

**William Paterson University
of New Jersey**

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

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Table of Contents
June 30, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information - Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position - University	19
Statements of Revenues, Expenses and Changes in Net Position - University	20
Statements of Cash Flows - University	21
Statements of Financial Position - Foundation	22
Statements of Activities - Foundation	23
Statements of Cash Flows - Foundation	24
Notes to Financial Statements	25
Required Supplementary Information (Unaudited)	
Schedules of University's Proportionate Share of the Net Pension Liability	56
Schedules of University Contributions	57
Schedules of University's Proportionate Share of the Total OPEB Liability	58

Independent Auditors' Report

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

Opinions

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

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of William Paterson University of New Jersey Foundation, Inc. (WPUNJ). Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for William Paterson University of New Jersey Foundation, Inc. is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Iselin, New Jersey
January 31, 2024

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Introduction

The Management's Discussion and Analysis report (MDA) provides a comprehensive overview of the financial position of William Paterson University of New Jersey (the University or WPUNJ) as of June 30, 2023, and 2022, and changes in its financial position for the fiscal years then ended with selected comparative information for the fiscal year ended June 30, 2021. Since this management's discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements and footnotes, which follow the MDA report. Unless otherwise indicated, years (2023, 2022 and 2021) in this report refer to the fiscal years ending June 30.

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

Highlights

In the past few years the State of New Jersey has not only increased its operating support to higher education, it has also increased the outcomes based allocations and provided for significant payments into the State pension funds. In addition, the State allocated an additional one-time funding of \$7.5 million in 2023 for Institutional Workforce Sustainability Plan and a total of \$8.1 million for the University's outcome based appropriation. As base appropriation for operations have remained essentially flat, the University has had to cover the state-negotiated labor contracts without additional funding. These unfunded mandates continue to create stress on the financial projections for the University. At this time, the University continues to meet the goals of its mission statement by reviewing opportunities for revenue growth and cost reductions. In July of 2020, the University implemented WP Online, a fully online degree program offering graduate degrees in business, education and nursing and a bachelor's degree in nursing. New programs, including the introduction of additional undergraduate and doctoral degrees programs were added in the Fall of 2022 leading to enrollment that has escalated exponentially.

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

The impacts of the COVID-19 pandemic and related business disruptions are still being felt by the University, as the housing occupancies and main campus enrollment continue to lag, and the skills gap for many students has increased as a direct impact of COVID-19. Throughout the pandemic, the University found opportunity to evolve and improve its operations. Navigating the sudden reduction of revenue streams, including State appropriations and campus housing revenue, required agility and adaptation. High priority was given to achieving the technology requirements of delivering classes remotely and accommodating students in need. Furlough programs were developed equitably across all categories of faculty and staff to drive personnel savings and reduce layoffs/retranchments. Emergency federal and state grants were leveraged to mitigate revenue losses and provide aid to students. Spending reductions and increased controls around hiring and position management have been utilized throughout the pandemic to reduce operating expenses. Many of the technology solutions developed for remote operations were discovered to be relevant business process improvements with longer term value. The recent revenue losses and technology expenses experienced as a result of both the pandemic and demographic trends have been offset by reduced operating expense and emergency relief grants.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
 June 30, 2023 and 2022

The University has received COVID-19 emergency relief grants under three legislative acts via the federal Higher Education Emergency Relief Funds (HEERF) and three programs of the State of New Jersey (the State), which passed through federal funds. Which were: the Coronavirus Aid, Relief and Economic Security Act and Relief Supplemental Appropriations Act (CARES, CRRSA or HEERF 1 or 2); the American Rescue Plan (ARP or HEERF 3); the Governor's Emergency Education Relief Fund (GEERF) and the Coronavirus Relief Fund (CRF 1 or 2). The details of funds received by the University are noted below:

Emergency Relief Grants				
	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>Total</u>
HEERF 1 (CARES)	\$ 10,468,357			\$ 10,468,357
HEERF 2 (CRRSA)		\$ 17,366,141	\$ 4,042	17,370,183
HEERF 3 (ARP)		1,786,603	29,113,267	30,899,870
GEERF		3,512,415		3,512,415
CRF 1		8,040,171		8,040,171
CRF 2	-	2,357,795	-	2,357,795
	<u>10,468,357</u>	<u>33,063,125</u>	<u>29,117,309</u>	<u>72,648,791</u>
Pass-through to Students	<u>(4,881,678)</u>	<u>(4,877,636)</u>	<u>(14,614,509)</u>	<u>(24,373,823)</u>
Net Total for Institutional Use	\$ 5,586,679	\$ 28,185,489	\$ 14,502,800	\$ 48,274,968

These grants have provided relief for lost revenues and direct expenses caused by COVID-19.

The University adopted a new strategic plan in 2022. This plan consists of five pillars on which the University is focusing its collaborative efforts. The five Pillars are as follows:

- Adult learning
- Alternative credentials and certificates
- Attrition
- Decolonization
- Revising the Mission Statement

The first two pillars are about creating new opportunities to extend and adapt WPUNJ's educational offerings into new markets in order to reach more non-traditional students. The next two address strengthening efforts to increase student retention. The attrition pillar does this directly. Equally important is the ongoing work to decolonize the University so that every student has a just and equitable educational experience in which they feel seen, engaged and valued as a full member of the WPUNJ community.

The fifth pillar is to create a Mission Statement that will better reflect those served, how the educational framework functions and the overall goals for students.

The plan was presented to and adopted by the Board of Trustees at its September 16, 2022 meeting and the University is tracking progress on the plan annually.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Governmental Accounting Standards Board Statements No. 68 and 75

The University complies with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These rules are unique in that none of the funding and transacting activities of the plans occur at the University level; rather they are conducted entirely by the State.

GASB Statement No. 68 was adopted in 2015 and requires participating employees of governmental multiple-employer cost sharing pension plans to report their proportionate share of net pension liability, pension expense and the related deferred outflows and inflows of resources on their financial statements. The unfavorable impact of GASB 68 can be seen primarily in two sections of the University's financial statements: liabilities and unrestricted net position. The University is reporting \$144.5 million of net pension liability as of June 30, 2023, a decrease of \$0.9 million from fiscal year 2022 and a cumulative decrease of \$6.1 million from fiscal year 2021. Although this liability is now reflected on the University's Statement of Net Position, the State of New Jersey asserts that these are reporting entries only and do not reflect the responsibility for future payment by the University of these liabilities, which remains with the State.

These sections of the 2023 financial statements are impacted by the requirements of GASB Statement No 68:

- *Noncurrent liabilities:* Net pension liability as of June 30, 2023 was \$144.5 million, a decrease of \$0.9 million from June 30, 2022. This liability makes up 42% of the University's total liabilities.
- *Deferred outflows and inflows of resources:* Deferred outflows was \$27.0 million as of June 30, 2023, a decrease of \$1.1 million from June 30, 2022; and deferred inflows was \$24.2 million as of June 30, 2023, a decrease of \$11.0 million from June 30, 2022.
- *Current year operating expense:* Fiscal year 2023 includes \$11.0 million pension benefit associated with the State pension plan. This income is allocated to the functional expense lines in the Statement of Revenues, Expenses and Changes in Net Position. In fiscal year 2022, the pension expense amount was \$14.6 million.
- *Unrestricted net position:* The cumulative total of GASB 68 impact to unrestricted net position as of June 30, 2023 and June 30, 2022 is a (deficit) of (\$144.0) million and (\$154.9) million, respectively.

GASB Statement No. 75 was adopted during fiscal year 2018. Similar to GASB No. 68, GASB No. 75 focuses on participating employers reporting their proportionate share of certain items relating to a long term benefit plan, in this case other post-employment benefits (OPEB) provided by the State of New Jersey State Health Benefit State Retired Employees Plan. The plan pays health care benefits for state employees who have met minimum service requirements. Different from GASB No. 68 however, the University is not required to report OPEB liability because of the technical classification whereby a "special funding situation" as defined by GASB No. 75 is deemed relevant. The University must record and report its proportionate share of OPEB expense along with the associated revenue reflecting the State's legal obligation to pay for these benefits. The University's proportionate share of OPEB liability was \$186.7 million and \$241.3 million as of June 30, 2023 and 2022, respectively, and its share of OPEB was a decrease in expense (with corresponding decrease in revenue) of \$5.4 million. In fiscal year 2022, its share of OPEB expense (with corresponding revenue) was \$2.8.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

These sections of the 2023 financial statements are impacted by the requirements of GASB Statement No 75:

- *Current year operating expense:* Fiscal year 2023 includes \$5.4 million for OPEB benefits representing the University's proportionate share of the State's change in the collective portion of the State's net OPEB pension liability. The benefit is allocated to the functional expense lines in the Statement of Revenues, Expenses and Changes in Net Position, and is fully offset by an equal amount of State appropriation expense in the Nonoperating Revenues (Expenses) section of the Statement of Revenues, Expenses and Changes in Net Position.
- *Current year nonoperating revenues (expenses):* This section includes a third line of State support reflecting the State's obligation to pay the OPEB expenses reported under operating expense. The fiscal year 2023 nonoperating revenue for the State's OPEB benefits is an expense of \$5.4 million.

Statements of Net Position

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

Assets and liabilities are generally measured using current values. However, capital assets are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities and net position (in thousands) at June 30, 2023, 2022 and 2021 follows:

Statements of Net Position Summary

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 95,879	\$ 114,109	\$ 135,751
Noncurrent assets:			
Capital assets, net	377,478	387,488	391,351
Other	59	59	300
Total assets	<u>473,416</u>	<u>501,656</u>	<u>527,402</u>
Deferred outflows	<u>27,008</u>	<u>28,154</u>	<u>23,451</u>
Liabilities:			
Current liabilities	28,956	38,379	48,230
Noncurrent liabilities	311,371	322,126	337,262
Total liabilities	<u>340,327</u>	<u>360,505</u>	<u>385,492</u>
Deferred inflows	<u>24,164</u>	<u>35,183</u>	<u>39,802</u>
Net position:			
Net investments in capital assets	207,167	210,418	214,690
Restricted for debt service	8,210	7,805	7,920
Unrestricted (deficit)	<u>(79,444)</u>	<u>(84,101)</u>	<u>(97,052)</u>
Total net position	<u>\$ 135,933</u>	<u>\$ 134,122</u>	<u>\$ 125,558</u>

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Current and Noncurrent Assets and Liabilities

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

Assets

At June 30, 2023, the University had total assets of \$473.4 million, a decrease of \$28.3 million from \$501.7 million at June 30, 2022. The decrease in capital assets of \$10.0 million was caused by depreciation of \$18.1 million, partially offset by increases for new capital projects.

Current assets, consisting of cash and cash equivalents, restricted deposits held by bond trustees, investments and accounts receivable, decreased \$18.2 million during 2023. Investments increased \$5.5 million due to increase in market value and restricted deposits decreased \$3.0 million. Cash and cash equivalents decreased \$19.9 million, as a result of depleting all emergency relief funds received in FY 22 and FY 21.

Student accounts receivable, net of the allowance for doubtful accounts, increased \$0.6 million, while other receivables and prepaid expenses increased \$0.8 million.

At June 30, 2022, the University had total assets of \$501.7 million, a decrease of \$25.7 million from \$527.4 million at June 30, 2021. The decrease in capital assets of \$3.9 million was caused by depreciation of \$16.1 million, partially offset by increases for new capital projects.

Current assets, consisting of cash and cash equivalents, restricted deposits held by bond trustees, investments and accounts receivable, decreased \$21.6 million during 2022. Investments decreased \$5.9 million due to declines in market value and restricted deposits decreased \$10.9 million. Cash and cash equivalents decreased \$4.3 million, as a result of depleting all emergency relief funds received in FY 21 and FY 22.

Student accounts receivable, net of the allowance for doubtful accounts, decreased \$0.4 million, while other receivables and prepaid expenses decreased \$0.2 million.

Deferred Outflows and Inflows of Resources

As of June 30, 2023, the deferred outflows of resources and deferred inflows of resources were \$27.0 million and \$24.2 million, respectively.

The primary component of deferred outflows consists of GASB 68 actuarial pension fund adjustments, however in fiscal years 2023 and 2022 the total deferred outflows of \$27.0 million and \$28.2 million, respectively, includes \$3.2 million and \$3.5 million, respectively, relating to advance refunding of the 2008C bond issue.

The sources of deferred inflows are related to GASB 68 actuarial pension fund adjustments and GASB 87 lease adjustments.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Liabilities

At June 30, 2023, the University had total liabilities of \$340.3 million, a decrease of \$20.2 million from \$360.5 million at June 30, 2022. Primary drivers of the decrease are unearned revenue - \$2.5 million; and payment of existing debt of \$9.6 million. Other decreases are in accrued compensated absences, \$0.7 million and net pension liability, \$0.9 million.

At June 30, 2022, the University had total liabilities of \$360.5 million, a decrease of \$25.0 million from \$385.5 million at June 30, 2021. Primary drivers of the decrease are unearned revenue - \$14.3 million of emergency relief grants that were received in 2021 were applied to 2022; and payment of existing debt of \$9.7 million. Other decreases are in accrued compensated absences, \$1.2 million and net pension liability, \$5.1 million.

Net Position

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

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

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

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

Components of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net investment in capital assets	\$ 207,167,109	\$ 210,418,591	\$ 214,690,253
Expendable restricted for debt service	8,210,000	7,805,000	7,920,000
Unrestricted:			
University unrestricted	64,513,057	70,830,647	72,519,702
Proportionate share of NJ pension liability	(143,957,229)	(154,931,874)	(169,572,286)
	<u>(79,444,172)</u>	<u>(84,101,227)</u>	<u>(97,052,584)</u>
Total net position	<u>\$ 135,932,937</u>	<u>\$ 134,122,364</u>	<u>\$ 125,557,669</u>

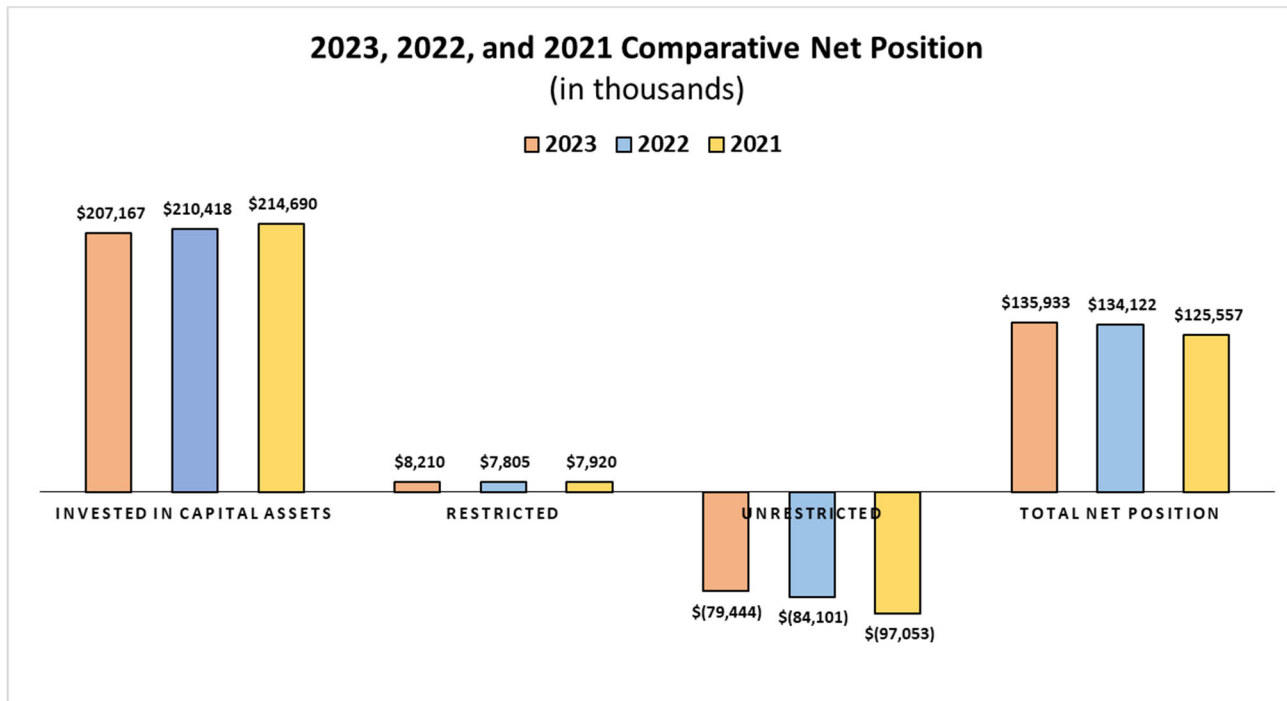
Net position at June 30, 2023, 2022 and 2021 was \$135.9, \$134.1 and \$ 125.6 million, respectively. From fiscal year 2022 to 2023, net position increased \$1.8 and from fiscal year 2021 to 2022, it increased \$8.6 million.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

The FY23 overall increase in net position of \$1.8 million, as reported in the Statement of Revenues, Expenses and Changes in Net Position, reflects total net expenses over revenues of \$9.2 million plus the GASB 68 benefit of \$11.0 million.

The FY22 overall increase in net position of \$8.6 million, as reported in the Statement of Revenues, Expenses and Changes in Net Position, reflects total net expenses over revenues of \$6.1 million plus the GASB 68 benefit of \$14.6 million.



Statement of Revenues, Expenses and Changes in Net Position

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

A summary of the University's revenues, expenses and changes in net position (in thousands) for the years ended June 30, 2023, 2022 and 2021 follows:

Summary of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Net student revenue	\$ 80,707	\$ 97,133	\$ 92,024
Other	41,567	41,526	38,448
Total operating revenues	122,274	138,659	130,472
Operating expenses	195,031	222,298	220,236
Operating loss	(72,757)	(83,639)	(89,764)
Nonoperating revenues (expenses):			
State appropriations	75,092	69,963	69,363
Emergency relief grants	-	29,117	33,063
Other	5,077	(650)	3,131
Interest expense	(5,601)	(6,283)	(6,561)
Net total nonoperating revenues	74,568	92,147	98,996
Capital grants and gifts	-	56	12
Change in net position*	1,811	8,564	9,244
Net position, beginning of year	134,122	125,558	116,314
Net position, end of year	<u>\$ 135,933</u>	<u>\$ 134,122</u>	<u>\$ 125,558</u>
*Categories of change in net position:			
Operating and nonoperating net total expenses	\$ (9,164)	\$ (6,132)	\$ 6,763
GASB 68 pension benefit	10,975	14,640	2,469
GASB 75 OPEB benefit (expense)	5,412	(2,770)	(4,935)
GASB 75 OPEB revenue	(5,412)	2,770	4,935
Capital grants and gifts	-	56	12
Net total increase (decrease) in net position	<u>\$ 1,811</u>	<u>\$ 8,564</u>	<u>\$ 9,244</u>

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

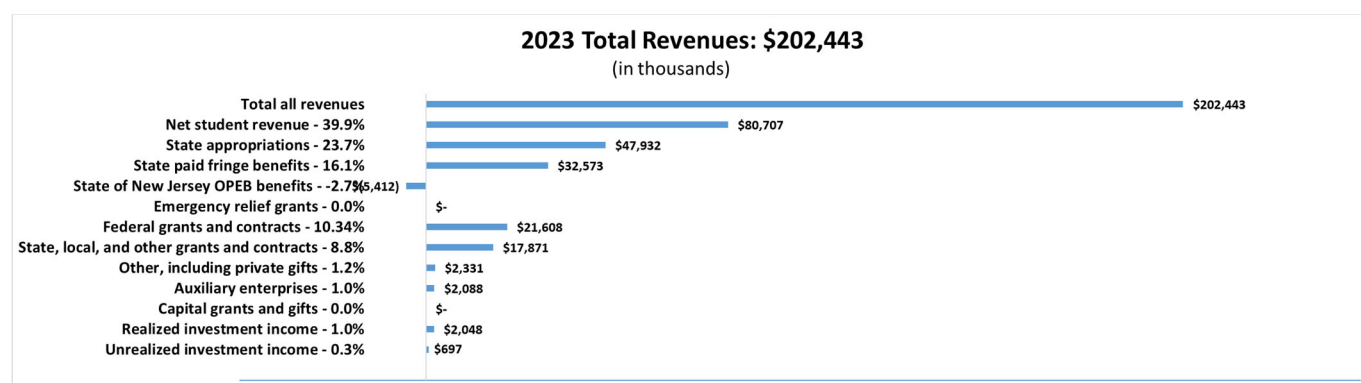
Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Revenues

Revenues are classified as operating, nonoperating or capital grants and gifts. A summary of the University's revenues (in thousands) for the years ended June 30, 2023, 2022 and 2021 follows:

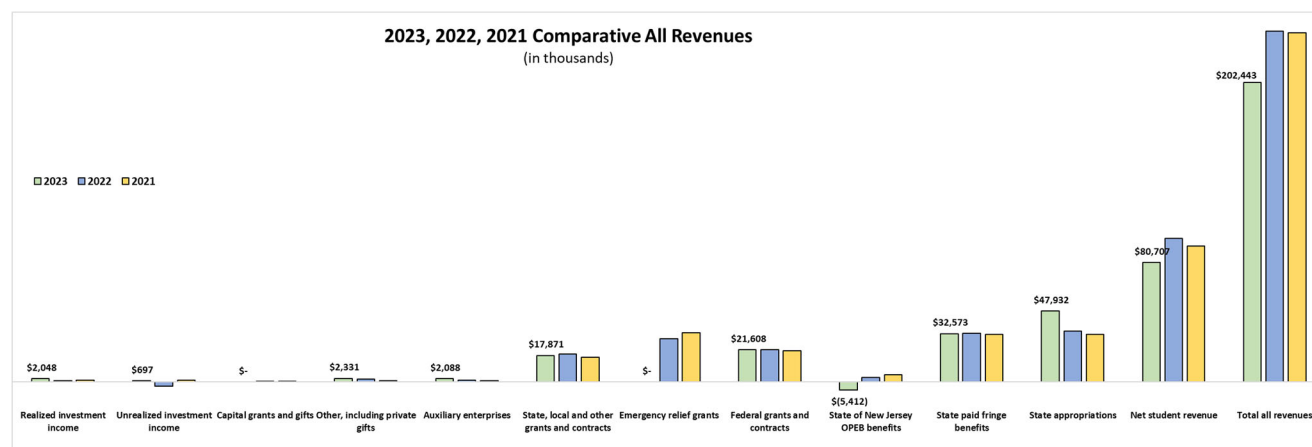
Operating, Nonoperating and Capital Revenues:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Net student revenue	\$ 80,707	\$ 97,133	\$ 92,024
Federal grants and contracts	21,608	21,668	21,194
State local and other grants and contracts	17,871	18,717	16,558
Auxiliary enterprises	2,088	1,139	696
Total operating revenues	<u>122,274</u>	<u>138,657</u>	<u>130,472</u>
Nonoperating revenues:			
State appropriations	47,932	34,240	32,240
State paid fringe benefits	32,573	32,953	32,188
Emergency relief grants	-	29,117	33,063
Change in State OPEB benefits	(5,412)	2,770	4,935
Investment income	2,048	613	1,033
Unrealized investment (loss) gain	697	(3,014)	1,227
Other, including private gifts	2,331	1,752	870
Total nonoperating revenues	<u>80,169</u>	<u>98,431</u>	<u>105,556</u>
Capital grants and gifts	<u>-</u>	<u>57</u>	<u>12</u>
Total operating, nonoperating and capital revenues	<u>\$ 202,443</u>	<u>\$ 237,145</u>	<u>\$ 236,040</u>



**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022



Operating Revenues

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

Gross student tuition and fees were \$108.4 million, \$112.3 million and \$122.2 million for the years ended June 30, 2023, 2022 and 2021, respectively. This revenue was generated by the following number of students, resident students and meal plan participants:

Student Enrollment:

Total Enrollment (FTE's):

	2023	2022	2021
Annualized Fall and Spring	6,735	6,801	7,074
Summer II (July-August 2022, 2021, 2020)	429	410	305
Summer I (May-June 2023, 2022, 2021)	700	480	427*
Winter	76	86	95
Total enrollment	7,940	7,777	7,901
Residential students	1,153	1,261	1,037
Meal plan participants	1,109	1,117	1,020

*Restated to include WP Online students that were previously excluded

Net student revenue, comprised of tuition and fees and residence life less scholarship allowances, was \$80.7 million for the year ended June 30, 2023, a decrease of \$16.4 million from fiscal year 2022. The decrease consists of tuition and fees decreases totaling \$3.9 million, offset by room and board increases totaling \$0.2 million and a scholarship allowance increase of \$12.7 million.

Net student revenue, comprised of tuition and fees and residence life less scholarship allowances, was \$97.1 million for the year ended June 30, 2022, an increase of \$5.1 million from fiscal year 2021. The increase consists of tuition and fees decreases totaling \$9.9 million, offset by room and board increases totaling \$3.0 million and a scholarship allowance decrease of \$11.9 million.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Tuition and fees revenue, a component of net student revenue, was \$108.4 million in fiscal year 2023, \$3.9 million lower than fiscal year 2022, caused by a pandemic-driven enrollment decline. Tuition and fees revenue, a component of net student revenue, was \$112.3 million in fiscal year 2022, \$9.9 million lower than fiscal year 2021, caused by a pandemic-driven enrollment decline. Revenues from federal grants and contracts decreased \$0.1 million during fiscal year 2023 to \$21.6 million mainly due to decrease in CARES award and slight decrease in the Pell grants. Revenues from federal grants and contracts increased \$0.5 million during fiscal year 2022 to \$21.7 million due to increases in grants other than Pell grants.

State, local and other grants and contracts decreased for the year ended June 30, 2023 by \$0.8 million, reflecting a decrease in the State TAG financial aid awards of \$1.5 million and increased other grants of \$0.4 million. State, local and other grants and contracts increased for the year ended June 30, 2022 by \$2.2 million, reflecting an increase in the State TAG financial aid awards of \$1.7 million and increased other grants of \$0.5 million.

Revenue from auxiliary enterprises consists of bookstore and vending machine commissions, revenue from athletic programs, facilities rentals, food service sales and other related revenue. Revenue from auxiliary enterprise activities was \$2.1 million for the year ended June 30, 2023, an increase of \$0.9 million from fiscal year 2022 reflecting higher hospitality revenues. Athletic programs, facilities rentals, food service sales and other related revenue. Revenue from auxiliary enterprise activities was \$1.1 million for the year ended June 30, 2022, an increase of \$0.4 million from fiscal year 2021 reflecting higher hospitality revenues.

Nonoperating Revenues

The University's primary source of nonoperating revenue is State of New Jersey appropriations for general operations and fringe benefits. The general operations appropriation was \$47.9 million in fiscal year 2023, an increase of \$13.7 million from fiscal year 2022 due to the provision of \$7.5 million Institutional Workforce Sustainability Plan. An additional \$2.7 million was deferred to the University in 2023, but was appropriated in 2022 due to an agreement with the Office of the Secretary for Higher Education that the incremental funding would be used to partially fund the launch of the Garden State Guarantee "Last Dollar" Scholarship Program in fall 2023. The fringe benefits appropriation was \$32.6 million, \$33.0 million and \$32.6 million for the years ended June 30, 2023, 2022 and 2021, respectively. State change in OPEB (expense) benefits was (\$5.4) million, \$2.8 million and \$4.9 million in fiscal years 2023, 2022 and 2021, respectively.

Capital Grants and Gifts

Final capital grant funding from the State of New Jersey's "Building our Future" bond issue was received in fiscal years 2023 and 2022. This \$30 million grant was the primary (75%) funding source for University Hall and partially funded the Preakness Hall and Hunziker Wing renovations. For the years ending June 30, 2023 and June 30, 2022, \$0 and \$56,861, respectively, were received as capital grants.

Expenses

Operating expenses are reported by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. Total operating expenses for the year ended June 30, 2023 were \$195.0 million, a decrease of \$27.3 million from fiscal year 2022. Operating expenses include GASB 68 pension income of \$11.0 million in fiscal year 2023 and \$14.6 million in fiscal year 2022. The income in fiscal years 2022 and 2023 is reflective of general improvements to the GASB 68 balance sheet items of net pension liability, deferred outflows and deferred inflows.

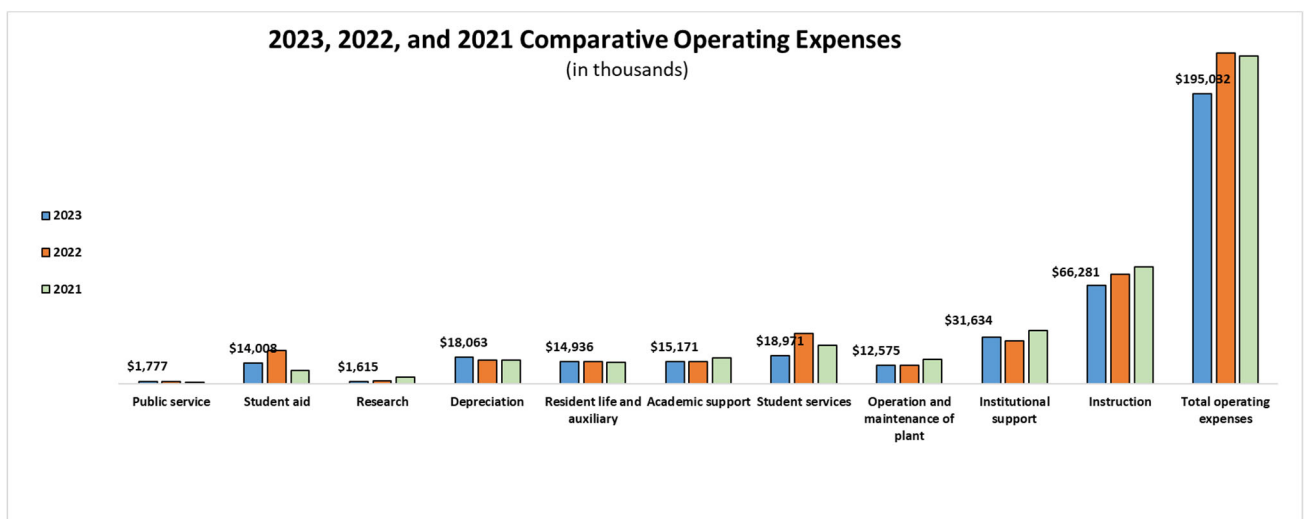
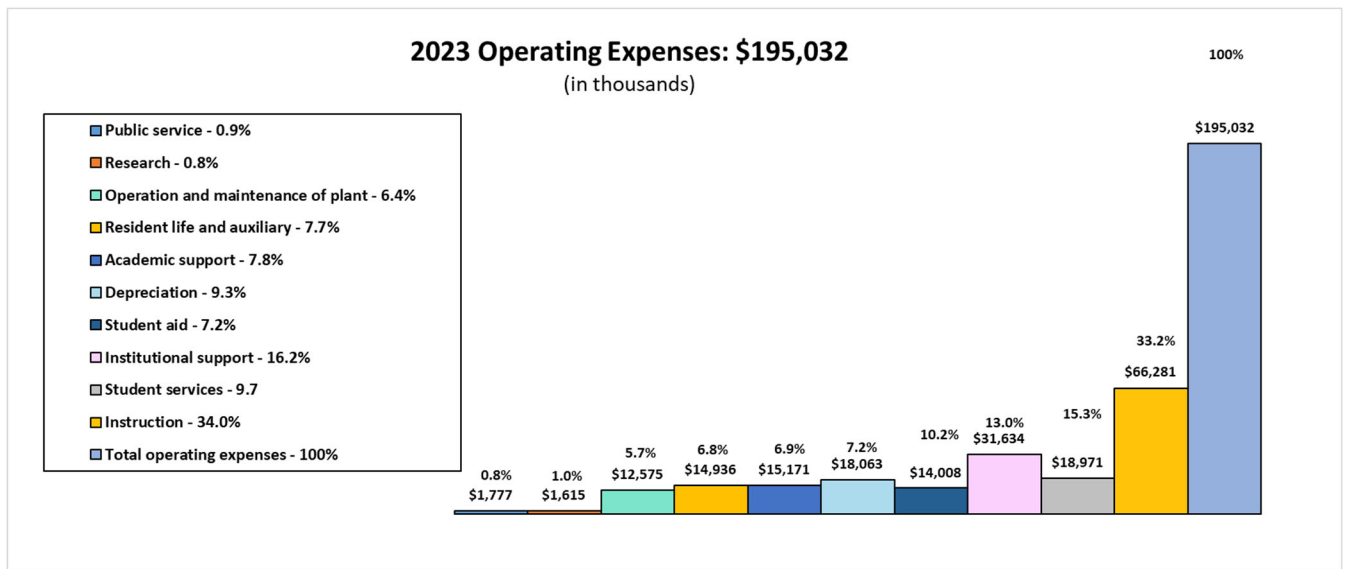
GASB 75 OPEB benefit was (\$5.4) million in fiscal year 2023 and expense of \$2.8 million in fiscal year 2022. This (benefit) expense reflects the University's proportionate share of change in collective net post-employment retirement liability.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Salaries decreased during fiscal year 2023 by \$4.0 million due to intentional efforts to reduce costs in response to enrollment declines. The cost reduction was achieved through intentional reductions in workforce, along with enhanced controls to limit hires, driving significant vacancy savings in 2023. The overall benefits increase in fiscal year 2023 of \$3.1 million is explained primarily by the GASB 68 pension credit, \$11.0 million, which offsets the GASB 75/OPEB expense of (\$5.4) million.

Overall, the net total operating expenses decrease from 2022 to 2023 was \$27.3 million. One of the major components of the decrease is student relief funds ended in FY 22 reflected in student services by a decrease of \$15 million. Supplies and services decreased by \$5.6 million due to a decrease in capital equipment - \$2.0 million; maintenance - decrease by \$0.2 million; rentals - decrease of \$0.4 million; and advertising - an increase of \$0.6 million. These were offset by salaries and benefits of \$3.6 million. There were general operating expense decreases of \$1.0 million due to budget reduction and an increase of \$0.7 million in bad debt expense.



William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

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

Exclusive of the impacts of GASB 68 and GASB 75, the allocation of operating expenses to natural classifications has remained proportionately constant over the years ended June 30, 2023, 2022 and 2021, with salaries at 52-57%, fringe benefits at 16-18%, supplies and services at 19-25% and depreciation at 7%. In fiscal year 2023, salaries and fringe benefits (non-GASB 68 related) decreased \$5.9 million.

Operating Expenses: Functional vs. Natural Classifications

	2023		2022		2021	
Functional Classification						
Instruction	\$ 70,911	33.5 %	\$ 74,867	32.0 %	\$ 76,361	35.1 %
Research	1,642	0.8	2,137	0.9	4,532	2.1
Academic support	16,868	8.0	16,334	7.0	17,246	7.9
Public service	1,866	0.9	1,718	0.7	1,232	0.6
Student services	20,865	9.9	35,257	15.1	25,830	11.9
Institutional support	35,474	16.8	32,875	14.0	36,122	16.6
Operation and maintenance of plant	15,866	7.5	16,374	7.0	16,894	7.7
Student aid	14,010	6.6	22,646	9.7	8,871	4.0
Residence life and auxiliary	15,853	7.5	15,896	6.8	14,595	6.7
Depreciation	18,063	8.5	16,064	6.8	16,087	7.4
Total operating expenses	211,418	100.0 %	234,168	100.0 %	217,770	100.0 %
GASB 68 impact	(10,975)		(14,640)		(2,469)	
GASB 75 impact	(5,412)		2,770		4,935	
	<u>\$ 195,031</u>		<u>\$ 222,298</u>		<u>\$ 220,236</u>	
Natural Classification						
Salaries and wages	\$ 109,865	54.8 %	\$ 113,886	51.9 %	\$ 119,501	56.1 %
Fringe benefits	33,936	11.5	34,464	15.7	34,748	16.3
Supplies and services	49,554	24.7	55,139	25.1	42,556	20.0
Depreciation	18,063	9.0	16,064	7.3	16,087	7.6
Total operating expenses	211,418	100.0 %	219,553	100.0 %	212,892	100.0 %
Student relief expenses	-		14,615		4,878	
GASB 68 impact	(10,975)		(14,640)		(2,469)	
GASB 75 impact	(5,412)		2,770		4,935	
	<u>\$ 195,031</u>		<u>\$ 222,298</u>		<u>\$ 220,236</u>	

Nonoperating Expense

Nonoperating expense consists of interest on capital asset-related debt of \$5.6 million, \$6.3 million and \$6.6 million for the years ended June 30, 2023, 2022 and 2021, respectively.

Unrealized investment gain during 2023 reflect market valuation changes driven by interest rate fluctuations, these gains are not expected to be realized as long as bonds are held to maturity. The University's portfolio is structured so that all bonds are held to maturity.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

Capital Assets and Debt Activities

At June 30, 2023, the University's investment in capital assets was \$377.5 million, net of accumulated depreciation of \$294.0 million. Debt related to these capitalized assets was \$170.3 million. During fiscal year 2023, the University had total capital additions of \$8.1 million for improvement and restoration projects. These additions were partially funded with proceeds from the 2021C bond issue which occurred March 2021.

At June 30, 2022, the University's investment in capital assets was \$387.5 million, net of accumulated depreciation of \$275.9 million. Debt related to these capitalized assets was \$180.5 million. During fiscal year 2022, the University had total capital additions of \$12.2 million for improvement and restoration projects. These additions were partially funded with proceeds from the 2021C bond issue which occurred March 2021.

The University issued five new bond series over the fiscal years 2016 - 2022. On August 18, 2015, the University issued Series 2015C New Jersey Educational Facilities Authority Revenue Bonds for par value of \$45,695,000. The issue refunded all of the University's 2005E principal balance and provided \$20 million of new money for use towards Preakness Hall and Hunziker Wing renovations. On July 27, 2016, Series 2016E was issued for a par value of \$60,755,000, partially refunding remaining principal on the 2008C bonds. On August 9, 2017, Series 2017B was issued for par value of \$27,065,000 for the construction of Skyline Hall. On May 13, 2019, the 2019A series was issued for par value of \$5,070,000 to refinance the remaining portion of 2008C bonds. Finally, on March 17, 2021, the 2021C series was issued for par value of \$17,900,000 to finance multiple campus renovation projects, including 1800 Valley Road, Power Arts and Wayne Dining Hall.

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

In April 2023, it was announced that the University was recommended for \$43 million in capital grant funding through a partnership between the Office of the Secretary of Higher (OSHE) education and the New Jersey Educational Facilities Authority (NJEFA). Included in this recommendation is \$40 million for the renovation and expansion of the Sports and Recreation Center; approximately \$2.3 million for technology infrastructure and modernization, with a special focus on upgrading campus Wi-Fi; and \$639,000 for adoption of the student focuses technology for use in many core campus operations.

These recommendations were approved and the University is moving forward with the additional renovation and expansions, which are slated to begin construction in FY24. The Sports and Recreation Center project is expected to improve and expand key instructional resources, as well as sports and recreation facilities. It will include a two-story, 88,000 square-foot addition that will nearly triple the overall size of the building to accommodate a new Wellness Center and significant new classroom and lab space for Nursing, Kinesiology and Movement Science programs, in addition to a new fitness center, natatorium and locker rooms. Existing space will be renovated to create a new Training Room and Sports Therapy and Rehabilitation Instructional Lab. These exciting developments are expected to create significant campus improvements to further aid WP's critical recruitment and retention efforts.

The University continually assesses its spaces, especially student-facing like its residence halls, and is working on a timeline for refresh and renewal of those spaces. In addition, WPUNJ will continue to supplement funding for its capital and deferred maintenance projects with capital gifts and its own funds, as needed.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

A summary of the University's capital assets (in thousands) at June 30, 2023, 2022 and 2021 follows:

Capital Assets

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 7,256	\$ 7,256	\$ 7,256
Construction in progress	18,304	21,352	11,637
Infrastructure	19,601	18,864	18,864
Buildings and improvements	575,748	566,318	565,717
Equipment	48,135	47,201	45,316
Right of use asset	1,752	1,752	1,752
Artwork	691	691	691
	<u>671,487</u>	<u>663,434</u>	<u>651,233</u>
Total	671,487	663,434	651,233
Less accumulated depreciation	<u>(294,009)</u>	<u>(275,946)</u>	<u>(259,882)</u>
Total capital assets, net	<u>\$ 377,478</u>	<u>\$ 387,488</u>	<u>\$ 391,351</u>

Conclusion

The University continues to demonstrate sound, conservative fiscal management, as evidenced by its careful stewardship of resources and constant monitoring of revenues and expenditures. Changing demographics and reliance upon State funding are challenges that the University has so far overcome through strategic planning and prudent fiscal management. The University's reserves provide financial security and flexibility to respond to the business requirements associated with business development, new strategic goals and transition.

The State's colleges and universities play a pivotal role in establishing New Jersey as a leader in human, economic and technological development. The financial condition of WPUNJ is tied to that of the State of New Jersey. A crucial element to the University's future will be the level of appropriations, as there is a direct relationship between the level of State support and the University's ability to control tuition costs. State appropriations received in the years ended June 30, 2023 and 2022 were \$47.9 million and \$34.2 million, respectively. For the year ended June 30, 2023, there was \$2.7 million paid in FY22 which was deferred to FY23 for the payment of the Garden State Guaranty program. In addition, in FY23 the University received additional State support in the amount of \$7.5 million for Institutional Workforce Sustainability Plan.

Over the last thirty years, the dollar amount of State appropriation support has not been increased even though operating costs increase annually. For example, the fiscal year 2022 appropriation was approximately the same amount as received in the year ended June 30, 1992 (and fiscal years since then), aside from contractually obligated and state paid fringe benefits, which are tied directly to negotiated arrangements. With a continued and increased expectation of less reliance on state support, while understanding its public role in serving the state, the University's goal is to increase student recruitment, enrollment and retention and diversify its revenues. Annual tuition and fee charges were increased an average of 2.3% over the past ten years.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

The University has increased revenue from its successful WP Online launch in fall of 2020, noncredit courses and from its off-campus program at Mercer County Community College. Revenue streams continue with the rental of rooftops for telecommunications equipment, increased summer classroom and camp rental activities and billing insurance companies for the Health and Wellness Center services provided to our students. The investment advisors hired by the University to manage and increase the yield on our liquid operating cash has resulted in significant investment income increases since the beginning of the partnership. The William Paterson University of New Jersey Foundation continues to expand its fund raising efforts as a means to supplement revenue from tuition and state support and has doubled its endowment in the past five years. The University completed a new residence hall in fiscal year 2021 and renovated two major academic classroom buildings to meet growing needs and maintain current standards, while continuing to monitor the increasing operating costs and the increasing demand for institutional scholarships.

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	\$ 9,030,643	\$ 28,980,127
Restricted deposits held by bond trustees	13,843,845	16,878,132
Investments	55,135,213	49,672,379
Receivables:		
Students, less allowance for doubtful accounts of \$6,511,338 in 2023 and \$4,559,475 in 2022	10,665,981	10,110,613
Loans, net	321,435	291,319
State of New Jersey	1,545,448	2,702,624
Gifts, grants and contracts	3,112,483	3,968,244
Leases	938,010	983,794
Other receivables	822,062	313,114
Total receivables	17,405,419	18,369,708
Prepaid expenses	463,817	208,747
Total current assets	95,878,937	114,109,093
Noncurrent assets:		
Loans, net	59,153	59,153
Capital assets, net	377,477,805	387,487,736
Total noncurrent assets	377,536,958	387,546,889
Total assets	473,415,895	501,655,982
Deferred outflows of resources	27,008,344	28,154,245
Total assets and deferred outflows of resources	500,424,239	529,810,227
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued expenses	10,493,064	16,578,835
Lease liability	101,777	294,829
Compensated absences	3,970,534	4,390,926
Bonds payable	8,210,000	7,805,000
Other long-term debt	57,357	682,214
Unearned revenue	6,123,885	8,626,749
Total current liabilities	28,956,617	38,378,553
Noncurrent liabilities:		
Lease liability	-	226,173
Bonds payable	163,394,329	172,713,584
Other long-term debt	1,057,493	1,095,809
Compensated absences	1,830,780	2,070,580
U.S. government grants refundable	595,166	595,166
Net pension liability	144,493,094	145,424,718
Total noncurrent liabilities	311,370,862	322,126,030
Total liabilities	340,327,479	360,504,583
Deferred inflows of resources	24,163,823	35,183,280
Net Position		
Net investment in capital assets	207,167,109	210,418,591
Restricted for debt service	8,210,000	7,805,000
Unrestricted (deficit)	(79,444,172)	(84,101,227)
Total net position	\$ 135,932,937	\$ 134,122,364

See notes to financial statements

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Student revenues:		
Student tuition and fees	\$ 108,400,669	\$ 112,322,858
Residence life	15,159,143	14,957,186
Less scholarship allowances	<u>(42,852,774)</u>	<u>(30,146,636)</u>
Net student revenues	80,707,038	97,133,408
Federal grants and contracts	21,607,850	21,668,306
State, local and other grants and contracts	17,871,106	18,717,368
Auxiliary enterprises	<u>2,088,490</u>	<u>1,139,566</u>
Total operating revenues	<u>122,274,484</u>	<u>138,658,648</u>
Operating Expenses		
Instruction	66,281,458	73,777,197
Research	1,614,710	2,156,025
Academic support	15,171,408	15,290,047
Public service	1,777,190	1,683,554
Student services	18,970,883	33,970,595
Institutional support	31,633,582	28,943,313
Operating and maintenance of plant	12,575,299	12,673,000
Student aid	14,007,775	22,646,817
Residence life and auxiliary enterprises	14,935,904	15,092,792
Depreciation	<u>18,063,345</u>	<u>16,064,516</u>
Total operating expenses	<u>195,031,554</u>	<u>222,297,856</u>
Net operating loss	<u>(72,757,070)</u>	<u>(83,639,208)</u>
Nonoperating Revenues (Expenses)		
State of New Jersey appropriations	47,932,000	34,240,000
State of New Jersey paid fringe benefits	32,572,624	32,953,211
Change in State of New Jersey OPEB	(5,412,133)	2,769,853
Emergency relief grants	-	29,117,307
Private gifts	1,373,178	1,181,469
Investment income	2,048,462	612,748
Net unrealized investment gain (loss)	696,727	(3,014,866)
Interest on capital asset-related debt	(5,601,352)	(6,283,418)
Other nonoperating revenues, net	<u>958,137</u>	<u>570,738</u>
Net nonoperating revenues, net	<u>74,567,643</u>	<u>92,147,042</u>
Income before other revenues	1,810,573	8,507,834
Capital contributions		
Capital grants and gifts	<u>-</u>	<u>56,861</u>
Increase in net position	1,810,573	8,564,695
Net Position, Beginning	<u>134,122,364</u>	<u>125,557,669</u>
Net Position, Ending	<u>\$ 135,932,937</u>	<u>\$ 134,122,364</u>

See notes to financial statements

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Student tuition and fees	\$ 64,440,991	\$ 73,622,327
Federal, state, and local grants and contracts	40,334,718	41,466,821
Payments to suppliers	(42,302,840)	(44,529,657)
Payments to employees	(112,842,773)	(114,674,670)
Payments for employee benefits	(13,761,505)	(15,112,705)
Payments for student aid	(12,983,357)	(21,799,774)
Residence life	15,159,144	14,957,186
Auxiliary enterprises	2,088,490	1,139,566
	<u>(59,867,132)</u>	<u>(64,930,906)</u>
Cash Flows From Noncapital Financing Activities		
State of New Jersey appropriations	61,875,664	46,780,898
Private gifts	1,239,059	1,297,528
Other receipts	958,137	570,738
Emergency relief grants	-	29,117,307
	<u>64,072,860</u>	<u>77,766,471</u>
Cash Flows From Capital and Related Financing Activities		
Principal payments on asset related capital debt	(9,996,654)	(10,318,416)
Purchase of capital assets	(9,138,709)	(11,948,335)
Interest payments on capital asset-related debt	(5,794,889)	(6,316,867)
Decrease in restricted deposits held by bond trustees	3,034,287	10,893,340
Capital appropriations, grants and gifts received	-	56,861
	<u>(21,895,965)</u>	<u>(17,633,417)</u>
Cash Flows Provided by Investing Activities		
Purchases of investments	(47,895,151)	(37,593,445)
Proceeds from sales of investments	43,587,442	37,503,593
Interest, dividends and realized gains	2,048,462	612,748
	<u>(2,259,247)</u>	<u>522,896</u>
Net cash (used in) provided by investing activities		
	<u>(19,949,484)</u>	<u>(4,274,956)</u>
Cash and Cash Equivalents, Beginning	<u>28,980,127</u>	<u>33,255,083</u>
Cash and Cash Equivalents, Ending	<u>\$ 9,030,643</u>	<u>\$ 28,980,127</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Net operating loss	\$ (72,757,070)	\$ (83,639,208)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Provision for doubtful accounts	(1,951,863)	(426,123)
State appropriations paid fringe benefits	19,958,902	19,135,557
Change in State of New Jersey OPEB	(5,412,133)	2,769,853
Depreciation expense	18,063,345	16,064,516
Net unrealized investment (loss) gain	(696,727)	3,014,866
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
Receivables	1,830,576	1,978,931
Deferred inflow of resources	1,145,901	(4,574,595)
Accounts payable and accrued expenses	(4,979,709)	1,118,803
Compensated absences	(660,192)	(1,172,680)
Unearned revenue	(2,502,865)	(9,350,258)
Net pension liability	(931,624)	(5,147,035)
Deferred outflow of resources	(10,973,673)	(4,703,533)
	<u>(59,867,132)</u>	<u>(64,930,906)</u>
Supplemental Disclosure of Noncash Financing Activities		
Purchases of property and equipment in accounts payable	<u>\$ 690,502</u>	<u>\$ 1,775,796</u>

See notes to financial statements

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.
 Statements of Financial Position
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,469,097	\$ 9,780,023
Investments	36,913,379	30,234,732
Promises to give, net	1,259,990	2,017,801
Interest receivable	53,384	5,245
Prepaid expenses and other assets	3,746	3,638
	<u>45,699,596</u>	<u>42,041,439</u>
Total assets	<u>\$ 45,699,596</u>	<u>\$ 42,041,439</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 206,970	\$ 65,443
Grants payable	-	742,414
Annuities payable	247,765	211,763
Deferred revenue	20,130	2,837
	<u>474,865</u>	<u>1,022,457</u>
Total liabilities	<u>474,865</u>	<u>1,022,457</u>
Net Assets		
Without donor restrictions	8,015,667	5,847,858
With donor restrictions	37,209,064	35,171,124
	<u>45,224,731</u>	<u>41,018,982</u>
Total net assets	<u>45,224,731</u>	<u>41,018,982</u>
Total liabilities and net assets	<u>\$ 45,699,596</u>	<u>\$ 42,041,439</u>

See notes to financial statements

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Support:		
Contributions	\$ 2,374,644	\$ 1,374,747
Fundraising events	73,047	71,789
Miscellaneous	11,846	704
Investment return (loss)	1,100,435	(2,104,911)
	<u>3,559,972</u>	<u>(657,671)</u>
Total support		
Net assets released from restrictions	2,373,917	1,925,455
Reclassifications	451,981	(5,393)
	<u>6,385,870</u>	<u>1,262,391</u>
Total support and other changes		
Expenses:		
Scholarships and grants	1,701,026	1,288,856
Campus activities	1,211,511	1,130,430
Capital campaigns	32,148	-
Management and development	363,679	359,110
Fundraising	909,697	911,238
	<u>4,218,061</u>	<u>3,689,634</u>
Total expenses		
Change in net assets without donor restrictions	<u>2,167,809</u>	<u>(2,427,243)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	2,107,345	3,140,543
Investment return (loss)	2,756,493	(3,100,123)
	<u>4,863,838</u>	<u>40,420</u>
Total		
Net assets released from restrictions	(2,373,917)	(1,925,455)
Reclassifications	(451,981)	5,393
	<u>2,037,940</u>	<u>(1,879,642)</u>
Change in net assets with donor restrictions		
Change in net assets	4,205,749	(4,306,885)
Net Assets, Beginning	<u>41,018,982</u>	<u>45,325,867</u>
Net Assets, Ending	<u>\$ 45,224,731</u>	<u>\$ 41,018,982</u>

See notes to financial statements

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

William Paterson University of New Jersey Foundation, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 4,205,749	\$ (4,306,885)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions with donor restrictions held as endowments	(1,202,746)	(1,412,910)
Realized loss (gain) on sale of investments	25,014	(1,751,984)
Unrealized (gain) loss on investments	(3,201,419)	7,602,102
Bad debt expense	-	34,372
Change in operating assets and liabilities:		
Promises to give	757,811	415,306
Interest receivable	(48,139)	(820)
Prepaid expenses and other assets	(108)	(1,477)
Accounts payable and accrued expenses	141,527	(84,811)
Grants payable	(742,414)	726,546
Annuities payable	36,002	(78,185)
Deferred revenue	17,293	1,537
	<u>(11,430)</u>	<u>1,142,791</u>
Cash Flows From Investing Activities		
Purchase of investments	(32,773,001)	(14,717,808)
Proceeds from disposition of investments	<u>29,270,759</u>	<u>6,997,908</u>
Cash Flows From Financing Activities		
Proceeds from disposition of investments	<u>1,202,746</u>	<u>1,412,910</u>
	<u>(3,502,242)</u>	<u>(7,719,900)</u>
Net cash used in investing activities		
	<u>(2,310,926)</u>	<u>(5,164,199)</u>
Net decrease in cash and cash equivalents		
Cash and Cash Equivalents, Beginning	<u>9,780,023</u>	<u>14,944,222</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,469,097</u>	<u>\$ 9,780,023</u>

See notes to financial statements

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Operations

Organization

William Paterson University of New Jersey (the University) is a comprehensive public, coeducational institution of higher education located in the Township of Wayne and Boroughs of Haledon and North Haledon, Passaic County, New Jersey. The University was founded in 1855 as the Paterson Normal School and was granted University status in June 1997. The University offers 61 undergraduate, 26 masters and 3 doctoral degree programs. Additionally, the University offers 1 post baccalaureate undergraduate certificate, 19 undergraduate certificate and 48 graduate certificate programs. The University is comprised of four colleges: Arts, Humanities and Social Sciences; Business; Education; and Science and Health. For the fall semester of the 2022 - 2023 and 2021 - 2022 academic years, approximately 6,604 and 7,600, respectively, part-time and full-time undergraduate students attended the University and approximately 2,466 and 2,200, respectively, part-time and full-time graduate students attended the University. The University's mission includes maintaining a tradition of leadership in general education and multiculturalism, and a commitment to promoting student success, academic excellence, diversity and community outreach with opportunities for lifelong learning.

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

Reporting Entity

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

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

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

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

As of June 30, 2023 and 2022, the University has a receivable included in gifts, grants and contracts receivable on the statements of net position of \$744,509 and \$899,671, respectively, from the Foundation. For the years ended June 30, 2023 and 2022, the University recognized private gifts and other contract revenue of \$2,558,749 and \$1,987,227, respectively. A copy of the financial statements of the Foundation can be obtained from the Office of Institutional Advancement, 300 Pompton Road, Wayne, New Jersey 07474.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted for Debt Service - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.

Unrestricted - Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net position is reserved for academic and other programs and capital programs.

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

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Restricted Deposits Held by Bond Trustees

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

Investments

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

Receivables

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

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

Capital Assets

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

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

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

Leases

The University entered in various equipment lease purchase agreements since 2016. The leases include copiers and various other equipment. The obligations associated with these leases have been recognized as a liability in the statements of net position based on future lease payments, discounted by the incremental borrowing rate.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

In March 2016, the University entered into a 20 year lease agreement with an outside party to lease a portion of land owned by the University. Payments are due to the University in equal monthly installments on the first day of the month. On each annual anniversary of the commencement date of the lease, the annual license fee shall increase to an amount equal to 102% of the annual license fee of the year before. The University is charging an interest rate of 2.50% to the lessee. The University recorded a lease receivable for the future payments of \$938,010 and \$983,794 as of June 30, 2023 and 2022, respectively.

Revenue Recognition

Revenues from student tuition and fees and residence life are presented net of scholarship allowances applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as student aid and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the fiscal year are recorded as unearned revenue in the accompanying financial statements and totaled \$4,284,669 at June 30, 2023 and \$5,161,315 at June 30, 2022.

Grants and contracts revenue is comprised mainly of funds received from grants from the Federal government, State of New Jersey and local sources and is recognized upon meeting the eligibility requirements for recognition which is generally as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreements are included in unearned revenue in the accompanying financial statements and totaled \$1,743,288 at June 30, 2023 and \$3,167,889 at June 30, 2022.

Other miscellaneous deposits included in unearned revenue total \$95,928 at June 30, 2023 and \$297,545 at June 30, 2022.

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

Scholarship Allowances

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

Classification of Revenue and Expense

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

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Compensated Absences

The liability is calculated based upon employees' accrued vacation leave as of the statements of net position date, an estimated vested amount for accrued sick leave and the estimated cost of Alternative Benefit Plan (ABP) salary and sick leave. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Prior to 1991, the State of New Jersey reimbursed the University for payments made to retiring employees for accrued sick leave; however, from 1991 through the current fiscal year, the State of New Jersey did not make such reimbursements. The University paid \$252,130 and \$365,879 in sick leave payments for employees who retired during the years ended June 30, 2023 and 2022, respectively.

New Accounting Pronouncements Adopted

The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This Statement defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Statement requires the recognition of a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. The amortization of the subscription asset is then recognized as an outflow of resources over the subscription term. The adoption of this statement did not result in significant changes to the financial statements as the University was not involved in any significant SBITAs during fiscal year 2023.

New Accounting Pronouncements

The GASB has approved the following:

- Statement No. 99, *Omnibus 2022*, portions of this standard that were effective upon issuance of the statement were not material to the University's financial reporting. Portions of this statement are effective for the University's year ending June 30, 2024.
- Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62, effective for the University's year ending June 30, 2024.
- Statement No. 101, *Compensated Absences*, effective for the University's year ending June 30, 2024.
- Statement No. 102, *Certain Risk Disclosures*, effective for the University's year ending June 30, 2024

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

Income Taxes

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

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

3. Cash and Cash Equivalents

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

	<u>2023</u>	<u>2022</u>
Bank balances and cash on hand	\$ 4,529,416	\$ 20,676,840
Money market accounts	3,129,328	6,979,749
State of New Jersey Cash Management Fund	<u>1,371,899</u>	<u>1,323,538</u>
Total	<u>\$ 9,030,643</u>	<u>\$ 28,980,127</u>

Custodial credit risk associated with the University's cash and cash equivalents include uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2023 and 2022 were partially insured by the Federal Depository Insurance Corporation (FDIC) in the amount of \$250,000. Bank deposits in excess of insured amounts of approximately \$4.3 million in 2023 and \$20.4 million in 2022 were collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes. Chapter 64 of Title 18A allows banking institutions to cover total public funds on deposit in excess of federal insurance. The noninsured, noncollateralized portion of cash and equivalents was approximately \$3.1 and \$7.0 million in 2023 and 2022, respectively.

The University participates in the Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The carrying amount of cash and cash equivalents in the Fund was approximately \$1.4 as of June 30, 2023 and 2022, which represented the amount on deposit with the Fund. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

The Fund is unrated and has a maturity of less than 90 days. Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury, foreign governments, agencies and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity and convertible equity securities and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history and other evaluation factors.

4. Restricted Deposits Held by Bond Trustees

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

	<u>2023</u>	<u>2022</u>
Project and construction fund	\$ 2,510,259	\$ 5,748,464
Debt service fund for principal and interest	11,333,586	11,127,124
Excess rental pledge	<u>-</u>	<u>2,544</u>
	<u>\$ 13,843,845</u>	<u>\$ 16,878,132</u>

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the Authority). As of June 30, 2023 and 2022, restricted deposits held by bond trustees were invested in the following, all of which have maturity dates of less than one year:

	Level 1	
	2023	2022
Money market accounts	\$ 1,207	\$ 1,207
U.S. treasury bills and government obligations	13,842,638	16,876,925
Total	\$ 13,843,845	\$ 16,878,132

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

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

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

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

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

5. Investments

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

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

The University's investments consist of the following as of June 30, 2023 and 2022:

Investment Type	Fair Value	
	2023	2022
U.S. Equity (ETF)	\$ 4,385,684	\$ 3,745,903
Non-U.S. Equity (ETF)	2,236,759	2,082,627
Corporate Bonds	17,851,051	20,099,993
U.S. Government Bonds	18,430,982	8,806,131
U.S. Agency Bonds	6,587,104	3,148,305
Asset-Backed Securities	2,688,828	2,814,446
Certificates of Deposit	2,954,805	8,974,974
Grand total	<u>\$ 55,135,213</u>	<u>\$ 49,672,379</u>

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

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy prioritizes the inputs valuation methods into three Levels (Levels 1, 2 and 3).

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

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

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

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

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

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

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

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

The following table summarizes the University's investments measured by the hierarchy levels as of June 30, 2023 and 2022:

Investment Type	Investments Measured at Fair Value at June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value
U.S. Equity (ETF)	\$ 4,385,684	\$ -	\$ -	\$ 4,385,684
Non-U.S. Equity (ETF)	2,236,759	-	-	2,236,759
Corporate Bonds	-	17,851,051	-	17,851,051
U.S. Government Bonds	-	18,430,982	-	18,430,982
U.S. Agency Bonds	-	6,587,104	-	6,587,104
Asset-Backed Securities	-	2,688,828	-	2,688,828
Certificates of Deposit	-	2,954,805	-	2,954,805
Total	\$ 6,622,443	\$ 48,512,770	\$ -	\$ 55,135,213

Investment Type	Investments Measured at Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Fair Value
U.S. Equity (ETF)	\$ 3,745,903	\$ -	\$ -	\$ 3,745,903
Non-U.S. Equity (ETF)	2,082,627	-	-	2,082,627
Corporate Bonds	-	20,099,993	-	20,099,993
U.S. Government Bonds	-	8,806,131	-	8,806,131
U.S. Agency Bonds	-	3,148,305	-	3,148,305
Asset-Backed Securities	-	2,814,446	-	2,814,446
Certificates of Deposit	-	8,974,974	-	8,974,974
Total	\$ 5,828,530	\$ 43,843,849	\$ -	\$ 49,672,379

Interest Rate Risk

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

The following table summarizes the maturities of investments in year that are subject to interest rate risk as of June 30, 2023 and 2022:

Investment Type	2023				
	Fair Value	Less Than 1	1 - 5	6 - 10	10+
U.S. Equity (ETF)	\$ 4,385,684	\$ -	\$ -	\$ -	\$ 4,385,684
Non-U.S. Equity (ETF)	2,236,759	-	-	-	2,236,759
Corporate Bonds	17,851,051	7,392,373	7,421,944	2,835,510	201,224
U.S. Government Bonds	18,430,982	202,471	13,705,955	4,522,556	-
U.S. Agency Bonds	6,587,104	674,932	1,417,664	2,728,163	1,766,345
Asset-Backed Securities	2,688,828	-	2,688,828	-	-
Certificates of Deposit	2,954,805	2,954,805	-	-	-
Total	\$ 55,135,213	\$ 11,224,581	\$ 25,234,391	\$ 10,086,229	\$ 8,590,012

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

Investment Type	2022				
	Fair Value	Less Than 1	1 - 5	6 - 10	10+
U.S. Equity (ETF)	\$ 3,745,903	\$ -	\$ -	\$ -	\$ 3,745,903
Non-U.S. Equity (ETF)	2,082,627	-	-	-	2,082,627
Corporate Bonds	20,099,993	13,804,141	6,295,852	-	-
U.S. Government Bonds	8,806,131	2,997,306	5,808,825	-	-
U.S. Agency Bonds	3,148,305	57,393	2,030,687	754,594	305,631
Asset-Backed Securities	2,814,446	223,040	2,591,406	-	-
Certificates of Deposit	8,974,974	8,974,974	-	-	-
Total	<u>\$ 49,672,379</u>	<u>\$ 26,056,854</u>	<u>\$ 16,726,770</u>	<u>\$ 754,594</u>	<u>\$ 6,134,161</u>

Credit and Concentration Risk

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

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

The following table summarizes investment credit quality ratings as of June 30, 2023 and 2022:

Investment Type	Quality Rating	2023	2022
U.S. Equity (ETF)	NR	\$ 4,385,684	\$ 3,745,903
Non-U.S. Equity (ETF)	NR	2,236,759	2,082,627
Corporate Bond	AAA - BB+	16,710,352	19,069,925
Corporate Bond	NR	1,140,699	1,030,068
U.S. Government Bonds	AA+	18,430,982	8,806,131
U.S. Agency Bonds	AAA - AA+	6,587,104	3,148,305
Asset-Backed Security	AAA - AA	2,688,828	2,814,446
Certificates of Deposit	A	2,954,805	8,974,974
Total		<u>\$ 55,135,213</u>	<u>\$ 49,672,379</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University securities are exposed to custodial credit risk if the securities are uninsured and unregistered or held by the counterparty, or by a trust department or agent but not in the University's name. As of June 30, 2023 and 2022, the University's investments were not subject to custodial credit risk.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Foreign Currency Risk

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

6. Capital Assets

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

	Beginning Balance, July 1, 2022	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance, June 30, 2023
Depreciable assets:				
Infrastructure	\$ 18,864,235	\$ 736,669	\$ -	\$ 19,600,904
Buildings and improvements	566,317,925	9,430,118	-	575,748,043
Equipment	47,201,054	933,897	-	48,134,951
Right of use asset	1,752,184	-	-	1,752,184
Total depreciable assets	<u>634,135,398</u>	<u>11,100,684</u>	<u>-</u>	<u>645,236,082</u>
Less accumulated depreciation on:				
Infrastructure	12,016,269	482,769	-	12,499,038
Buildings and improvements	222,337,970	14,121,976	-	236,459,946
Equipment	40,361,230	3,039,376	-	43,400,606
Right of use asset	1,231,182	419,225	-	1,650,407
Total accumulated depreciation	<u>275,946,651</u>	<u>18,063,346</u>	<u>-</u>	<u>294,009,997</u>
Depreciable assets, net	<u>358,188,747</u>	<u>(6,962,662)</u>	<u>-</u>	<u>351,226,085</u>
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	690,880	-	-	690,880
Construction in progress	21,352,195	6,828,604	(9,875,873)	18,304,926
Total nondepreciable assets	<u>29,298,989</u>	<u>6,828,604</u>	<u>(9,875,873)</u>	<u>26,251,720</u>
Total capital assets, net	<u>\$ 387,487,736</u>	<u>\$ (134,058)</u>	<u>\$ (9,875,873)</u>	<u>\$ 377,477,805</u>

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

	Beginning Balance, July 1, 2021	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance, June 30, 2022
Depreciable assets:				
Infrastructure	\$ 18,864,235	\$ -	\$ -	\$ 18,864,235
Buildings and improvements	565,717,478	600,447	-	566,317,925
Equipment	45,315,640	1,885,414	-	47,201,054
Right of use asset	1,752,184	-	-	1,752,184
Total depreciable assets	631,649,537	2,485,861	-	634,135,398
Less accumulated depreciation on:				
Infrastructure	11,546,419	469,850	-	12,016,269
Buildings and improvements	208,563,212	13,774,758	-	222,337,970
Equipment	39,189,964	1,171,266	-	40,361,230
Right of use asset	582,540	648,642	-	1,231,182
Total accumulated depreciation	259,882,135	16,064,516	-	275,946,651
Depreciable assets, net	371,767,402	(13,578,655)	-	358,188,747
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	690,880	-	-	690,880
Construction in progress	11,636,920	10,315,722	(600,447)	21,352,195
Total nondepreciable assets	19,583,714	10,315,722	(600,447)	29,298,989
Total capital assets, net	\$ 391,351,116	\$ (3,262,933)	\$ (600,447)	\$ 387,487,736

As of June 30, 2023, estimated costs to complete the projects classified as construction in progress are approximately \$10,140,000. Additional costs of all projects will be funded by University revenues, capital grants and available construction funds from bond proceeds.

7. Accounts Payable and Accrued Expenses

As of June 30, 2023 and 2022, accounts payable and accrued expenses consist of the following:

	2023	2022
Vendors	\$ 3,871,002	\$ 6,533,792
Capital projects	690,502	1,775,796
Accrued salaries and benefits	2,697,972	4,842,124
Accrued interest	3,233,587	3,427,123
Total	\$ 10,493,063	\$ 16,578,835

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

8. Long-Term Debt

Bonds Payable

The University has financed capital assets through various revenue bonds issued through the New Jersey Educational Facility Authority (Authority) for the acquisition, construction and renovation of residence halls, the University Commons and academic facilities. As of June 30, 2023 and 2022, the following obligations to the Authority are outstanding:

	Interest Rates	2023	2022	Current Portion June 30, 2023
New Jersey Educational Facility Authority:				
Series 2012 C Revenue				
Bonds, due serially to 2043	2.00 - 5.00 %	\$ 25,455,000	\$ 27,620,000	\$ 2,275,000
Series 2012 D Revenue				
Bonds, due serially to 2029	2.00 - 5.00	8,070,000	9,380,000	1,380,000
Series 2015 C Revenue				
Bonds, due serially to 2033	2.00 - 5.00	25,005,000	26,450,000	1,520,000
Series 2016 E Revenue				
Bonds, due serially to 2033	2.25 - 5.00	51,440,000	53,595,000	2,265,000
Series 2017 B Revenue				
Bonds, due serially to 2047	3.25 - 5.00	24,750,000	25,275,000	555,000
Series 2019 A Revenue				
Bonds, due serially to 2038	3.45	4,315,000	4,520,000	215,000
Series 2021 C Revenue				
Bonds, due serially to 2040	3.25 - 5.00	17,900,000	17,900,000	
		156,935,000	164,740,000	8,210,000
Add amounts representing net premiums		14,669,329	15,778,584	-
Total		\$ 171,604,329	\$ 180,518,584	\$ 8,210,000

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

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

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

Other Long-Term Debt

As of June 30, 2023 and 2022, the following other obligations from direct borrowings were outstanding:

	<u>Interest Rates</u>	<u>2023</u>	<u>2022</u>	<u>Current Portion June 30, 2023</u>
Higher Education Capital Improvement Fund (CIF) Series 2002 A, due serially to 2023	4.522 - 5.250 %	\$ -	\$ 27,711	\$ -
Higher Education CIF Series 2016 A, due serially to 2023	1.48 - 3.44	-	599,919	-
Higher Education CIF Series 2016 B, due serially to 2036	3.00 - 5.50	<u>1,114,850</u>	<u>1,169,434</u>	<u>57,357</u>
		1,114,850	1,797,064	57,357
Less amounts representing discount		<u>-</u>	<u>19,041</u>	<u>-</u>
Total		<u>\$ 1,114,850</u>	<u>\$ 1,778,023</u>	<u>\$ 57,357</u>

Proceeds of the outstanding notes from the State of New Jersey's CIF were used for technology infrastructure. The notes contain an event of default whereby the State may retain State aid or appropriation payable to the University if the University fails or is unable to make payment.

Future Principal and Interest Payments

The following is a schedule of future minimum principal maturities and interest payments on the University's bonds payable and other long-term debt as of June 30, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2024	\$ 8,267,357	\$ 6,189,301	\$ 14,456,658
2025	9,335,006	5,801,891	15,136,897
2026	9,727,470	5,397,356	15,124,826
2027	10,149,996	4,974,086	15,124,082
2028	<u>10,587,707</u>	<u>4,531,737</u>	<u>15,119,444</u>
2024-2028 subtotal	48,067,536	26,894,371	74,961,907
2029 - 2033	38,392,677	17,893,144	56,285,821
2034 - 2038	41,119,638	9,676,378	50,796,016
2039 - 2043	23,075,000	3,140,425	26,215,425
2044 - 2048	<u>7,395,000</u>	<u>775,250</u>	<u>8,170,250</u>
Total	<u>\$ 158,049,850</u>	<u>\$ 58,379,568</u>	<u>\$ 216,429,418</u>

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

9. Lease Liabilities

The University entered in various equipment lease purchase agreements since 2016. The leases include copiers, computers and various other equipment. The leases generally have a lease term of 2 - 5 years. The University makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments which generally ranges from 3% - 5%. The University has recognized a right of use asset and lease liability of \$101,777 and \$521,002 as of June 30, 2023 and 2022, respectively. The University recorded \$10,712 and \$53,137 in interest expense and \$419,225 and \$648,642 in depreciation expense for the years ended June 30, 2023 and 2022, respectively. The University used an incremental discount rate of 1.01%, based on the true interest cost for its most recent debt issuance for the same time periods.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30: 2024	\$ 101,777	\$ 5,341	\$ 107,118

10. Summary of Changes in Noncurrent Liabilities

Activity in noncurrent liabilities for the years ended June 30, 2023 and 2022 is comprised of the following:

	June 30, 2023				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 180,518,584	\$ -	\$ 8,914,255	\$ 171,604,329	\$ 8,210,000
Other long-term debt	1,778,023	-	663,173	1,114,850	57,357
Lease liability	521,002	-	419,225	101,777	101,777
Compensated absences	6,461,506	5,611,604	6,271,796	5,801,314	3,970,534
U.S. government grants refundable	595,166	-	-	595,166	-
Total	<u>\$ 189,874,281</u>	<u>\$ 5,611,604</u>	<u>\$ 16,268,449</u>	<u>\$ 179,217,436</u>	<u>\$ 12,339,668</u>
	June 30, 2022				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 189,547,840	\$ -	\$ 9,029,256	\$ 180,518,584	\$ 7,805,000
Other long-term debt	2,418,541	-	640,518	1,778,023	682,214
Lease liability	1,169,644	-	648,642	521,002	294,829
Compensated absences	7,634,186	6,192,565	7,365,245	6,461,506	4,390,926
U.S. government grants refundable	595,166	-	-	595,166	-
Total	<u>\$ 201,365,377</u>	<u>\$ 6,192,565</u>	<u>\$ 17,683,661</u>	<u>\$ 189,874,281</u>	<u>\$ 13,172,969</u>

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

11. Retirement Plans

Plan Description – PERS

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

Contributions

During the years ended June 30, 2023 and 2022, PERS members were required to contribute 7.5% of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 29.2% of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Employer Contributions

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position. The amount was \$8,924,665 and \$9,642,998 for the years ending June 30, 2023 and 2022, respectively.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

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

At June 30, 2023, the University reported a liability of \$128,977,234 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PERS total pension liability as of June 30, 2022 to June 30, 2023. The University's proportion of the PERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023 and June 30, 2022 the University's proportion was 0.5761% and 0.5994%, respectively.

For the year ended June 30, 2023, the University recognized pension credit of \$(11,237,747). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 192,725	\$ 9,441,975
Differences between expected and actual experience	2,079,708	679,204
Changes in proportion	2,119,490	9,663,313
Net difference between projected and actual earnings on pension plan investments	3,115,790	-
University contributions subsequent to the measurement date (current year)	<u>8,924,665</u>	<u>-</u>
Total	<u>\$ 16,432,378</u>	<u>\$ 19,784,492</u>

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 264,557	\$ 18,373,869
Differences between expected and actual experience	3,150,842	447,899
Changes in proportion	3,219,473	7,304,621
Net difference between projected and actual earnings on pension plan investments	-	4,077,241
University contributions subsequent to the measurement date (current year)	<u>9,642,998</u>	<u>-</u>
Total	<u>\$ 16,277,870</u>	<u>\$ 30,203,630</u>

The amount of \$8,924,665 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
 June 30, 2023 and 2022

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

Years ending June 30:	
2024	\$ (7,537,747)
2025	(3,848,741)
2026	(888,155)
2027	(640,150)
2028	635,215
Thereafter	<u>2,799</u>
Total	<u>\$ (12,276,779)</u>

Actuarial Assumptions

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

Inflation:	
Price	2.75 %
Wage	3.25 %

Salary increases through 2026 (based on years of service) 2.75 - 6.55 %

Investment rate of return 7.00 %

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

Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

Long-Term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	\$ 147,173,144	\$ 128,977,234	\$ 113,532,614

Plan Description - PFRS

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

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

The following represents the membership tiers for PFRS:

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

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

Contributions

During the years ended June 30, 2023 and 2022, PFRS members were required to contribute 10% of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 83.2% of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey. Employer Contributions.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position. The amount was \$ 1,986,969 and \$2,299,819 for the years ending June 30, 2023 and 2022, respectively.

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

At June 30, 2023, the University reported a liability of \$15,515,860 for its proportionate share of the PFRS net pension liability. The PFRS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PFRS total pension liability as of June 30, 2022 to June 30, 2023. The University's proportion of the PFRS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023 and June 30, 2022 the University's proportion was 0.3586% and 0.3883%, respectively.

For the year ended June 30, 2023, the University recognized pension expense of \$263,102. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 15,658	\$ 745,927
Changes in proportion	4,661,444	2,311,337
Differences between expected and actual experiences	115,497	384,057
Net difference between projected and actual earnings on pension plan investments	549,731	-
University contributions subsequent to the measurement date (current year)	1,986,969	-
Total	<u>\$ 7,329,299</u>	<u>\$ 3,441,321</u>

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 21,021	\$ 1,252,097
Changes in proportion	6,093,619	1,764,569
Differences between expected and actual experiences	-	568,836
Net difference between projected and actual earnings on pension plan investments	-	410,354
University contributions subsequent to the measurement date (current year)	2,299,819	-
Total	<u>\$ 8,414,459</u>	<u>\$ 3,995,856</u>

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

The amount of \$1,986,969 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Years ending June 30:		
2024	\$	191,620
2025		201,556
2026		925,658
2027		654,753
2028		(88,161)
Thereafter		<u>15,583</u>
Total	\$	<u>1,901,009</u>

Actuarial Assumptions

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

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

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Long-Term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers.

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
 June 30, 2023 and 2022

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	\$ 18,055,870	\$ 15,515,860	\$ 13,400,293

Plan Description - TPAF

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

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

The following represents the membership tiers for TPAF:

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

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

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Actuarial Assumptions

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

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

Preretirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

Long-Term Expected Rate of Return

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

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

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

As of June 30,	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2022	\$ 60,591,896,759	\$ 51,676,587,303	\$ 44,166,559,329
2021	\$ 56,988,413,045	\$ 48,165,991,182	\$ 40,755,711,186

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the University. The University's portion of the nonemployer contributing entities' total proportionate share of the net pension liability was \$1,699,676 as of June 30, 2023 and \$2,220,302 as of June 30, 2022. The University records their proportionate share of the pension expense as a revenue and expense in the accompanying statements of revenues, expenses and changes in net position. The amount was \$45,743 and \$52,245 for the years ending June 30 2023 and 2022, respectively.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Alternate Benefit Program Information

ABP provides the choice of seven investment carriers, all of which are privately operated defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full time professional employees and faculty members electing to participate in this retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5% and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8%. During the year ended June 30, 2023, ABP received employer and employee contributions of \$5,398,970 and \$3,415,237, respectively, which were based on participating employee salaries of \$68,959,855. During the year ended June 30, 2022, ABP received employer and employee contributions of \$5,765,736 and \$3,643,817, respectively, which were based on participating employee salaries of \$73,736,020. Employer contributions to ABP are paid by the State of New Jersey and the University and are reflected within operating expenses by function and within nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statements of revenues, expenses and changes in net position.

Supplemental Alternative Benefit Program

The Supplemental Alternative Benefit Program is a defined contribution, supplemental 403(b) plan, established for employees who are members of the Alternate Benefit Program and whose base salary exceeds the current plan limit of \$175,000 for employer contributions. Vesting occurs immediately. Employees may not contribute to the plan and employer contributions are at the discretion of the University. Contributions of \$65,810 and \$65,589 were made in fiscal years 2023 and 2022, respectively.

12. Postemployment Benefits Other Than Pensions

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

Plan description, including benefits provided: The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Accordingly, the University did not recognize any portion of this liability on the accompanying statements of net position.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

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

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

Total OPEB Liability and OPEB Expense

Since the University does not contribute directly to the plan, there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to record in the financial statements. For disclosure purposes, as of June 30, 2023 and 2022, the proportionate share of total OPEB liability attributable to the University was \$186,720,597 and \$241,278,605, respectively. The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2022 and 2021, the University's share was 3.356928% and 3.550492%, respectively, and 0.893931% and 0.966891%, respectively, of the special funding situation and of the Plan.

For the years ended June 30, 2023 and 2022, the University recognized an OPEB (benefit) expense of (\$5,412,133) and \$2,769,853, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized (expense) revenue related to the support provided by the State of (\$5,412,133) and \$2,769,853 for the years ended June 30, 2023 and 2022, respectively.

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

Inflation	2.50 %
Discount rate	3.54 %
Salary increases through 2026	2.75 - 16.25 %
Thereafter	2.75 - 6.55 %

The discount rate used to measure the total OPEB liability was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

William Paterson University of New Jersey (A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

Certain actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2018 - June 30, 2021), ABP (using the experience of the Teacher's Pension and Annuity Fund - July 1, 2018 - June 30, 2021), and PFRS (July 1, 2018 - June 30, 2021). Health Care Trend Assumptions: For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2023 through 2024 are reflected. For PPO the trend is initially 6.36% in FY 2025, increasing to 14.35% in fiscal year 2026, and decreases to 4.5% after 8 years. For HMO the trend is initially 6.53% in fiscal year 2025, increasing to 15.47% in fiscal year 2026, and decreases to 4.5% after 8 years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to a 4.5% long-term trend rate after seven years.

13. Commitments and Contingencies

The University entered into a contract to permit a third party to install, operate and maintain solar photovoltaic facilities on certain University properties. In exchange, the University will purchase all electricity generated by the facilities at a set price. Total rent expense was \$366,965 and \$386,205 in 2023 and 2022, respectively.

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

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

Union contracts are effective until June 30, 2023, with the exception of one contract that was effective through June 30, 2020 and is currently being renegotiated. Management believes that any adjustment from the negotiation will not have a material effect on the accompanying financial statements.

14. State of New Jersey Paid Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally pension and postretirement medical benefits and FICA taxes) on behalf of the University's employees. Such benefits were \$32,572,624 and \$32,953,211, for the years ended June 30, 2023 and 2022, respectively, and are included in nonoperating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses and changes in net position.

15. COVID-19 and Emergency Relief Grants

COVID-19 was declared a public health emergency on March 11, 2020 by the World Health Organization. Initially, all students, faculty and staff were transitioned to remote operations. By the fall of 2020, academic operations had evolved to a hybrid of online and on-campus instruction and administrative units were splitting time between remote and on-site work locations. With vaccines now widely available and new practices in place such as required vaccinations, masking and social distancing, the University returned to normal operations in the fall of 2021.

**William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
June 30, 2023 and 2022

Total emergency relief grants of \$0 and \$29,117,307 were received during the years ended June 30, 2023 and 2022, respectively, and are reported in the nonoperating section of the statements of revenues, expenses and changes in net position. Pass-through payments to students from these funds of \$0 and \$14,610,467 were made during each of the years ended June 30 2023 and 2022, respectively, and are included in the functional expense line of student services in the operating expenses section of the statements of revenues, expenses and changes in net position. All emergency relief funds were drawn down by the University as of June 30, 2023.

16. Unrestricted Net Position

As of June 30, 2023 and 2022, unrestricted net position consist of funds that have been designated as follows:

	<u>2023</u>	<u>2022</u>
Academic and other programs	\$ 13,881,748	\$ 22,237,963
Quasi-endowment	10,597,251	10,597,252
Capital programs:		
Renewal and replacement, nonauxiliary	11,512,856	9,952,484
Renewal and replacement, auxiliary	28,521,202	28,042,948
Net pension liability	<u>(143,957,229)</u>	<u>(154,931,874)</u>
 Total	 <u>\$ (79,444,172)</u>	 <u>\$ (84,101,227)</u>

17. Risk Management

The University is exposed to various risks of loss. The University purchases and funds property and casualty insurances through a joint insurance program with nine of the State of New Jersey Public Colleges and Universities. The University's risk management program involves insurance for all property risk and certain liability risk in the joint insurance program and all remaining liability risk and employee benefit exposures are self-funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long-term disability, unemployment liability, life insurance and employee retirement programs).

- All-Risk Property Insurance provides coverage for buildings, plant, equipment and business interruption to the extent that losses exceed \$100,000 per occurrence with a maximum limit of liability in an occurrence of \$2,000,000,000.
- Commercial Crime Insurance coverage provides limits of liability of: \$5,000,000 for Employee Theft, Computer Fraud, and Funds Transfer Fraud Coverages, subject to \$150,000 retention; \$500,000 limits of liability for Premises, In Transit, Forgery, Money Orders and Counterfeit Currency Fraud, Credit Card, and Client Coverages, subject to \$50,000 retention; and; \$150,000 limit of liability for Social Engineering Fraud Coverage, subject to \$150,000 retention.
- Student Blanket Professional and General Liability Insurance provides coverage for students in curriculum-based practicums/internships with a limit of liability of \$2,000,000 each occurrence, \$4,000,000 in the aggregate. Faculty are also covered for claims arising out of the supervision/instruction of the insured students participating in activities that are part of and a requirement of the students' curriculum.

William Paterson University of New Jersey
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2023 and 2022

- Executive Auto Liability Insurance provides coverage for one executive vehicle, with a limit of liability of \$1,000,000 and a \$1,000 deductible applying to collision & comprehensive coverage.
- A fine arts insurance policy with a limit of \$1,500,000 and a \$1,000 deductible.
- As an instrumentality of the State of New Jersey the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.) and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.
- All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature.
- In fiscal year 2023, property insurance coverage for data restoration/owned network interruption and data service provider property damage/data service provider time element have each been reduced from \$1,000,000 to \$10,000 aggregate limits for the nine participating state colleges and universities.

18. Subsequent Event

Subsequent events were evaluated through January 31, 2024, the date the financial statements were issued.

William Paterson University of New Jersey

Required Supplementary Information

Schedules of University's Proportionate Share of the Net Pension Liability (Unaudited)

Years Ended June 30

	2023		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.5761299338 %	0.3586161600 %	
University's proportionate share of the net pension liability	\$ 128,977,234	\$ 15,515,860	\$ 1,699,676
University's covered-employee payroll	\$ 23,395,933	\$ 1,951,997	\$ 67,302
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	551.28 %	794.87 %	2,525.45 %
	2022		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.5993728511 %	0.3883160054 %	
University's proportionate share of the net pension liability	\$ 129,641,336	\$ 15,783,383	\$ 2,220,302
University's covered-employee payroll	\$ 22,423,362	\$ 1,807,868	\$ 148,177
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	578.15 %	873.04 %	1,498.41 %
	2021		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6253836670 %	0.2695199971 %	
University's proportionate share of the net pension liability	\$ 138,985,063	\$ 11,586,691	\$ 3,871,670
University's covered-employee payroll	\$ 23,360,266	\$ 1,839,403	\$ 148,593
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	594.96 %	629.92 %	2,605.55 %
	2020		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6060986121 %	0.2343592322 %	
University's proportionate share of the net pension liability	\$ 139,477,960	\$ 9,847,042	\$ 3,538,629
University's covered-employee payroll	\$ 26,775,790	\$ 2,119,244	\$ 154,306
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	520.91 %	464.65 %	2293.25 %
	2019		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6158169473 %	0.3101258113 %	
University's proportionate share of the net pension liability	\$ 145,975,085	\$ 13,426,290	\$ 3,769,533
University's covered-employee payroll	\$ 27,626,141	\$ 1,812,243	\$ 276,521
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	528.39 %	740.87 %	1363.20 %
	2018		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6263001971 %	0.3113464137 %	
University's proportionate share of the net pension liability	\$ 160,618,586	\$ 13,685,989	\$ 4,129,519
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257	\$ 382,411
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	571.05 %	867.16 %	1079.86 %
	2017		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6206249503 %	0.2604667065 %	
University's proportionate share of the net pension liability	\$ 182,405,929	\$ 12,269,920	\$ 4,855,545
University's covered-employee payroll	\$ 26,842,842	\$ 1,396,099	\$ 390,095
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	679.53 %	878.87 %	1244.71 %
	2016		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6157306825 %	0.2265683030 %	
University's proportionate share of the net pension liability	\$ 146,064,467	\$ 9,728,101	\$ 9,575,278
University's covered-employee payroll	\$ 27,512,246	\$ 1,806,376	\$ 389,620
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	530.91 %	538.54 %	2457.59 %
	2015		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6237086082 %	0.2596863260 %	
University's proportionate share of the net pension liability	\$ 125,534,480	\$ 9,226,789	\$ 10,050,848
University's covered-employee payroll	\$ 27,170,262	\$ 1,189,806	\$ 366,714
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	462.03 %	775.49 %	2740.79 %

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

William Paterson University of New Jersey

Required Supplementary Information
Schedules of University Contributions (Unaudited)
Years Ended June 30

	2023	
	PERS	PFRS
Contractually required contribution	\$ 8,924,665	\$ 1,986,969
Contributions in relation to the contractually required contribution	(8,924,665)	(1,986,969)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 23,395,933	\$ 1,951,997
Contributions as a percentage of covered-employee payroll	38.15%	101.79%
	2022	
	PERS	PFRS
Contractually required contribution	\$ 9,642,998	\$ 2,299,810
Contributions in relation to the contractually required contribution	(9,642,998)	(2,299,810)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 22,423,362	\$ 1,807,868
Contributions as a percentage of covered-employee payroll	43.00%	127.21%
	2021	
	PERS	PFRS
Contractually required contribution	\$ 6,973,314	\$ 1,726,801
Contributions in relation to the contractually required contribution	(6,973,314)	(1,726,801)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 23,360,266	\$ 1,839,403
Contributions as a percentage of covered-employee payroll	29.85%	93.88%
	2020	
	PERS	PFRS
Contractually required contribution	\$ 5,582,296	\$ 1,024,020
Contributions in relation to the contractually required contribution	(5,582,296)	(1,024,020)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 26,775,790	\$ 2,119,244
Contributions as a percentage of covered-employee payroll	20.85%	48.32%
	2019	
	PERS	PFRS
Contractually required contribution	\$ 4,740,793	\$ 754,977
Contributions in relation to the contractually required contribution	(4,740,793)	(754,977)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 27,626,141	\$ 1,812,243
Contributions as a percentage of covered-employee payroll	17.16%	41.66%
	2018	
	PERS	PFRS
Contractually required contribution	\$ 2,500,000	\$ 750,000
Contributions in relation to the contractually required contribution	(2,500,000)	(750,000)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257
Contributions as a percentage of covered-employee payroll	8.89%	47.52%
	2017	
	PERS	PFRS
Contractually required contribution	\$ 2,859,750	\$ 608,268
Contributions in relation to the contractually required contribution	(2,859,750)	(608,268)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 28,126,936	\$ 1,578,257
Contributions as a percentage of covered-employee payroll	10.17%	38.54%
	2016	
	PERS	PFRS
Contractually required contribution	\$ 1,972,328	\$ 359,837
Contributions in relation to the contractually required contribution	(1,972,328)	(359,837)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 27,512,246	\$ 1,806,376
Contributions as a percentage of covered-employee payroll	7.17%	19.92%
	2015	
	PERS	PFRS
Contractually required contribution	\$ 950,516	\$ 315,912
Contributions in relation to the contractually required contribution	(950,516)	(315,912)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 27,170,262	\$ 1,189,806
Contributions as a percentage of covered-employee payroll	3.50%	26.55%

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

William Paterson University of New Jersey

Required Supplementary Information
Schedules of University's Proportionate Share of the Total OPEB Liability (Unaudited)
Years Ended June 30

	<u>2023</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	
State of New Jersey's proportionate share of the total OPEB liability	<u>5,562,246,454</u>
Total OPEB liability	5,562,246,454
University's covered-employee payroll	\$ 86,141,216
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2022</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	
State of New Jersey's proportionate share of the total OPEB liability	<u>6,795,638,768</u>
Total OPEB liability	6,795,638,768
University's covered-employee payroll	\$ 86,141,216
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2021</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>7,996,986,472</u>
Total OPEB liability	7,996,986,472
University's covered-employee payroll	\$ 92,872,507
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2020</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>5,492,432,567</u>
Total OPEB liability	5,492,432,567
University's covered-employee payroll	\$ 96,279,402
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2019</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>7,146,922,189</u>
Total OPEB liability	7,146,922,189
University's covered-employee payroll	\$ 96,433,431
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%
	<u>2018</u>
University's proportion of the total OPEB liability	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>8,178,871,728</u>
Total OPEB liability	8,178,871,728
University's covered-employee payroll	\$ 96,556,548
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%

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

Notes to the Schedule:

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