanding debt and lease.

See Note 4 to the financial statements for more information relating to the University's debt and long-term liabilities.

Summary and Outlook

Although operating expenses plus interest at Kean University *increased* from $124.7 million in FY 2002 to $256.8 million in FY 2018 (4.6% CAGR), state aid revenue (appropriations and revenue) only *increased* from $53.1 million in FY 2002 to $85.1 million in FY 2018 *(including Building our Future Bond Act Reimbursements)* (3.0% CAGR). 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
(in thousands)

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 176,510	$ 141,715
Deposits held by Bond Trustees	14,928	25,679
Investments	36,424	33,253
Accounts receivable:		
Student accounts (less allowance for doubtful accounts of $10,036 in 2018 and $9,245 in 2017)	2,951	2,777
Student loans	354	190
Gifts and grants	2,420	3,343
Due from State of New Jersey	6,065	5,906
Other receivables (less allowance for doubtful collections of $75 in 2018 and $100 in 2017)	1,757	2,527
Total Accounts Receivable	13,547	14,743
Prepaid expenses and other assets	293	243
Total Current Assets	241,702	215,633
NONCURRENT ASSETS:		
Investments	7,027	7,188
Student loans receivable	2,038	2,208
Other	1,145	1,775
Land	9,123	9,123
Construction-in-progress	18,046	13,842
Capital assets (net of accumulated depreciation of $209,887 in 2018 and $191,624 in 2017)	446,340	459,377
Total Noncurrent Assets	483,719	493,513
Total Assets	725,421	709,146
DEFERRED OUTFLOWS OF RESOURCES:		
Swap Termination and Loss on Refinancing	28,190	13,199
Pension deferrals	27,123	35,681
Total Deferred Outflows of Resources	55,313	48,880
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	11,554	13,775
Accrued interest payable	4,956	5,889
Unearned revenue	15,189	14,697
Deposits and other	65	65
Compensated absences - current portion	3,177	3,081
Other current liabilities	111	111
Long-term debt - current portion	12,093	14,087
Total Current Liabilities	47,145	51,705
Noncurrent liabilities:		
Compensated absences	1,300	1,445
U.S. Government grants refundable	314	1,008
Other noncurrent liabilities	1,584	1,817
Long-term debt, less current portion	318,987	313,667
Net pension liability	150,993	179,203
Total Noncurrent Liabilities	473,178	497,140
Total Liabilities	520,323	548,845
DEFERRED INFLOWS OF RESOURCES:		
Pension deferrals	34,136	11,760
Deferred Gain on Refinancing	277	290
Total Deferred Inflows of Resources	34,413	12,050
NET POSITION		
Net investment in capital assets	166,587	166,974
Restricted:		
Nonexpendable	17,350	16,373
Expendable:		
Capital projects	80,957	39,309
Renewal and replacement	1,286	1,285
Debt service reserves	67	2,524
Other	17,476	16,534
Unrestricted (deficit)	(57,725)	(45,868)
Total Net Position	$ 225,998	$ 197,131

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
(in thousands)

	For the Year Ended	
	2018	2017
OPERATING REVENUES:		
Student revenues:		
Student tuition and fees	$ 164,169	$ 158,378
Auxiliary enterprises	22,500	21,562
Less: Scholarship allowances	(51,077)	(45,820)
Student revenues, net	135,592	134,120
Federal grants and contracts	4,455	6,351
State and local grants and contracts	3,118	2,806
Fundraising revenue	3,717	4,105
Other operating revenues	5,684	3,941
Total operating revenues	152,566	151,323
OPERATING EXPENSES:		
Instruction	100,551	93,166
Public service	3,924	3,829
Academic support	5,826	5,300
Student services	26,266	23,536
Operations and maintenance of plant	30,717	28,651
Institutional support	39,224	40,068
Scholarships and fellowships	4,185	3,829
Research	1,350	1,182
Auxiliary enterprises	11,731	11,032
Depreciation and amortization	18,479	17,799
Total operating expenses	242,253	228,392
OPERATING LOSS	(89,687)	(77,069)
NON-OPERATING REVENUES (EXPENSES):		
State of New Jersey appropriations - State	30,469	30,469
State of New Jersey paid fringe benefits - on behalf payments	52,324	37,396
Federal nonoperating grants and contracts	27,118	24,428
State and local nonoperating grants and contracts	17,274	14,662
Private gifts	23	630
Investment income	4,020	4,162
Interest expense	(14,539)	(16,703)
Other	1,066	(450)
Net non-operating revenues (expenses)	117,755	94,594
STATE OF NEW JERSEY APPROPRIATIONS - CAPITAL	2,323	5,386
INCOME BEFORE SPECIAL ITEM	30,391	22,911
Net Loss on Bond Defeasance	(1,524)	-
INCREASE IN NET POSITION	28,867	22,911
NET POSITION, BEGINNING OF YEAR	197,131	174,220
NET POSITION, END OF YEAR	$ 225,998	$ 197,131

See accompanying notes to financial statements.

KEAN UNIVERSITY
(A Component Unit of the State of New Jersey)
STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student revenues	$ 135,916	$ 135,818
Government grants	44,555	45,613
Payments to suppliers	(99,858)	(104,285)
Payments for employee salaries and benefits	(107,842)	(101,716)
Other receipts	10,469	11,515
Net cash flows from operating activities	(16,760)	(13,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State of New Jersey appropriations	32,633	32,702
Government grants	44,392	39,090
Direct lending receipts	82,843	81,323
Direct lending disbursements	(82,843)	(81,323)
Private gifts	23	80
Net cash flows from noncapital financing activities	77,048	71,872
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	205,279	978
Payments made for bond issuance costs	931	-
Payments made for refunded debt	(178,229)	80
Loss on disposal of capital assets	58	-
Purchases of capital assets	(9,706)	(17,530)
Principal paid on long-term debt	(30,777)	(12,176)
Interest paid on long-term debt	(25,878)	(16,338)
Deposits held by Bond Trustees	10,751	3,234
Net cash flows from capital and related financing activities	(27,571)	(41,752)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases)/sales of investments	(3,008)	(2,036)
Net investment income and other	5,086	4,280
Net cash flows from investing activities	2,078	2,244
NET CHANGE IN CASH AND EQUIVALENTS	34,795	19,309
CASH AND EQUIVALENTS, BEGINNING OF YEAR	141,715	122,406
CASH AND EQUIVALENTS, END OF YEAR	$ 176,510	$ 141,715
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (89,687)	$ (77,069)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization expenses	18,479	17,799
State of New Jersey paid fringe benefits	52,324	37,396
State of New Jersey paid pension contributions	2,724	9,412
Changes in operating assets and liabilities:		
Accounts receivable, net	831	2,079
Prepaid expenses and other assets	580	548
Accounts payable and accrued expenses	(2,221)	(4,820)
Unearned revenue	492	1,622
Other liabilities	(233)	(122)
Compensated absences	(49)	100
Net cash flows from operating activities	$ (16,760)	$ (13,055)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
(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 Nathan Weiss Graduate College, College of Education, College of Business and Public Administration, College of Natural, Applied, and Health Sciences, College of Humanities and Social Sciences, and the College of Visual and Performing Arts. Certain amounts in the footnotes include amounts for the Foundation that are reported as part of the primary government, as a blended 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 Comprehensive Annual 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 blended 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.

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.

(dollars in thousands)

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

The University follows GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which established criteria for determining whether certain organizations should be reported as component units of the financial reporting entity.

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* and FASB ASC 720-25, *Contributions Made*. These standards provide for certain revenue recognition and presentation features which may be different from GASB criteria. Modifications have been made to the Foundation's financial information to enable a blended presentation.

Condensed consolidated financial information for Kean University Foundation, Inc. and Subsidiaries as of and for the years ended June 30, 2018 and 2017 is provided below:

Kean University Foundation, Inc. and Subsidiaries

Condensed Consolidated Statements of Financial Position

	2018	2017
Assets		
Investments	$ 35,586	$ 30,355
Lease Payments Receivable	-	17,370
Other Assets	6,304	11,109
Total Assets	**$ 41,890**	**$ 58,834**
Liabilities		
Bonds Payable, net of discount	$ -	$ 16,316
Other Liabilities	1,851	2,395
Total Liabilities	**$ 1,851**	**$ 18,711**
Net Assets		
Unrestricted	$ 5,214	$ 7,216
Temporarily Restricted	17,475	16,534
Permanently Restricted	17,350	16,373
Total Net Assets	**$ 40,039**	**$ 40,123**

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

NOTES TO FINANCIAL STATEMENTS
(dollars in thousands)

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

Kean University Foundation, Inc. and Subsidiaries
Condensed Consolidated Statements of Activities

	2018	2017
Revenue and Support		
Contributions, grants, and bequests	$ 3,705	$ 4,097
Other support, revenue, and gains	1,204	5,335
Total Revenue and Support	**4,909**	**9,432**
Expenses		
Program Services	2,029	1,981
Supporting Services	2,964	2,654
Total Expenses	**4,993**	**4,635**
Change in Net Assets	(84)	4,797
Net Assets - beginning of year	40,123	35,326
Net Assets - end of year	**$ 40,039**	**$ 40,123**

Kean University Foundation, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

	2018	2017
Net cash provided by operating activities	$ 1,571	$ 3,390
Net cash used for investing activities	(3,745)	(380)
Net cash used for financing activities	(136)	(132)
Net (decrease) increase in cash and cash equivalents	(2,310)	2,878
Cash and Cash equivalents - beginning of year	4,372	1,494
Cash and Cash equivalents - end of year	**$ 2,062**	**$ 4,372**

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

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, 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.

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.

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

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 notes and government securities.

Capital 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.

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

	Useful Lives
Land and Building improvements	15
Buildings	40
Equipment	5-7
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.

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.

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

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, 2015.

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 position 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 position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University has two items that qualify for reporting in this category, including deferred gain on the refinancing of debt and deferred amounts related to pensions.

Reclassifications **-** Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications were on the statements of net position for cash and equivalents and other non-current assets from investments. The reclassification has no impact on overall net position.

GASB Implemented in the 2018 Fiscal Year **-** In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The University adopted GASB No. 75 during the year ended June 30, 2018, which resulted in the recording of additional revenues and expenses and additional disclosures.

(dollars in thousands)

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

In March of 2017, GASB issued Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The University has adopted GASB Statement No. 85 during the year ended June 30, 2018.

***Recently Issued Accounting Pronouncements* -** The GASB issued Statement No. 84, Fiduciary Activities in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, Leases in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the statement on the financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2018 through March 29, 2019, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

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 are comprised of the following as of June 30, 2018 and 2017:

	2018	2017
Cash and cash equivalents	$ 96,645	$ 113,186
State of NJ Cash Management Fund	79,865	28,529
Total Cash and Equivalents	$ 176,510	$ 141,715

As of June 30, 2018 and 2017, the University's cash and equivalents book balance was $96,645 and $113,186, respectively; the actual amount of cash on deposit in the University's bank accounts was $99,893 and $113,056, respectively. Of these bank balances, $98,206 at June 30, 2018, and $112,193 at

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

June 30, 2017, were either fully insured by the Federal Deposit Insurance Corporation, covered by a collateralization agreement or backed by US Government Securities. Balances in excess of the insured amount at June 30, 2018 and 2017 of $1,687 and $863, respectively, were unsecured. The amount covered under this collateralization agreement as of June 30, 2018 and 2017 was $47,130 and $101,895.

For additional information regarding the investments of the Foundation blended component unit, please refer to the separately issued Foundation report.

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, 2018 and 2017 was $79,865 and $28,529, 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, assets held by the bond trustees of $14,928 and $25,679 at June 30, 2018 and 2017, 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, 2018 and 2017, of $7,865 and $10,086, 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, 2018 and 2017, of $35,586 and $30,355, 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

(dollars in thousands)

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

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.

The following table sets forth by level, within fair value hierarchy, the investment assets at fair value as of June 30, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Kean University				
US Treasury Securities	$ -	$ 5,061	$ -	$ 5,061
Fixed Income Securities	2,804	-	-	2,804
Kean University Foundation				
Common stock	96	-	-	96
Mutual Funds	26,171	-	-	26,171
Commodity Trust Fund	1,376	-	-	1,376
Investments Measured at Net Asset Value (a)				7,943
Total Assets at Fair Value	$ 30,447	$ 5,061	$ -	$ 43,451

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Kean University				
US Treasury Securities	$ -	$ 4,982	$ -	$ 4,982
Fixed Income Securities	5,104	-	-	5,104
Kean University Foundation				
Mutual Funds	22,162	-	-	22,162
Commodity Trust Fund	560	-	-	560
Investments Measured at Net Asset Value (a)				7,633
Total Assets at Fair Value	$ 27,826	$ 4,982	$ -	$ 40,441

(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.

(dollars in thousands)

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

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of 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.

As of June 30, 2018, the University and Foundation had the following investments and maturities:

		Maturities (in years)		
Investment Type	Fair Value	Less than 1	1 - 5	Greater than 5
Kean University				
US Treasury Securities	$ 5,061	$ 596	$ 4,465	
Fixed Income Securities	2,804	242	1,161	$ 1,401
Kean University Foundation				
Common Stock	96	96		
Mutual Funds	26,171	26,171		
Commodity Trust Fund	1,376	1,376		
Total	$ 35,508	$ 28,481	$ 5,626	$ 1,401
Investments Measured at Net Asset Value (a)	7,943			
	43,451			

As of June 30, 2017, the University and Foundation had the following investments and maturities:

		Maturities (in years)		
Investment Type	Fair Value	Less than 1	1 - 5	Greater than 5
Kean University				
US Treasury Securities	$ 4,982	$ 398	$ 4,584	
Fixed Income Securities	5,104	2,500	1,154	$ 1,450
Kean University Foundation				
Mutual Funds	22,162	22,162		
Commodity Trust Fund	560	560		
Total	$ 32,808	$ 25,620	$ 5,738	$ 1,450
Investments Measured at Net Asset Value (a)	7,633			
	40,441			

(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.

(dollars in thousands)

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

Credit Risk - GASB 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, 2018	June 30, 2017
Construction fund	$ 4,638	$ 10,462
Debt service fund for principal and interest	10,219	11,394
Debt service reserve fund	-	3,592
Rental pledge fund	4	-
Rebate fund	67	2
Revenue fund	-	229
	14,928	25,679
Less: Current Portion	14,928	25,679
Non-current Deposits Held by Trustees	$ -	$ -

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, 2018		June 30, 2017	
	Cost	Fair Value	Cost	Fair Value
Cash and equivalents	$ 14,922	$ 14,928	$ 23,385	$ 23,386
Investments -				
U.S. Treasury notes and governments securities	-	-	2,280	2,293
	$ 14,922	$ 14,928	$ 25,665	$ 25,679

(dollars in thousands)

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

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, 2018 and 2017, the University's deposits held with bond trustees are invested in money market accounts or U.S. Treasury notes or government securities guaranteed by the U.S. government. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2018 and 2017, no deposits held with bond trustees had maturities greater than one year.

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, 2018 and 2017, capital assets and accumulated depreciation activity was as follows:

	June 30, 2018				
	Beginning of Year	Additions	Retirements	Assets Placed Into Service	End of Year
Nondepreciable assets:					
Construction-in-progress	$ 13,842	$ 6,894	$ -	$ (2,690)	$ 18,046
Land	9,123	-	-	-	9,123
	22,965	6,894	-	(2,690)	27,169
Depreciable assets:					
Land improvements	37,054	698	-	-	37,752
Buildings and improvements	575,723	1,559	(102)	2,690	579,870
Equipment	27,469	552	(171)	-	27,850
Infrastructure	10,755	-	-	-	10,755
	651,001	2,809	(273)	2,690	656,227
Less: Accumulated depreciation:					
Land improvements	24,706	1,616	-	-	26,322
Buildings and improvements	144,838	15,156	(46)	-	159,948
Equipment	17,818	1,438	(170)	-	19,086
Infrastructure	4,262	269	-	-	4,531
	191,624	18,479	(216)	-	209,887
Capital Assets, Net	$ 482,342	$ (8,776)	$ (57)	$ -	$ 473,509

(dollars in thousands)

Note 3 - Capital Assets (continued):

	June 30, 2017			
	Beginning of Year	Additions	Assets Placed Into Service	End of Year
Nondepreciable assets:				
Construction-in-progress	$ 56,236	$ 12,248	$ (54,642)	$ 13,842
Land	9,123	-	-	9,123
	65,359	12,248	(54,642)	22,965
Depreciable assets:				
Land improvements	36,657	42	355	37,054
Buildings and improvements	521,349	5,058	49,316	575,723
Equipment	22,316	182	4,971	27,469
Infrastructure	10,755	-	-	10,755
	591,077	5,282	54,642	651,001
Less: Accumulated depreciation:				
Land improvements	23,038	1,668	-	24,706
Buildings and improvements	130,507	14,331	-	144,838
Equipment	16,288	1,530	-	17,818
Infrastructure	3,993	269	-	4,262
	173,826	17,798	-	191,624
Capital Assets, Net	$ 482,610	$ (268)	$ -	$ 482,342

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was $18,479 and $17,799, respectively. Commitments outstanding on construction projects amounted to approximately $16,335 and $6,671 as of June 30, 2018 and 2017, respectively.

Note 4 - Long-Term Debt:

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 lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority.

Note 4 - Long-Term Debt (continued):

In January 2014, the University, along with other colleges and universities, entered into a lease agreement with the Authority. Under the terms of the agreement, the Authority issued bonds to provide a higher education equipment leasing fund to finance the acquisition and installation of higher education equipment at public and private institutions within the State of New Jersey. The Project was financed by the Authority through the Issuance of Series 2014 Revenue Bonds. The University was allocated $2,438 of the total proceeds of the bond issue.

The terms of the agreement require annual rental payments equal to 25% of the amount necessary to pay the debt service on the University's allocable share of the Series 2014 Bonds and related program expenses. The lease ends in May 2023. On that date, equipment title will transfer to the University.

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 2014 A 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 2016 A 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 proceeds of which were used to refund all of the outstanding series 1998 B , 1991 B, 2005 B, and 1993 G revenue bonds, as well as refund all of the outstanding series 2007 D revenue bonds maturing after July 1, 2018 as well as the payment of the costs of issuing the bonds. As a result of the refunding, the debt reserve funds related to the refunded bonds, in the amount of $4,142, were utilized in reducing the amount of debt sold to finance the refunding of the above issues. This has been reported as a special item in the accompanying Statements of Revenue, Expenses and Change in Net Position. The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of $316 (gain). 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.

(dollars in thousands)

Note 4 - Long-Term Debt (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 (see Note 16), resulted in a loss of $1,524, which has been reported as a special item in the accompanying Statements of Revenues, Expenses and Change in Net Position. 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.

The following represents the components and changes in outstanding debt for the years ended June 30, 2018 and 2017:

	June 30, 2018				
	Beginning of Year	Additions	Reductions	End of Year	Amount Due Within One Year
Bonds payable and other debt - gross	$ 324,482	$ 199,884	$ (201,157)	$ 323,209	$ 12,093
Unamortized premium	7,018	1,377	(483)	7,912	
Unamortized discount	(3,746)	-	3,705	(41)	
Total bonds payable and other debt - net	$ 327,754	$ 201,261	$ (197,935)	$ 331,080	

	June 30, 2017				
	Beginning of Year	Additions	Reductions	End of Year	Amount Due Within One Year
Bonds payable and other debt - gross	$ 335,602	$ 3,706	$ (14,826)	$ 324,482	$ 14,087
Unamortized premium	7,424	-	(406)	7,018	
Unamortized discount	(3,942)	-	196	(3,746)	
Total bonds payable and other debt - net	$ 339,084	$ 3,706	$ (15,036)	$ 327,754	

NOTES TO FINANCIAL STATEMENTS
(dollars in thousands)

Note 4 - Long-Term Debt (continued)

The following principal payments due were outstanding at June 30, 2018 and 2017:

		June 30,	
	Interest Rates	2018	2017
New Jersey Educational Facilities			
Authority Revenue Bonds:			
Series 2003 D		$ -	$ 2,150
Series 2007 D		-	2,495
Series 2009 A, due 2018 to 2020	4.00%-5.50%	3,465	176,705
Series 2015 H, due 2018 to 2040	1.00%-5.00%	109,535	112,930
Series 2017 C, due 2020 to 2032	2.25%-3.79%	184,230	-
Series 2017 D, due 2022 to 2039	4.00%-5.00%	15,655	-
		312,885	294,280
Other debt:			
Higher Education Capital Improvement Fund:			
Series 2014 C, due serially to 2024	3.54%-5.75%	32	42
Series 2014 A, due serially to 2024	3.50%-5.00%	2,164	2,253
Series 2016 A, due serially to 2034	1.69%-3.36%	1,728	2,248
Series 2016 B, due serially to 2037	3.00%-5.50%	956	978
Higher Education Master Equipment Lease:			
2010, due serially to 2020	3.14%	2,250	3,250
2011, due serially to 2021	2.82%	2,887	3,937
2014 A, due serially to 2021	5.00%	307	369
Bergen County Improvement Authority			
Series 2010A and B		-	17,125
		10,324	30,202
Total principal		323,209	324,482
Additional amounts representing:			
Net premiums/discounts		7,871	3,272
Total long-term debt		331,080	327,754
Less: Non-current portion		318,987	313,667
Long-term debt - current portion		$ 12,093	$ 14,087

(dollars in thousands)

Note 4 - Long-Term Debt (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, 2018:

Year Ending June 30,	Principal	Interest
2019	$ 12,093	$ 12,042
2020	8,508	11,613
2021	8,095	11,318
2022	12,659	10,985
2023	13,579	10,555
2024-2028	77,912	44,588
2029-2033	95,462	28,124
2034-2038	78,723	9,914
2039-2040	16,178	375
Total	$ 323,209	$ 139,514

Note 5 - Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses were as follows:

	June 30, 2018	June 30, 2017
Salaries and fringe benefits	$ 263	$ 692
Accounts payable - construction related	1,781	4,048
Accounts payable - other	9,510	9,035
Total	$ 11,554	$ 13,775

Note 6 - Other Non-current Liabilities:

Activity in other non-current liabilities for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion
Compensated absences	$ 4,526	$ 353	$ 402	$ 4,477	$ 3,177
U.S. Government grants refundable	1,008	-	694	314	-
Annuity Payable	733	-	30	703	111
Gear Up Scholarship Fund	1,195	-	203	992	-
Net pension liability	179,203	-	28,210	150,993	-
	$ 186,665	$ 353	$ 29,539	$ 157,479	$ 3,288

(dollars in thousands)

Note 6 - Other Non-current Liabilities:

Activity in other non-current liabilities for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
Compensated absences	$ 4,429	$ 336	$ 239	$ 4,526	$ 3,081
U.S. Government grants refundable	1,011	-	3	1,008	-
Annuity Payable	810	-	77	733	111
Gear Up Scholarship Fund	1,237	-	42	1,195	-
Net pension liability	148,257	30,946	-	179,203	-
	$ 155,744	$ 31,282	$ 361	$ 186,665	$ 3,192

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 $52,324 and $37,396 in 2018 and 2017, respectively, in the financial statements as part of non-operating revenues and expenses, which are distributed to the various functional categories.

Note 8 - Retirement Plans:

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.

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 Teacher's 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,

Note 8 - Retirement Plans (continued):

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 6.5% of base salary effective with the first payroll paid on or after October 1, 2011. Subsequent increases are being phased in over 7 years (each July 1st) to bring the total pension contribution rate to 7.5% as of July 1, 2018. 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.

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

Public Employee's Retirement System (PERS) - 2018

At June 30, 2018, the University reported a liability of $141,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the University's proportion was 0.5499250943 percent, which was a decrease of 0.0195607042 from its proportion measured as of June 30, 2016.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

For the year ended June 30, 2018, the University recognized full accrual pension expense of $6,451 in the financial statements. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 18,448	$ 19,967
Difference between expected and actual experience	3,231	-
Net difference between projected and actual earnings on pension plan investments	896	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	11,168
University contributions subsequent to the measurement date	3,252	-
	$ 25,827	$ 31,135

$3,252 is reported as deferred outflows of resources related to pensions resulting from state college 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:

Year ended June 30:	
2019	$ (1,320)
2020	(368)
2021	(851)
2022	(3,459)
2023	(2,562)
	$ (8,560)

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate on return	7.00%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and set forward 1 year for females).

(dollars in thousands)

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, 2017) 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 expecting 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local

(dollars in thousands)

Note 8 - Retirement Plans (continued):

employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2017 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
University's proportionate share of the net pension liability	$ 163,980	$ 141,032	$ 121,971

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 deferred outflows of resources	$ 4,283,936
Collective deferred inflows of resources	3,809,636
Collective net pension liability	25,645,623
University's proportion	0.5499250943%

Collective pension expense for the State Group for the measurement period ended June 30, 2017 is $1,824,577.

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, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, and 6.44 years, respectively.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Public Employee's Retirement System (PERS) - 2017

At June 30, 2017, the University reported a liability of $167,376 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the University's proportion was 0.5694857985 percent, which was a decrease of 0.0046152840 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized full accrual pension expense of $11,921 in the financial statements. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 25,018	$ -
Difference between expected and actual experience	3,562	-
Net difference between projected and actual earnings on pension plan investments	2,765	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	10,077
University contributions subsequent to the measurement date	2,588	-
	$ 33,933	$ 10,077

$2,588 is reported as deferred outflows of resources related to pensions resulting from state college 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:

Year ended June 30:	
2018	$ 4,397
2019	4,397
2020	5,349
2021	4,866
2022	2,259
	$ 21,268

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increases	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and set forward 1 year for females).

(dollars in thousands)

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 (7.65% at June 30, 2016) 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 expecting 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan

(dollars in thousands)

Note 8 - Retirement Plans (continued):

investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2016 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
University's proportionate share of the net pension liability	$ 196,033	$ 167,376	$ 143,776

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 deferred outflows of resources	$	5,644,855
Collective deferred inflows of resources	$	140,690
Collective net pension liability	$	29,390,686
University's Proportion		0.5694857985%

Collective pension expense for the State Group for the measurement period ended June 30, 2016 is $2,572,232.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the measurement period ended June 30, 2015.

PFRS Funding Policy **-** Chapter 78, P.L. 2011 increased the contribution required from PFRS members from 8.5% of base salary to 10% effective with the first payroll paid on or after October 1, 2011. 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

(dollars in thousands)

Note 8 - Retirement Plans (continued):

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.

Police and Firemen's Retirement System (PFRS) - 2018

At June 30, 2018, the University reported a liability of $9,961 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the University's proportion was 0.2266066008 percent, which was a decrease of 0.0244567283 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized full accrual pension expense of $234 in the financial statements. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 596	$ 847
Difference between expected and actual experience	182	129
Net difference between projected and actual earnings on pension plan investmetns	11	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	2,025
University contributions subsequent to the measurement date	507	-
	$ 1,296	$ 3,001

(dollars in thousands)

Note 8 - Retirement Plans (continued):

$507 is reported as deferred outflows of resources related to pensions resulting from state college 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:

Year ended June 30:		
2019	$	(508)
2020		(446)
2021		(473)
2022		(552)
2023		(233)
	$	(2,212)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	2.10 - 8.98% based on age
Thereafter	3.10 - 9.98% based on age
Investment rate on return	7.00%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirement and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

(dollars in thousands)

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, 2017) 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of their actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057,

(dollars in thousands)

Note 8 - Retirement Plans (continued):

and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2017 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 (5.14 percent) or 1-percentage-point higher (7.14 percent) than the current rate:

	At 1% Decrease (5.14%)	At Current Discount Rate (6.14%)	At 1% Increase (7.14%)
University's proportionate share of the net pension liability	$ 11,789	$ 9,961	$ 8,463

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	$ 362,194
Collective deferred inflows of resources	449,596
Collective net pension liability	4,395,743
University's proportion	0.2266066008%

Collective pension expense for the State Group for the measurement period ended June 30, 2017 is $362,414.

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, 2017, 2016, 2015 and 2014 is 5.59, 5.58, 5.53, and 6.17 years, respectively.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Police and Firemen's Retirement System (PFRS) - 2017

At June 30, 2017, the University reported a liability of $11,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the University's proportion was 0.2510633291 percent, which was a decrease of 0.0300082029 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized full accrual pension expense of $724 in the financial statements. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 921	$ -
Net difference between projected and actual investment earnings on pension plan investments	369	-
Changes in proportion	15	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	1,580
Differences between expected and actual experience	-	102
University contributions subsequent to the measurement date	443	-
	$ 1,748	$ 1,682

$443 is reported as deferred outflows of resources related to pensions resulting from state college 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:

Year ended June 30:	
2018	$ (86)
2019	(86)
2020	(24)
2021	(51)
2022	(130)
	$ (377)

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increases	
Through 2026	2.10 - 8.98% based on age
Thereafter	3.10 - 9.98% based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary’s modified 2014 projection scales, which was further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for female service retirement and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary’s modified 2014 projection scales, which was further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

(dollars in thousands)

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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of their actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050,

(dollars in thousands)

Note 8 - Retirement Plans (continued):

and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2016 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 (4.55 percent) or 1-percentage-point higher (6.55 percent) than the current rate:

	At 1% Decrease (4.55%)	At Current Discount Rate (5.55%)	At 1% Increase (6.55%)
University's proportionate share of the net pension liability	$ 14,090	$ 11,827	$ 9,987

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	$	527,520
Collective deferred inflows of resources	$	54,539
Collective net pension liability	$	4,710,744
University's Proportion		0.2510633291%

Collective pension expense for the State Group for the measurement period ended June 30, 2016 is $448,140.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.58 years and 5.53 years for the measurement period ended June 30, 2015.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Teachers Pensions and Annuity Fund (TPAF) - 2018 – 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 nonemployer 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 nonemployer 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, 2017 was $6,035. The University's proportionate share was $0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the State's proportionate share of the TPAF net pension liability associated with the University was 0.0089503436 percent, which was a decrease of 0.000082573199 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized on-behalf pension expense and revenue in the financial statements of $418 for contributions incurred by the State.

Actuarial assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate on return	7.00%

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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, 2017) 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 rangers 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	100.00%	

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. 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 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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, 2017 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 (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
University's proportionate share of the net pension liability	$ 7,169	$ 6,035	$ 5,100

Pension plan fiduciary net position

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

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Additional Information

Collective balances of the State Group at June 30, 2017 are as follows:

Collective deferred outflows of resources	$	101,606
Collective deferred inflows of resources		185,583
Collective net pension liability		246,603
University's proportion		0.0089503436%

Collective pension expense for the plan for the measurement period ended June 30, 2017 is $5,714.

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, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3, and 8.5 years, respectively.

Teachers Pensions and Annuity Fund (TPAF) - 2017 – 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 nonemployer 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 nonemployer 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, 2016 was $7,106. The University's proportionate share was $0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the State's proportionate share of the TPAF net pension liability associated with the University was 0.0090329168 percent, which was a decrease of 0.0255398442 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized on-behalf pension expense and revenue in the financial statements of $534 for contributions incurred by the State.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 rangers 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.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(dollars in thousands)

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, 2016 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 (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the University	$ 8,486	$ 7,106	$ 5,979

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, 2016 are as follows:

Deferred outflows of resources	$ 141,001
Deferred inflows of resources	$ 105,808
Net pension liability	$ 362,540
State's proportionate share associated with the District	0.0090329168%

Collective pension expense for the plan for the measurement period ended June 30, 2016 is $23,084.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 8.3 years.

(dollars in thousands)

Note 8 - Retirement Plans (continued):

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.

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, 2018 and 2017, ABP received employer and employee contributions that approximated the following from the University:

	2018	2017
Employer contributions	\$5,214	\$5,156
Employee contributions	\$6,142	\$6,296
Basis for contributions:		
Participating employee salaries	\$65,176	\$64,456

The University contributes to the New Jersey State Health Benefits Program (the "SHBP"), 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

Note 8 - Retirement Plans (continued):

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. 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) - 2018 – Special Funding Situation

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

Plan description, including benefits provided

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

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.

(dollars in thousands)

Note 8 - Retirement Plans (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, 2018, the State recorded a liability of 264,692, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2018, the State's proportionate share was 3.236291% of the total collective OPEB liability under the Plan.

For the year ended June 30, 2018, the University recognized OPEB expense of $15,571. 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 $15,571.

Actuarial assumptions and other inputs

The State's liability associated with the University at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017.

Inflation rate	2.50%
Discount rate	3.58%
Salary increases:	
Through 2026	1.55 - 8.98%
Thereafter	2.00 - 9.98%

Discount Rate

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

Mortality Rates

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Note 8 - Retirement Plans (continued):

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014) ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2015).

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Note 9 - Compensated Absences:

The University has recorded a liability for compensated absences in the amount of $4,477 and $4,526 as of June 30, 2018 and 2017, 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 $120 and $56 in sick leave payments for employees who retired during the years ended June 30, 2018 and 2017, respectively.

A paid leave bank was established for certain employees who were required to take unpaid furlough days in fiscal year 2010. These employees were credited with three days of paid leave which, beginning July 1, 2010, can be used in the same manner as vacation leave. There are no limitations on the carryover of these paid leave bank days, and any unused days in an employee's paid leave bank will be paid upon the employee's separation from the University.

Note 10 - 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 11 - 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.

Note 11 – Contingencies (continued):

As of June 30, 2018, 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 12 - 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 2017 as part of the commission's review cycle. The next evaluation visit is scheduled for 2021-2022. Refer to the MSCHE website for additional information: https://www.msche.org/institution/0226/

(dollars in thousands)

Note 13 - Unrestricted Net Position (Deficit):

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 is comprised of the following:

	June 30, 2018	June 30, 2017
Operating reserve	$ (87,970)	$ (69,552)
Academic and other programs	12,241	12,241
Curriculum Development	2,000	-
Capital - renewal and replacement	3,391	3,391
Capital project reserve	9,436	5,617
Student loan program	3,043	1,595
Operating programs	134	840
	$ (57,725)	$ (45,868)

Note 14 - 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 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

Note 14 - Operations in China (continued):

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 15 - 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 and the museum building. At the time of the closing, the University took ownership of the land and Museum building, but did not take ownership of the Historical Documents contained in the Museum. In accordance with the terms of the agreement, the Foundation will retain possession and control of the Historical Documents until they are formally donated to the University after a Cataloging Period has been 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 was established to operate and preserve the Museum and the Historic Precinct. The Board of Trustees consists of eight individuals, three from the University and five from the Foundation. At closing, LHM and the University entered into a ground lease, which provides for the 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,

Note 15 - Acquisition of Liberty Hall Museum (continued):

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 for the first five years. This amount will be adjusted by the CPI Index at the beginning of the sixth year in which the University was required to contribute to the shortfall. Any additional support deemed necessary will be mutually agreed upon and set forth in separate agreement. The amount the University contributed in 2018 and 2017 was $200 and $289, respectively.

Note 16 – Kean Ocean Initiative:

The University entered into a partnership with Ocean County College in Fall 2005 culminating in an agreement signed in June, 2006. The agreement allows students to take the Kean courses needed to complete the requirements for certain Kean University undergraduate and graduate degree programs on the Ocean County campus in Toms River, NJ.

On March 7, 2009, the Board of Trustees authorized the President to pursue a development plan for a "Gateway Building" that would provide the physical infrastructure needed to support the Kean Ocean initiative. The University has received all necessary approvals for the development of the Kean Ocean branch campus at Ocean County College.

The Foundation and the County College entered into the Gateway Building Ownership and Operating Agreement, dated September 21, 2010 (the "Operating Agreement") governing the construction, ownership and operation of the Gateway Building, which provides that each party finance fifty percent (50%) of the costs associated with the construction of the building, and any other costs incurred for the Project, and each party owns a fifty percent (50%) interest in the Gateway Building. Operating costs and related improvements of the Gateway Building are paid equally by the County College and the Foundation. The building occupies a portion of an approximately 34 acre site owned by the County College. The Foundation and the County College entered into a Ground Lease, dated September 21, 2010 ("Ground Lease"), whereby the Foundation leases fifty percent (50%) of the Building Footprint from the County College.

During December, 2010, the Kean University Foundation issued two series of revenue bonds through The Bergen County Improvement Authority ("Authority") totaling $18,765. (Series 2010A and 2010B) These bonds were used to pay fifty percent (50%) of the costs of construction of an approximately 75,000 square foot academic building ("Gateway Building") located on the campus of Ocean County College ("County College") in Toms River, New Jersey; fund a portion of the Debt Service Reserve Fund associated with the bonds; fund a portion of the capitalized interest on the bonds; and to pay the costs of issuance with respect to the sale and delivery of the bonds. The 2010B Bonds matured on December 1, 2013.

The Foundation had previously leased its interest in the Gateway Building to Kean University pursuant to a Lease Agreement, dated September 21, 2010, as amended and restated (collectively, the "Lease Agreement"), as permitted by the Operating Agreement.

Effective December 2017, the Kean University Foundation assigned, transferred, and conveyed unto the University, all of its right, title, and interest in and to the Ground Lease and Operating Agreement pursuant to the terms defined in each respective agreement.

Note 16 – Kean Ocean Initiative (continued):

In addition, as described in the Long Term Debt Footnote (see Note 4), during December 2017 the University issued its 2017D Bonds through the New Jersey Educational Facilities Authority, the proceeds of which were used to provide funds to refund and defease the previously issued 2010A Bonds.

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, 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 new 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 has been established as a future means to develop and fund commercially viable health care innovation that result from the activities of ILSE and its partners. As a founding member of ILSE, Kean will be entitled to an ownership portion or other benefits from this subsidiary as 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 Dean of the STEM program will serve part time as interim CEO of ILSE until such time as additional funds are raised and a permanent CEO and management team can be recruited. University staff, under the direction of the Dean, will also provide administrative and operational support to ILSE on a part-time basis.

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. Construction commenced during fiscal year 2017 and remained in progress at June 30, 2018, therefore no assets were capitalized in accordance with GASB 60 paragraph 9(a).

KEAN UNIVERSITY
Schedule of the University's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30,			
	2018	2017	2016	2015
University's proportion of the net pension liability (asset) - State Group	0.5499250943%	0.5694857985%	0.5741010825%	0.6229794340%
University's proportionate share of the net pension liability (asset)	$ 141,032	$ 167,376	$ 136,189	$ 125,388
University's covered payroll	$ 18,819	$ 20,436	$ 20,526	$ 23,254
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	749.41%	819.01%	663.48%	539.21%
Plan fiduciary net position as a percentage of the total pension liability - State Group	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

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

KEAN UNIVERSITY
Schedule of University Contributions
Public Employee's Retirement System
Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30, 2018	2017	2016	2015
Contractually required contribution	$ 3,252	$ 2,588	$ 1,857	$ 886
Contributions in relation to the contractually required contribution	(3,252)	(2,588)	(1,857)	(886)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 18,819	$ 20,436	$ 20,526	$ 23,254
Contributions as a percentage of covered payroll	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

Last Ten Fiscal Years*

	Year Ended June 30, 2018	2017	2016	2015
University's proportion of the net pension liability (asset) - State Group	0.2266066008%	0.2510633291%	0.2810715320%	0.2803984261%
University's proportionate share of the net pension liability (asset)	$ 9,961	$ 11,827	$ 12,068	$ 9,963
University's covered payroll	$ 945	$ 940	$ 1,024	$ 1,195
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1054.29%	1258.62%	1178.43%	834.03%
Plan fiduciary net position as a percentage of the total pension liability - State Group	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

The discount rate changed from 5.55% as of June 30, 2016 to 6.14% as of June 30, 2017.

KEAN UNIVERSITY
Schedule of University Contributions
Police and Firemen's Retirement System
Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30, 2018	2017	2016	2015
Contractually required contribution	$ 507	$ 443	$ 347	$ 392
Contributions in relation to the contractually required contribution	(507)	(443)	(347)	(392)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 945	$ 940	$ 1,024	$ 1,195
Contributions as a percentage of covered payroll	53.66%	47.14%	33.88%	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
Teacher's Pension and Annuity Fund
Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30,			
	2018	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the University	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	$ 6,035	$ 7,106	$ 21,851	$ 21,613
Total proportionate share of the net pension liability (asset) associated with the University	$ 6,035	$ 7,106	$ 21,851	$ 21,613
Plan fiduciary net position as a percentage of the total pension liability	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

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

KEAN UNIVERSITY
Schedule of Proportionate Share of the Total OPEB Liability*
and Note to Required Supplementary Information
State Health Benefit Retired Employee Fund
Required Supplementary Information

	Fiscal Year Ended June 30, 2018
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	$ -
State of New Jersey's proportionate share of the total OPEB liability	$ 264,692
Total OPEB liability	$ 264,692
University covered payroll	$ 65,296
University's proportionate share of the Collective Total OPEB liability as a percentage of covered payroll	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, 2018

Federal Grantor/Program Title	Federal CFDA/Grant Number	FAIN Number	Current Year Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Student Financial Aid Cluster:			
Federal Direct Loan Programs	84.268		$ 82,843,026
Federal Perkins Loan Program	84.038		124,136
Nursing Faculty Loan Program	93.264		95,699
Teacher Education Assistance Program	84.379		309,615
Federal Supplemental Educational Opportunity Grants	84.007		492,507
Federal Work-Study Program	84.033		644,788
Federal Pell Grant Program	84.063		26,172,066
Total Student Financial Aid Cluster			110,681,837
TRIO Cluster:			
McNair Scholars	84.217A		89,433
Upward Bound	84.047A		296,941
Total TRIO Cluster			386,374
Passed through William Paterson University:			
Turnaround Partnership- NJ School Improvement Grant	84.377B	S377B150013	349,589
National Writing Project	84.928A		14,383
National Writing Project - Develop New Teacher Leaders	84.928A		1,000
IDEA	84.027		33,173
Stempact	84.315		308,438
Passed through State of New Jersey:			
Career and Technical Student Organizations - DECA	84.048	V048A170030	104,960
Math and Science Partnership Program (MSP) - Competitive	84.366B	S366B160031	140,656
21st Century Community Learning Centers	84.287	S287C170030	303,543
English Language Acquisition Grant - Perth Amboy Adelante	84.365	S365A170030	54,038
Afterschool NJO Comp	84.U01	unavailable	88,764
Total U.S. Department of Education			112,466,755
U.S. DEPARTMENT OF DEFENSE			
Passed through University of Maryland:			
STARTALK	12.901	H982301510127	88,253
STARTALK Infrastructure	12.901	H982301510127	78,375
STARTALK Student Program	12.901	H982301510127	1,342
Total U.S. Department of Defense			167,970
SMALL BUSINESS ADMINISTRATION:			
Passed through Rutgers University:			
Small Business Development Centers	59.037	SBAHQ18B0053	189,693
Total Small Business Administration			189,693
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through NJ Department of Health and Senior Services:			
NJ Personal Responsibility Education Program (PREP)	93.092	1801NJPREP	240,068
Passed through State of New Jersey:			
Child Care and Development Fund - Professional Impact	93.596	1701NJCCDF	17,695
Passed through Stockton University:			
Master Child Welfare	93.658	1702NJFOST	7,500
Total U.S. Department of Health and Human Services			265,263
U.S. DEPARTMENT OF TRANPORTATION:			
Passed through State of New Jersey:			
Traffic Safety Program	20.600	69A37518300004020NJ0	273,779
Total U.S. Department of Tranportation			273,779
Research and Development Cluster:			
National Science Foundation:			
Passed through Rutgers University:			
LSAMP	47.076	1400780	46,050
Project Ask	47.076		143,500
Passed through Arizona State University:			
The Role of Story in Games to Teach Computer Science Concepts to Middle School Girls	47.076	1561424	983
Passed through Stevens Institute of Technology:			
Privacy Ed Tools	47.076	1464800	1,595
Total Research and Development Cluster			192,128
National Endowment for the Humanities			
Make History at Kean	45.162		838
Total expenditures of Federal awards			$ 113,556,426

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, 2018

State of New Jersey Grantor/Program Title	Grant or Account Number	Grant Amount	Grant Period	Current Year Expenditures
Student Financial Assistance Cluster:				
N.J. Department of Treasury:				
New Jersey College Loans to Assist State Students	N/A	$ 1,454,356	07/01/17 - 06/30/18	$ 1,454,356
Tuition Aid Grant	18-100-074-2405-007	16,419,023	07/01/17 - 06/30/18	16,419,023
NJ Best Scholarship	N/A	8,750	07/01/17 - 06/30/18	8,750
New Jersey Stars II	18-100-074-2405-313	124,630	07/01/17 - 06/30/18	124,630
NJ Foster & Adopt Service	N/A	33,953	07/01/17 - 06/30/18	33,953
Governor's URB School	N/A	15,500	07/01/17 - 06/30/18	15,500
N.J. Department of State:				
Educational Opportunity Fund Article IV - Academic Year	18-100-074-2401-002	704,679	07/01/17 - 06/30/18	704,679
Educational Opportunity Fund Article IV - Summer	18-100-074-2401-002	620,193	07/01/17 - 06/30/18	620,193
Educational Opportunity Fund Article IV - Winter	18-100-074-2401-002	25,743	07/01/17 - 06/30/18	25,743
Educational Opportunity Fund Undergraduate	18-100-074-2401-002	656,700	07/01/17 - 06/30/18	656,700
Educational Opportunity Fund Graduate	18-100-074-2401-002	24,700	07/01/17 - 06/30/18	24,700
Total Student Financial Assistance Cluster				20,088,227
Interdepartmental Accounts:				
FICA State Colleges and University Reimbursement Program	18-100-094-9410-137	5,513,330	07/01/17 - 06/30/18	5,513,330
Fringe benefits paid by State of New Jersey	18-100-094-9410-137	31,239,046	07/01/17 - 06/30/18	31,239,046
N.J. Department of Commerce & Economic Development:				
Passed through Rutgers University				
N.J. Small Business Development Center 2017	17BAC000SBDC	30,200	07/01/17 - 06/30/18	30,200
N.J. Higher Education Capital Facilities:				
Fire Safety Training Program	18-100-022-8017-035	1,134,010	07/01/17 - 06/30/18	1,134,010
N.J. Department of State:				
State of New Jersey Appropriation	18-100-074-2455-001	30,469,000	07/01/17 - 06/30/18	30,469,000
NJ State Council on the Arts:				
Premier Stages	0625A050169	17,097	07/01/17 - 06/30/18	17,097
NJ GEAR UP	N/A	24,305	07/01/17 - 06/30/18	24,305
Passaic Board of Education				
PASS Adelante	N/A	66,476	07/01/17 - 06/30/18	66,476
N.J. Department of Education				
Build Teach Leader Cap	16E 00079	176,408	07/01/17 - 06/30/18	176,408
Total expenditures of State Financial Assistance				$ 88,758,099

N/A - not available.

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

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

1. 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 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:

CFDA #	Loans Extended for the Year Ended June 30, 2018	Outstanding Principal Balance at June 30, 2018
84.038	$124,136	$1,592,728
93.264	$95,699	$799,032

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

3. Other Loan Programs:

During the fiscal year ended June 30, 2018, 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):

	CFDA #	Value of Loans
Stafford Loans (Direct):	84.268	
Subsidized		$ 27,125,596
Unsubsidized		44,116,191
		$ 71,241,787
Parent Loans for Undergraduate Students (PLUS)		$ 11,601,239

4. Indirect Costs:

The University did not elect to use the 10% de minimis indirect cost rate.

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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 29, 2019. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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.

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
March 29, 2019

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

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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the University's compliance.

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Opinion of Each Major Federal and State Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's 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 m*aterial 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of the Report

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 purposes.

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
March 29, 2019

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

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 weaknesses identified?	___Yes	_X_ No
• Significant deficiencies 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, 2018

Identification of major programs:

Federal: CFDA Numbers	Name of Federal Program or Cluster	
	Student Financial Assistance Cluster:	
84.268	Federal Direct Loan Programs	U.S. Department of Education
84.038	Federal Perkins Loan Program	U.S. Department of Education
93.264	Nursing Faculty Loan Program	U.S. Department of Health and Human Services
84.379	Teacher Education Assistance Program	U.S. Department of Education
84.007	Federal Supplemental Educational Opportunity Grants	U.S. Department of Education
84.033	Federal Work-Study Program	U.S. Department of Education
84.063	Federal Pell Grant Program	U.S. Department of Education

State: Grant Number	Name of State Program or Cluster	
100-094-9410-137	FICA-State Colleges and University Reimbursement	Department of Treasury
100-094-9410-137	Fringe Benefits Paid by the State of New Jersey	Department of Treasury

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

$2,619,112 (3% of state awards expended, not including loan programs)

Auditee qualified as low-risk auditee? _X_ Yes ___No

Section II - Financial Statement Findings

None to report.

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

None to report.

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2018

Not applicable – no prior year audit findings.