



**MONMOUTH UNIVERSITY**

Consolidated Financial Statements

June 30, 2023

(with summarized comparative financial information as of and for the year  
ended June 30, 2022)

(With Independent Auditors' Report Thereon)



KPMG LLP  
New Jersey Headquarters  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078-2702

## Independent Auditors' Report

The Board of Trustees  
Monmouth University:

### *Opinion*

We have audited the consolidated financial statements of Monmouth University (the University), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audit 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 Consolidated 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 Consolidated Financial Statements*

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

In preparing the consolidated 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 one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

*Report on Summarized Comparative Information*

We have previously audited Monmouth University's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2022. In our opinion, the comparative summarized information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*KPMG LLP*

Short Hills, New Jersey  
October 26, 2023

**MONMOUTH UNIVERSITY**

Consolidated Statement of Financial Position

June 30, 2023

(with comparative financial information as of June 30, 2022)

Assets	2023	2022
Cash and cash equivalents	\$ 23,425,341	22,526,283
Short-term investments	57,668,024	62,411,194
Student accounts receivable, net	890,914	1,255,317
Prepaid expenses and deferred charges	2,198,610	2,599,461
Inventory	471,633	447,324
Grants and other receivables, net	3,254,960	2,454,881
Contributions receivable, net	23,544,239	8,576,226
Student loans receivable, net	2,518,594	2,784,970
Long-term investments	140,236,897	131,321,466
Operating leases-right of use assets	10,742,694	11,975,978
Construction in progress	2,727,526	2,086,171
Land, buildings, and equipment, net	184,585,938	191,104,926
Total assets	\$ 452,265,370	439,544,197
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 5,540,765	6,744,006
Accrued payroll and fringe benefits	12,202,732	14,391,642
Accrued interest payable	31,167	39,439
Deferred revenues	6,822,919	6,998,449
Deposits	301,659	179,307
Funds held for others	176,440	170,658
Operating lease liabilities	11,060,948	12,212,665
Notes payable	1,271,541	1,772,232
Mortgage notes payable	—	2,931,496
Student loan grants refundable	2,449,877	2,936,924
Asset retirement obligation	7,642,730	7,682,959
Total liabilities	47,500,778	56,059,777
Net assets:		
Without donor restrictions:		
Available for operations	5,970,611	10,671,414
Designated for investment in plant	212,971,306	219,896,226
Designated for loan programs	1,194,163	1,186,212
Held for long-term investment	50,566,468	49,774,002
Total without donor restrictions	270,702,548	281,527,854
With donor restrictions:		
Restricted by purpose or time	68,103,597	55,874,771
Restricted in perpetuity	65,958,447	46,081,795
Total with donor restrictions	134,062,044	101,956,566
Total net assets	404,764,592	383,484,420
Total liabilities and net assets	\$ 452,265,370	439,544,197

See accompanying notes to consolidated financial statements.

**MONMOUTH UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

	Without donor restrictions				With donor restrictions			Total 2023	Total 2022	
	Available for operations	Designated for investment in plant	Designated for loan programs	Held for long-term investment	Total net assets without donor restrictions	Restricted by purpose or time	Restricted in perpetuity			Total net assets with donor restrictions
<b>Operating revenues:</b>										
Tuition and fees, net of scholarships of \$76,450,750	\$ 119,112,373	—	—	—	119,112,373	—	—	—	119,112,373	124,048,294
Auxiliary enterprises, net of scholarships of \$5,405,487	24,090,174	—	—	—	24,090,174	—	—	—	24,090,174	23,683,517
Federal grants and contracts	199,850	—	—	—	199,850	2,349,852	—	2,349,852	2,549,702	15,249,221
State of New Jersey grants	1,162,668	—	—	—	1,162,668	6,926,642	—	6,926,642	8,089,310	2,597,084
Private gifts and grants	135,159	129,386	—	425	264,970	9,642,001	—	9,642,001	9,906,971	9,072,294
Investment return allocated to operations	1,114,381	928,955	252,750	1,974,720	4,270,806	3,845,141	—	3,845,141	8,115,947	5,808,250
Other revenue	5,225,126	268,727	87,603	—	5,581,456	229,267	—	229,267	5,810,723	5,758,814
<b>Net assets released for:</b>										
Instruction and academic support	2,068,979	—	—	—	2,068,979	(2,068,979)	—	(2,068,979)	—	—
Scholarships and grants	2,955,383	—	—	—	2,955,383	(2,955,383)	—	(2,955,383)	—	—
Other purposes	6,976,352	1,171,568	—	—	8,147,920	(8,147,920)	—	(8,147,920)	—	—
<b>Total operating revenues</b>	<b>163,040,445</b>	<b>2,498,636</b>	<b>340,353</b>	<b>1,975,145</b>	<b>167,854,579</b>	<b>9,820,621</b>	<b>—</b>	<b>9,820,621</b>	<b>177,675,200</b>	<b>186,217,474</b>
<b>Operating expenses and transfers:</b>										
<b>Program expenses:</b>										
Instruction	61,897,833	3,539,794	—	—	65,437,627	—	—	—	65,437,627	66,293,444
Research	3,179,743	19,520	—	—	3,199,263	—	—	—	3,199,263	2,933,955
Public service	536,386	45,751	—	—	582,137	—	—	—	582,137	538,185
Academic support	29,917,986	3,219,040	—	—	33,137,026	—	—	—	33,137,026	30,400,667
Student services	15,682,201	900,804	—	—	16,583,005	—	—	—	16,583,005	21,427,319
Auxiliary enterprises	15,770,731	3,629,905	—	—	19,400,636	—	—	—	19,400,636	18,792,509
<b>Support expenses:</b>										
Institutional support	33,869,127	3,327,144	329,995	—	37,526,266	—	—	—	37,526,266	38,348,681
Fundraising	3,354,538	208,734	—	—	3,563,272	—	—	—	3,563,272	3,277,292
<b>Total operating expenses</b>	<b>164,208,545</b>	<b>14,890,692</b>	<b>329,995</b>	<b>—</b>	<b>179,429,232</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>179,429,232</b>	<b>182,012,052</b>
<b>Transfers among unrestricted funds:</b>										
Mandatory transfers out (in)	3,625,425	(3,625,425)	—	—	—	—	—	—	—	—
Nonmandatory transfers out (in)	147,520	(2,057,896)	—	1,910,376	—	—	—	—	—	—
<b>Total operating expenses and transfers</b>	<b>167,981,490</b>	<b>9,207,371</b>	<b>329,995</b>	<b>1,910,376</b>	<b>179,429,232</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>179,429,232</b>	<b>182,012,052</b>
<b>Change in net assets from operations</b>	<b>(4,941,045)</b>	<b>(6,708,735)</b>	<b>10,358</b>	<b>64,769</b>	<b>(11,574,653)</b>	<b>9,820,621</b>	<b>—</b>	<b>9,820,621</b>	<b>(1,754,032)</b>	<b>4,205,422</b>
<b>Nonoperating:</b>										
Investment return, net of amount allocated to operations	240,242	108,968	(2,407)	727,697	1,074,500	2,408,205	—	2,408,205	3,482,705	(15,747,162)
(Loss) gain on disposal of plant facilities	—	(325,153)	—	—	(325,153)	—	—	—	(325,153)	3,425
Endowment gifts and bequests	—	—	—	—	—	—	19,876,652	19,876,652	19,876,652	3,187,738
Athletic conference change fees	—	—	—	—	—	—	—	—	—	(1,605,000)
<b>Change in net assets</b>	<b>(4,700,803)</b>	<b>(6,924,920)</b>	<b>7,951</b>	<b>792,466</b>	<b>(10,825,306)</b>	<b>12,228,826</b>	<b>19,876,652</b>	<b>32,105,478</b>	<b>21,280,172</b>	<b>(9,955,577)</b>
Net assets as of beginning of year	10,671,414	219,896,226	1,186,212	49,774,002	281,527,854	55,874,771	46,081,795	101,956,566	383,484,420	393,439,997
<b>Net assets as of end of year</b>	<b>\$ 5,970,611</b>	<b>212,971,306</b>	<b>1,194,163</b>	<b>50,566,468</b>	<b>270,702,548</b>	<b>68,103,597</b>	<b>65,958,447</b>	<b>134,062,044</b>	<b>404,764,592</b>	<b>383,484,420</b>

See accompanying notes to consolidated financial statements.

**MONMOUTH UNIVERSITY**

Consolidated Statement of Functional Expenses

Year ended June 30, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

	Program expenses						Support expenses			Total 2023	Total 2022	
	Instruction	Research	Public service	Academic support	Student services	Auxiliary enterprises	Total	Institutional support	Fundraising			Total
Compensation	\$ 40,440,987	1,132,889	161,132	14,467,498	8,898,126	3,745,359	68,845,991	17,482,030	2,268,921	19,750,951	88,596,942	89,546,604
Fringe benefits	15,070,135	152,952	7,556	4,961,277	3,261,368	1,143,007	24,596,295	6,144,129	534,551	6,678,680	31,274,975	27,906,865
Supplies	1,536,454	75,954	89,563	2,150,395	711,620	5,808,355	10,372,341	2,766,042	84,641	2,850,683	13,223,024	12,091,649
Travel and entertainment	396,753	85,195	26,032	2,257,850	244,517	16,871	3,027,218	365,594	29,532	395,126	3,422,344	2,647,485
Professional services	2,059,797	1,433,109	240,826	2,519,951	1,009,084	1,015,606	8,278,373	6,399,146	256,737	6,655,883	14,934,256	15,044,469
Utilities	1,267,515	16,997	351	1,103,027	509,257	1,634,144	4,531,291	386,876	95,742	482,618	5,013,909	4,899,712
Property costs	1,003,496	70,169	250	1,304,696	429,738	429,221	3,237,570	2,854,893	67,421	2,922,314	6,159,884	5,953,561
Other expenses	122,696	212,478	10,676	1,153,292	618,491	1,978,168	4,095,801	507,140	16,993	524,133	4,619,934	11,407,240
Depreciation and accretion of asset retirement obligation	3,479,284	19,520	45,751	3,219,040	900,804	3,507,756	11,172,155	620,416	208,734	829,150	12,001,305	12,253,445
Interest expense	60,510	—	—	—	—	122,149	182,659	—	—	—	182,659	261,022
Total functional expenses	\$ <u>65,437,627</u>	<u>3,199,263</u>	<u>582,137</u>	<u>33,137,026</u>	<u>16,583,005</u>	<u>19,400,636</u>	<u>138,339,694</u>	<u>37,526,266</u>	<u>3,563,272</u>	<u>41,089,538</u>	<u>179,429,232</u>	<u>182,012,052</u>

See accompanying notes to consolidated financial statements.

**MONMOUTH UNIVERSITY**

Consolidated Statement of Cash Flows

Year ended June 30, 2023

(with comparative financial information for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,280,172	(9,955,577)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Depreciation expense	11,745,760	12,007,973
Accretion of asset retirement obligation	255,545	245,472
Loss (gain) on plant facilities	325,153	(3,425)
Amortization of deferred charges	2,640	10,664
Net unrealized (gain) loss	(6,650,338)	15,256,361
Amortization of bond premium	(129,571)	101,401
Change in allowance for doubtful accounts	(227,601)	287,076
Student loan assignments	172,078	597,329
Student loan cancellations	48,605	14,254
Amortization of right of use assets	1,419,814	1,367,466
Nonoperating items:		
Net realized gain	(1,736,235)	(2,955,157)
Contributions and grants for plant facilities	(2,716,514)	(482,094)
Contributions to permanent endowment	(19,876,652)	(3,187,738)
Changes in operating assets and liabilities:		
Decrease (increase) in student accounts receivable	529,612	(174,273)
Decrease (increase) in prepaid expenses	398,211	(752,166)
(Increase) decrease in inventory	(24,309)	212,913
Increase in grants and other receivables	(810,765)	(434,911)
(Increase) decrease in contribution receivable	(33,598)	575,456
(Decrease) increase in accounts payable	(1,979,938)	1,448,616
Decrease in accrued payroll and fringe benefits	(2,188,910)	(1,307,981)
Decrease in accrued interest payable	(8,272)	(7,684)
Decrease in deferred revenues	(175,530)	(836,597)
Increase in deposits	122,352	38,874
Increase (decrease) in funds held for others	5,782	(6,365)
Decrease in operating lease liabilities	(1,338,247)	(1,130,779)
Decrease in student loan grants refundable	(487,047)	(704,649)
Net cash (used in) provided by operating activities	<u>(2,077,803)</u>	<u>10,224,459</u>
Cash flows from investing activities:		
Proceeds from sales of investments	100,989,890	95,864,885
Purchases of investments	(96,646,008)	(96,880,645)
Student loans granted	(186,441)	(221,943)
Student loans collected	347,134	472,746
Purchases of land, buildings, and equipment	<u>(5,712,355)</u>	<u>(4,041,580)</u>
Net cash used in investing activities	<u>(1,207,780)</u>	<u>(4,806,537)</u>
Cash flows from financing activities:		
Payment of notes payable	(500,691)	(483,855)
Payment of mortgage notes payable	(2,931,496)	(756,824)
Cash received for plant facilities	1,374,076	365,391
Cash received for permanent endowment	<u>6,242,752</u>	<u>1,843,580</u>
Net cash provided by financing activities	<u>4,184,641</u>	<u>968,292</u>
Net increase in cash and cash equivalents	899,058	6,386,214
Cash and cash equivalents as of beginning of year	<u>22,526,283</u>	<u>16,140,069</u>
Cash and cash equivalents as of end of year	\$ <u>23,425,341</u>	\$ <u>22,526,283</u>
Supplemental disclosure of cash flow information:		
Increase in accounts payable for capital	\$ 776,697	180,837
Interest paid	192,754	270,530
Right of use asset acquired and operating lease liability	186,530	—

See accompanying notes to consolidated financial statements.

## MONMOUTH UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

### (1) Organization and Summary of Significant Accounting Policies

#### *Organization*

Monmouth University is a private, comprehensive institution of higher learning at the undergraduate and graduate levels committed to service in the public interest and to the enhancement of the quality of life. Monmouth University is composed of eight schools, the Wayne D. McMurray School of Humanities and Social Sciences, the Leon Hess Business School, the School of Education, the School of Social Work, the School of Science, the Marjorie K. Unterberg School of Nursing and Health Studies, the Graduate School, and the Honors School. Monmouth University's commitment is to provide a learning process and environment, which enables individuals to pursue their educational goals and realize their full potential.

#### *Bruce Springsteen Archives and Center for American Music Corporation*

On November 27, 2017, Monmouth University established a nonprofit tax-exempt corporation, supporting organization called the Bruce Springsteen Archives and Center for American Music Corporation (the Springsteen Center). The purposes of the Springsteen Center include housing an expansive archive to preserve and promote the legacy of Bruce Springsteen and his role in the history of American music, housing both the University's and Bruce Springsteen's collections, creating an open and inviting exhibition space to permanently showcase such collections as well as other collections relating to American music, and creating academic, performance, and exhibit space enabling the Springsteen Center to become a major international scholarly resource for academic researchers and music historians. The Springsteen Center is an organization described under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes under Sections 501(c)(3) and 509(a) of the Code on income generated by activities that are substantially related to its tax-exempt purposes.

Significant accounting policies followed by Monmouth University and the Springsteen Center (collectively, the University) are set forth as follows.

#### *Summary of Significant Accounting Policies*

##### **(a) Basis of Presentation**

The consolidated financial statements of the University have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Monmouth University and the Springsteen Center. For financial reporting purposes, U.S. GAAP requires that resources be classified into two categories based on the existence or absence of donor-imposed restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets have been classified into the following two categories: without donor restrictions and with donor restrictions.



## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

Net assets without donor restrictions are presented in total with the following subclassifications: available for operations, designated for or investment in plant, designated for loan programs, and held for long-term investment. Net assets with donor restrictions are presented with the following subclassifications: restricted by purpose or time and restricted in perpetuity. Net assets with donor restrictions-restricted by purpose or time are net assets subject to donor-imposed stipulations that will be met by actions of the University and/or by the passage of time. Net assets with donor restrictions-restricted in perpetuity are net assets subject to donor-imposed stipulations that must be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments, and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of purpose or time restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

#### **(b) Other Significant Accounting Policies**

Other significant accounting policies followed in the preparation of the accompanying consolidated financial statements are outlined below:

1. Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period received. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value. The fair value of pledges of contributions to be received after one year are discounted. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets with donor restrictions-restricted by purpose or time and reclassified to net assets without donor restrictions as the restrictions are met.

Contributions of cash or other assets to be used to acquire long-lived assets are reported as revenues of net assets with donor restrictions-restricted by purpose and time and reclassified to net assets without donor restrictions when the long-lived asset is put into service or in the case of construction, when the project is completed.

Contributions of art work, historical treasures, and similar assets, whether part of a collection or not, whose quoted market price or independent appraisal is \$1,000 or more are recorded as revenue and capitalized, but not depreciated.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

2. Student tuition and fees are recorded as revenue during the year in which the related academic services are rendered. Auxiliary enterprises primarily consist of student housing, dining services, and bookstore operations. Auxiliary enterprises expenses include direct administration and general costs related to their operations as well as interest and depreciation. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Payments for student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.
3. Revenue from government grants and contracts is recognized when allowable expenditures are incurred and conditions under the agreements have been met.
4. Income on endowment investments including realized and unrealized gains and losses is reported as net assets with donor restrictions-restricted in perpetuity, if the terms of the gift require that they be added to the principal of a permanent endowment fund; as net assets with donor restrictions-restricted by purpose or time, if the terms of the gift impose restrictions on the use of the income or if income on endowments has not been appropriated for expenditure; and as net assets without donor restrictions in all other cases. Income on nonendowment investments including realized and unrealized gains and losses is classified as net assets without donor restrictions unless restricted by the donor.
5. Costs related to obtaining mortgage debt are capitalized as deferred charges and amortized over the term of the related debt using the straight-line method. When a loan is paid off in full, any unamortized financing costs are expensed.
6. Land, buildings, and equipment with a useful life of more than one year and a cost of \$1,000 or more are capitalized and stated at cost at date of acquisition or fair value at date of donation, less accumulated depreciation computed on a straight-line basis over their estimated useful lives beginning in the fiscal year following the year placed into service (buildings, 30.5 years; improvements, 15 years; and equipment, 3–20 years).
7. The cost of library books is charged to operating expenses in the year of purchase and is not capitalized.
8. Inventory consists of bookstore merchandise and is recorded at the lower of cost (first-in, first-out basis) or market.
9. Deferred revenues include payments for student tuition and fees related to academic terms that take place in the next fiscal year, other amounts for which the University has not yet fulfilled its obligations, and grants received in advance of incurring related expenses. Such amounts are recorded as revenues when the related services are performed or obligations are satisfied.
10. Grants receivable represent amounts expended but unreimbursed under certain grants awarded to the University.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

11. Investments in marketable securities are stated at fair value based on quoted market prices. Investments in real estate are stated at appraised market values. Investments in funds that have a readily determined fair value and are deemed to be actively traded are stated at fair value based on the net asset value (NAV) published by the external investment managers. Investments in funds that do not have a readily determinable fair value are valued at NAV provided by external fund managers as the practical expedient to fair value. NAVs are reviewed and evaluated by University management for reasonableness.
12. Operations and maintenance expense, interest expense, and depreciation expense are allocated to the appropriate functional categories. The consolidated financial statements report certain categories of expenses that are attributable to one or more programs and supporting functions of the University. These expenses include depreciation, interest, accretion, federal work study compensation, operation and maintenance of plant, salary, and fringe benefits of senior administrative personnel and the administration and staff of the division of University Advancement. These expenses are allocated using a variety of cost allocation techniques, including physical inventory, square footage, direct association or use, and time and effort. Within the consolidated statement of functional expenses, supplies consists of postage and shipping, recruiting and advertising, dining and food services, and supplies. Other expenses consists of library materials (academic support), bookstore materials, and other expenses, such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) student emergency aid (student services).
13. Student loan grants refundable represent advances from the federal government, which are repayable to the federal government upon discontinuance of the loan program and, thus, are reflected as liabilities on the consolidated statement of financial position.
14. Cash equivalents include investments with original maturities of three months or less, and include money market funds, except those included in short- and long-term investments, and investments whose use is restricted.
15. The statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities of the University reflect gifts and donations of a permanent nature to be used by the University to generate a return that will support operations, gains and losses on the disposal of assets, other nonrecurring items, as well as investment return in excess of or less than the spending policy (notes 2 and 9).
16. The University participates in the following two types of split-interest agreements: charitable remainder trusts and charitable gift annuities. Charitable remainder trusts are recorded at net present value in the consolidated statement of financial position as contributions receivable and amount to \$2,152,766 and \$1,985,539 at June 30, 2023 and 2022, respectively. Charitable gift annuities are recorded at fair value in the consolidated statement of financial position as long-term investments. The present value of estimated payments to annuitants is recorded as accounts payable using discount rates ranging from 1.2% to 6.2%. The State of New Jersey requires the University to maintain a reserve fund that is the higher of (1) \$100,000 or (2) 110% of the estimated remainder value of the outstanding gift annuity agreements.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

Donor restricted contribution revenue is measured at the fair value of assets received under split-interest agreements, discounted for a term equal to the life expectancy of the donor or the term of the charitable remainder trust, and recorded at the time of receipt. There were no new split interest agreements received during 2023. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue in the consolidated statement of financial position. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments relating to the above split-interest agreements are recorded as private gifts and grants revenue in the consolidated statement of activities.

#### **(c) *Prior Year Comparative Financial Information***

The consolidated statements of activities, functional expenses, and certain notes are presented with prior year summarized comparative financial information. The summarized financial information does not constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended June 30, 2022, from which the summarized comparative information was derived.

#### **(d) *Use of Estimates***

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(e) *Asset Retirement Obligation***

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities.

#### **(f) *Income Taxes***

The University is an organization described under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes under Section 501(a) of the Code on income generated by activities that are substantially related to its tax-exempt purpose.

There are certain transactions that could be deemed unrelated business income and could result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a more likely than not threshold. It is management's estimation that there are no material tax liabilities that need to be recorded.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

#### **(g) Leases**

The University determines if an arrangement is or contains a lease at inception of the contract. The right-of-use (ROU) assets represents the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and ROU liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. A ROU asset and liability are not recognized for short-term leases with an initial term of twelve months or less. Operating leases are included in ROU assets and liabilities in the statements of financial position. The University does not have any finance leases.

#### **(2) Investments and Fair Value**

Investments are included in two categories of assets in the consolidated statement of financial position: short-term investments comprise unexpended operating and plant funds; and long-term investments comprise both endowment funds restricted in perpetuity and those funds functioning as endowment.

The Investment Committee of the Board of Trustees establishes investment pools, sets policy and asset allocation guidelines for investment of the various funds, determines spending rates, and selects external professional investment managers. External investment managers have authority for determining investment strategy, security selection, and timing within the approved policy.

The objective of the operating and unexpended plant fund investments is to maximize income while preserving principal value and maintaining liquidity to meet University needs. These funds are invested in U.S. dollar denominated fixed income securities of domestic and foreign entities. The objective of the endowment fund investments is to achieve long-term capital appreciation within prudent risk restraints. Endowment funds may be invested in equity and fixed income mutual funds, commodities, real estate and alternative investment strategies including hedge, private equity, and distressed debt.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy was established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

- Level 1 – Inputs are quoted prices or published net asset values in active markets for identical assets and liabilities that the University has the ability to access at the measurement date.
- Level 2 – Inputs are other than quoted prices or published net asset values in level one such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

- Level 3 – Inputs that are unobservable and investments in investees, which may not permit redemption at net asset value (or equivalent) at the measurement date. Inputs may include recent transactions, earnings forecasts, market multiples, future cash flows, and other factors.

An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The majority of the University’s long-term investments are invested with the Commonfund for Nonprofit Organizations (Commonfund). Commonfund is a tax-exempt membership corporation that operates the endowment funds for the benefit of institutions eligible for membership in the Commonfund. The University’s interests in these funds are reported at NAV.

The following tables present the fair value hierarchy for the University’s investments, which are reported at fair value and their redemption/liquidation features at June 30, 2023 and 2022:

	2023				Redemption or liquidation	Days' notice
	Fair value	Level 1	Level 2	Level 3		
Investments:						
Short-term investments:						
Corporate bonds	\$ 43,051,625	—	43,051,625	—	Daily	1
U.S. government and agencies	14,611,021	14,611,021	—	—	Daily	1
Solar energy credits	5,378	5,378	—	—	Daily	1
Subtotal short-term investments	<u>57,668,024</u>	<u>14,616,399</u>	<u>43,051,625</u>	<u>—</u>		
Long-term investments:						
Global natural resources index fund	2,699,377	2,699,377	—	—	Daily	2
S&P 500 index fund	2,767,638	2,767,638	—	—	Daily	2
Other funds	1,355,401	1,355,401	—	—	Daily	1
Cash equivalents	1,012,182	1,012,182	—	—	Daily	1
Bond index fund	1,364,257	1,364,257	—	—	Daily	2
Other	56,181	—	—	56,181	Illiquid	Not applicable
Subtotal investments at fair value	<u>\$ 23,815,254</u>	<u>43,051,625</u>	<u>56,181</u>			
Investment funds reported at NAV (or its equivalent):						
Primarily domestic equity	31,735,237				Monthly	5 (3)
Non-U.S. equity	21,601,297				Monthly	5 (4)
Primarily domestic fixed-income	16,426,688				Weekly	5 (5)
Hedge	14,060,841				Quarterly	65 (6)
Global credit	7,352,347				Daily	90 (7)
U.S. REIT	2,647,582				Monthly	5 (8)

**MONMOUTH UNIVERSITY**  
Notes to Consolidated Financial Statements  
June 30, 2023  
(with comparative financial information as of June 30, 2022)

		2023					
		Fair value	Level 1	Level 2	Level 3	Redemption or liquidation	Days' notice
Limited partnerships (1):							
Private equity and venture capital	\$	19,919,306				Illiquid	Not applicable (9)
Real estate		9,230,348				Illiquid	Not applicable (10)
Natural resources		5,757,024				Illiquid	Not applicable (11)
Private credit		2,229,453				Illiquid	Not applicable (12)
Other		21,738				Illiquid	Not applicable
Subtotal long-term investments		<u>140,236,897</u>					
		<u>\$ 197,904,921</u>					
		2022					
		Fair value	Level 1	Level 2	Level 3	Redemption or liquidation	Days' notice
Investments:							
Short-term investments:							
Corporate bonds	\$	45,429,252	—	45,429,252	—	Daily	1
U.S. government and agencies		16,976,564	16,976,564	—	—	Daily	1
Solar energy credits		5,378	5,378	—	—	Daily	1
Subtotal short-term investments		<u>62,411,194</u>	16,981,942	45,429,252	—		
Long-term investments:							
Global natural resources index fund		2,697,657	2,697,657	—	—	Daily	2
S&P 500 index fund		1,841,344	1,841,344	—	—	Daily	2
Other funds		1,274,398	1,274,398	—	—	Daily	1
Cash equivalents		1,646,315	1,646,315	—	—	Daily	1
Bond index fund		798,415	798,415	—	—	Daily	2
Real property (2)		479,000	—	479,000	—	Illiquid	Not applicable
Other		55,202	—	—	55,202	Illiquid	Not applicable
Subtotal investments at fair value		<u>\$ 25,240,071</u>	<u>45,908,252</u>	<u>55,202</u>			
Investment funds reported at NAV (or its equivalent):							
Primarily domestic equity		29,112,759				Monthly	5 (3)
Non-U.S. equity		19,167,107				Monthly	5 (4)
Primarily domestic fixed-income		13,853,859				Weekly	5 (5)
Hedge		14,114,420				Quarterly	65 (6)
Global credit		1,840,576				Daily	90 (7)
U.S. REIT		2,211,831				Monthly	5 (8)

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

	2022				Redemption or liquidation	Days' notice
	Fair value	Level 1	Level 2	Level 3		
Limited partnerships (1):						
Private equity and venture capital	\$ 19,107,163				Illiquid	Not applicable (9)
Real estate	10,249,591				Illiquid	Not applicable (10)
Natural resources	5,425,550				Illiquid	Not applicable (11)
Private credit	7,426,894				Illiquid	Not applicable (12)
Other	19,385				Illiquid	Not applicable
Subtotal long-term investments	<u>131,321,466</u>					
	<u>\$ 193,732,660</u>					

- (1) These funds are illiquid, limited partnerships that in general do not offer access to redemptions during the life of the partnership. Some of the partnerships allow a portion of the investment to be redeemed during the life of the partnership subject to certain restrictions. Estimated partnership end dates range from 2023 to 2036. The partnerships are subject to potential extensions (up to five years) of the final termination date.
- (2) Redemption is subject to the terms of the related gift instrument/life estate.
- (3) Global equity fund which provides broad exposure to global opportunistic stock selectors. The fund allocates assets across a diversified portfolio of common stocks and equity-linked securities of companies in the global public equity markets. The fund is unconstrained by geography, strategy, and market capitalization. The benchmark of the fund is the MSCI All Country World Index.
- (4) This category includes non-US holdings within the global equity fund, which is described in paragraph (3) above.
- (5) High quality bond fund which invests in investment grade U.S. fixed-income securities.
- (6) Hedge fund which allocates assets among event-driven, credit, equity market neutral, and absolute return investment strategies with a long-term objective of outperforming three-month Treasury Bills by more than 400 basis points annually, net of fees and expenses.
- (7) Global credit fund which invests primarily in fixed-income securities including global sovereign debt, dollar-denominated high-yield bonds and bank loans, nonagency residential mortgages, CMBS, ABS, and other structured credit instruments with an object of exceeding the performance of the ICE Bank of America Merrill Lynch High Yield Master II Index.
- (8) U.S REIT fund which invests primarily in publicly traded REITS as well as other related U.S. and non-U.S. securities and derivatives with an objective to outperform the FTSE Nareit All Equity REIT Index over a full market cycle.
- (9) This category includes domestic and international private equity and venture capital funds.



**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

- (10) This category includes three real estate funds that employ a variety of strategies. One fund invests in a diversified portfolio of open-end, third-party investment funds, which focus on core real estate investing. Another fund invests in value-add, distressed, and opportunistic private real estate funds focusing on a strategy of noncore real estate investing. The third fund focuses on noncore real estate investments including joint venture commercial and residential properties for development/redevelopment, public and private REITs and operating companies, mortgage debt, collateralized MBS, distressed or value-added real estate situations, international, and domestic properties.
- (11) Natural resource funds which invest primarily in other limited partnerships, which in turn make oil, gas, and other natural resource related investments with the objective of obtaining long-term growth of capital.
- (12) Private credit funds which invest primarily in U.S. corporate middle market direct lending with some exposure to other private credit opportunities.

The following table presents the University's activity for the fiscal years ended June 30, 2023 and June 30, 2022 for assets measured at fair value using unobservable inputs (Level 3):

	<u>Other</u>	
Fair value at June 30, 2021	\$	54,861
Net unrealized gains		<u>341</u>
Fair value at June 30, 2022		55,202
Net unrealized gains		<u>979</u>
Fair value at June 30, 2023	\$	<u><u>56,181</u></u>

At June 30, 2023, the University's outstanding capital commitments relating to investments totaled \$17,511,495 which, primarily relate to the limited partnership investments. The estimated capital call amounts for the next five fiscal years and thereafter are summarized in the table below:

	<u>Amount</u>	
Fiscal year:		
2024	\$	2,547,532
2025		2,469,282
2026		2,329,032
2027		2,279,032
2028		2,279,032
Thereafter		<u>5,607,585</u>
Total	\$	<u><u>17,511,495</u></u>

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

The University has an investment return spending policy on pooled investments. The spending rate may be adjusted by the governing board to reflect current conditions in maintaining a prudent spending policy. The currently approved formula for annual spending uses a 36-month average fair value and applies a 5% spending rate to the average. Pooled investment income and realized and unrealized gains or losses are allocated to operations at the University's spending policy amount. Remaining pooled investment return is allocated to nonoperating. Investment income from nonpooled investments is allocated to operations and realized and unrealized gains or losses are allocated to nonoperating.

**(3) Receivables**

Receivables consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Student accounts receivable	\$ 4,470,291	4,999,903
Less allowance for doubtful accounts	<u>(3,579,377)</u>	<u>(3,744,586)</u>
Student accounts receivable, net	<u>\$ 890,914</u>	<u>1,255,317</u>
Grants and other receivables	\$ 3,274,346	2,463,582
Less allowance for doubtful accounts	<u>(19,386)</u>	<u>(8,701)</u>
Grants and other receivables, net	<u>\$ 3,254,960</u>	<u>2,454,881</u>
Contributions receivable are scheduled to be collected in:		
Less than one year	\$ 10,077,842	2,305,398
One-five years	11,694,692	3,206,094
More than five years	<u>5,136,855</u>	<u>5,714,625</u>
	26,909,389	11,226,117
Less present value discount at rates ranging from 2.3% to 6.1%	<u>(3,085,051)</u>	<u>(2,411,715)</u>
Less allowance for doubtful accounts	<u>(280,099)</u>	<u>(238,176)</u>
Contributions receivable, net	<u>\$ 23,544,239</u>	<u>8,576,226</u>
Student loans receivable	\$ 3,173,594	3,554,970
Less allowance for doubtful accounts	<u>(655,000)</u>	<u>(770,000)</u>
Student loans receivable, net	<u>\$ 2,518,594</u>	<u>2,784,970</u>

There is one donor that has contributions receivable that represents 56% and 13% of the above gross contributions receivable at June 30, 2023 and 2022, respectively. Additionally, four donors and three donors accounted for 45% and 33% of the total private gifts and grants revenue during fiscal years 2023 and 2022, respectively.

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

**(4) Land, Buildings, and Equipment, and Construction in Progress**

**(a) Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following as of June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Land	\$ 17,922,579	17,726,527
Buildings	241,473,121	242,698,113
Improvements	125,447,610	120,977,526
Equipment	36,484,639	35,460,357
	421,327,949	416,862,523
Less accumulated depreciation	(236,742,011)	(225,757,597)
	\$ 184,585,938	191,104,926

**(b) Construction in Progress**

Construction in progress consists of the following projects as of June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Health & Wellness Center	\$ 550,049	132,348
Northwest Campus Development	735,837	475,865
Marine & Environmental Field Station	—	104,538
Bruce Springsteen Center	477,302	258,290
Police Headquarters	44,673	44,673
Golf House	—	13,161
Doherty House	—	1,960
Dining Hall HVAC	—	1,001,317
Campus-Wide Signage	336,386	24,744
Great Hall Water Theatre Project	31,020	4,000
Campus Wide Landscape	—	23,950
Ocean First Bank Center (OFBC) Video Board Jumbotron	—	1,325
Resident Halls-CIT	362,934	—
Great Hall Wiring	12,000	—
University Bluffs	177,325	—
	\$ 2,727,526	2,086,171

Commitments outstanding on projects included in construction in progress as of June 30, 2023 amounted to approximately \$2,145,000. The Campus-Wide Signage, University Bluffs and Resident Halls-CIT projects are all expected to be completed during fiscal year 2024. The remaining projects are multi-year projects impacting campus development, as well as Academic Programs.

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

**(5) Notes Payable and Mortgage Notes Payable**

On November 30, 2012, the University closed on the purchase of the Diplomat Apartments, later to be renamed by the University, The Bluffs. The University was previously leasing the majority of the apartments in the complex for additional student residence hall space. The purchase price of the Diplomat Apartments was \$15,200,000. The Apartment Complex was purchased using \$6,000,000 of proceeds from a mortgage with the seller, Brott Realty, LLC, \$2,706,655 of proceeds from a mortgage with the Anthony J. Bardaro Trust, and the remainder of the funding coming from University funds.

A summary of notes and mortgage payable as of June 30, 2023 and 2022 is as follows:

Description	Maturity date	Interest rate	Amounts outstanding at June 30	
			2023	2022
Notes payable:				
New Jersey Education Facilities Authority:				
Higher Education Capital Improvement Fund, Series 2002 (a)	2023	3.00%–5.25%	\$ —	437,908
Higher Education Capital Improvement Fund, Series 2016 (b)	2037	3.00%–5.50%	1,246,925	1,307,884
Net unamortized premium			24,616	26,440
Total notes payable			1,271,541	1,772,232
Mortgage payable:				
Brott Realty (c)	2028	5.50%	—	2,786,623
Anthony J. Bardaro Trust (d)	2023	5.50%	—	144,873
Total mortgage payable			—	2,931,496
Total notes and mortgage payable			\$ 1,271,541	4,703,728

(a) The University was allocated \$4,587,539 of funding through the NJEFA Higher Education Capital Improvement Fund, Series 2002 A for the purpose of addressing deferred maintenance and other specific capital needs. The University is required to repay 50% or \$2,293,769 plus interest. Payments of principal began August 2006. In July 2016, the debt was partially refunded by the NJEFA Series 2016 A, resulting in additional principal of \$55,526. This debt was fully repaid as of June 30, 2023.

(b) The University was allocated \$3,184,500 of funding through the NJEFA Higher Education Capital Improvement Fund, Series 2016 B for the purpose of assistance in funding the renovation and addition of the Edison Science Building. The University is required to repay 50% or \$1,592,250, net of debt

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

premium of \$35,557, plus interest. The debt premium will be amortized over the life of the debt. Payments of principal began August 2017.

- (c) The proceeds of the Brott Realty, LLC \$6,000,000 mortgage loan were used to finance the purchase of the Diplomat Apartment complex. The mortgage with Brott Realty, LLC holds a lien on the Diplomat Apartments. The University elected to pay off the mortgage loan during 2023 in advance of its maturity date.
- (d) The proceeds of the Anthony J. Bardaro Trust mortgage were used to finance the purchase of the Diplomat Apartments complex. The mortgage with Anthony J. Bardaro Trust holds a lien on the Diplomat Apartments that is subordinate to the Brott Realty, LLC lien. The debt was full repaid as of June 30, 2023.

Total debt service payments due over the next five years and thereafter applicable to all of the above described notes and mortgage notes payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2024	\$ 64,099	60,731	124,830
2025	67,239	57,784	125,023
2026	69,855	55,042	124,897
2027	72,733	52,190	124,923
2028	75,611	49,176	124,787
Thereafter	897,388	226,551	1,123,939
Subtotal	1,246,925	501,474	1,748,399
Net unamortized premium	24,616	—	24,616
Total	\$ 1,271,541	501,474	1,773,015

**(6) Leases**

A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the University's consolidated statement of financial position, operating leases result in the recognition of right of use (ROU) assets, which represent the right to use the underlying assets during the term of the lease, and lease liabilities which represent the obligation to pay for the lease, based on the present value of lease payments, over the term of the lease. The University determines if an arrangement is a lease or contains a lease at the inception of the contract. The University does not include short-term leases within the consolidated statements of financial position since it has elected to exclude leases with an initial term of 12 months or less from operating right-of-use assets and lease liabilities.

At lease inception, operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. For the initial and subsequent measurement of real estate leases, the University applied an estimate of its collateralized borrowing rate. For the initial and subsequent measurement of all other lease liabilities, the discount rate is based on the rate implied within the lease or,

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

if not readily determinable, the University has elected to apply a risk-free rate, using the applicable treasury yield as of the implementation date.

The University is obligated under a non-cancellable operating lease for off-campus programs with a remaining lease term in excess of one year. A real estate lease for 70,000 square feet of space through June 30, 2030 represents substantially all of the lease liability and includes periodic rent escalation of 1%. The lease also includes a right of first refusal. In addition, there is a lease for the rental of approximately 2,500 square feet of space through June 30, 2025 which includes periodic rent escalation of 2%, as well as several equipment operating leases, with various lease periods expiring through April 2026. The University does not have finance type leases.

The following table displays the weighted-average remaining lease term and discount rates for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Operating leases-right of use assets	\$ 10,742,694	11,975,978
Operating lease liabilities	11,060,948	12,212,665
Lease expense	\$ 1,752,335	1,735,689
Weighted-average remaining lease term	6.9 years	7.9 years
Weighted-average discount rate	3.7 %	3.7 %

Future maturities of operating lease liabilities at June 30, 2023 are as follows:

Year ending June 30:		
2024	\$	1,779,233
2025		1,797,437
2026		1,759,772
2027		1,768,264
2028		1,804,667
Thereafter		3,695,771
Total minimum lease payments		12,605,144
Less: present value discount		(1,544,196)
Total operating lease liabilities	\$	11,060,948

**(7) Retirement Plans**

**(a) Pension Plans**

The University offers a defined contribution- retirement plan with Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (CREF), Equitable Financial Services, and Fidelity Investments, which provide for the purchase of annuities and/or investments for employees.

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

Employees of the University are eligible to participate in the Plan and elect to have deferrals made on their behalf immediately upon hire. Employees who satisfy the eligibility criteria for their employee classification and contribute a minimum of 5% of eligible compensation are eligible to receive employer contributions. The University will contribute 8% of each faculty member's total compensation beginning the first day of the month following the completion of one year of service. For administrators, staff, police, and facilities employees, the University will contribute 8% of total compensation beginning the first day of the month following the completion of two years of service.

The University's policy is to fund pension costs accrued. There is no past service liability. Pension expense under these plans aggregated \$5,240,742 and \$5,459,556 for the years ended June 30, 2023 and 2022, respectively.

**(b) Postretirement Plan**

The University is required to recognize the total accumulated postretirement benefit obligation for the University's retiree healthcare plan.

The accumulated postretirement benefit obligation as of June 30, 2023 and 2022 is \$1,293,967 and \$1,342,656, respectively, and is recorded in accrued payroll and fringe benefits in the consolidated statement of financial position.

**(8) Net Assets**

Net assets with donor restrictions – restricted by purpose or time as of June 30, 2023 and 2022 consist of contributions and other unexpended revenues and gains available for the following purposes:

	2023	2022
Construction	\$ 7,943,782	1,297,940
Scholarships	8,808,934	7,344,544
Faculty chairs	4,974,274	4,917,639
Instruction	709,477	693,263
Research	1,637,531	1,840,641
Public service	1,844,026	2,196,751
Academic support	6,342,365	6,823,692
Institutional support*	12,929,258	10,057,525
Time restricted	22,044,930	19,787,643
Operation and maintenance of plant	619,170	558,652
Other	249,850	356,481
	\$ 68,103,597	55,874,771

\* As of June 30, 2023 and 2022, Institutional support includes \$11,376,642 and \$8,929,405, respectively, of net assets with donor restrictions – restricted by purpose for the Springsteen Center.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

Net assets with donor restrictions – restricted in perpetuity as of June 30, 2023 and 2022 consist of endowment contributions from donors with income to be used primarily for the following purposes:

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 42,700,839	22,996,599
Faculty chairs	9,004,962	8,935,646
Instruction	579,984	579,984
Academic support	11,587,123	11,529,498
Operation and maintenance of plant	1,283,058	1,283,058
Student service	295,595	295,595
Other	506,886	461,415
	<u>\$ 65,958,447</u>	<u>46,081,795</u>

#### **(9) Endowment**

The University's endowment consists of 357 individual funds at June 30, 2023 established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### **(a) Interpretation of Relevant Law**

The University's Board of Trustees has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The University classifies as net assets with donor restrictions – restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions-restricted in perpetuity is classified as net assets with donor restrictions-restricted by purpose and time until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation



**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

Endowment net assets consist of the following at June 30, 2023 (in thousands):

	<b>Without donor restrictions – held for long-term investment</b>	<b>With donor restrictions – restricted by purpose or time</b>	<b>With donor restrictions – restricted in perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	36,897	65,959	102,856
Board-designated endowment funds	<u>50,336</u>	<u>—</u>	<u>—</u>	<u>50,336</u>
Total endowed net assets	<u>\$ 50,336</u>	<u>36,897</u>	<u>65,959</u>	<u>153,192</u>

Endowment net assets consist of the following at June 30, 2022 (in thousands):

	<b>Without donor restrictions – held for long-term investment</b>	<b>With donor restrictions – restricted by purpose or time</b>	<b>With donor restrictions – restricted in perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	34,022	46,082	80,104
Board-designated endowment funds	<u>49,320</u>	<u>—</u>	<u>—</u>	<u>49,320</u>
Total endowed net assets	<u>\$ 49,320</u>	<u>34,022</u>	<u>46,082</u>	<u>129,424</u>

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows (in thousands):

	<b>Without donor restrictions – held for long-term investment</b>	<b>With donor restrictions – restricted by purpose or time</b>	<b>With donor restrictions – restricted in perpetuity</b>	<b>Total</b>
Endowment net assets, June 30, 2021	\$ 53,917	41,159	42,894	137,970
Investment return:				
Investment income, net	871	1,235	—	2,106
Net depreciation	<u>(4,212)</u>	<u>(5,625)</u>	<u>—</u>	<u>(9,837)</u>
Total investment return	(3,341)	(4,390)	—	(7,731)
Contributions	—	(98)	3,188	3,090
Appropriation of endowment assets for expenditures	(2,304)	(3,226)	—	(5,530)
Transfer from funds available for operations	1,000	—	—	1,000
Unspent appropriation returned to principal	<u>48</u>	<u>577</u>	<u>—</u>	<u>625</u>
Endowment net assets, June 30, 2022	<u>49,320</u>	<u>34,022</u>	<u>46,082</u>	<u>129,424</u>
Investment return:				
Investment income, net	459	702	—	1,161
Net appreciation	<u>2,897</u>	<u>5,356</u>	<u>—</u>	<u>8,253</u>
Total investment return	3,356	6,058	—	9,414
Contributions	\$ —	81	19,877	19,958
Appropriation of endowment assets for expenditures	(2,422)	(3,630)	—	(6,052)
Unspent appropriation returned to principal	<u>82</u>	<u>366</u>	<u>—</u>	<u>448</u>
Endowment net assets, June 30, 2023	<u>\$ 50,336</u>	<u>36,897</u>	<u>65,959</u>	<u>153,192</u>

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

#### **(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, 19 funds with an original gift of \$6,755,080 and \$1,264,745 were “underwater” by approximately \$102,659 and \$101,803, respectively. These amounts consist of both donor-restricted and board designated endowment funds.

#### **(c) Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various benchmark indices while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of the annual spending rate of 5% plus inflation and a growth factor annually. Actual returns in any given year may vary from this amount.

#### **(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### **(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The University has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior 36 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects its spending policy to allow its endowment to maintain the purchasing power of its endowment assets while providing growth through new gifts and excess investment return. If the spending appropriations for individual endowments are not able to be expended for the restricted or designated purpose or activity during the fiscal year, the unspent appropriations are returned to principal for reinvestment. The Investment Committee determines on an annual basis the prudence of spending funds related to an endowment that is considered to be underwater. Under the board approved endowment spending policy, the 2024 appropriation is \$6,430,600.

#### **(10) Liquidity and Funds Available**

The University considers all expenditures relating to fulfill its mission related activities as well as expenditures to support those activities as general expenditures. The University has a structure in place in which its financial assets, specifically its short-term investments, are available as its general expenditures

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

and liabilities come due. In addition, the University's cash flows have seasonal variations during the year attributable to tuition billing and has historically seen the lowest short-term investment balances at the June 30 fiscal year-end due to the tuition billing cycle. Notwithstanding the cyclical nature of the tuition billing cycle, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover its general expenditures that are not funded by donor-restricted resources.

Financial assets are considered unavailable for general expenditures within one year when they are illiquid or not convertible to cash within one year, related to perpetual endowments, or because the University's Board of Trustees has created self-imposed limits on the assets for capital, plant, and other board-designated purposes. The University's Board has designated a portion of its long-term investments to function as endowment. These amounts without donor restrictions are invested for long-term appreciation and can be drawn upon if the board approves such action. Although student loans receivable are considered a financial asset, they are not considered to be available to meet general expenditures because repayment of these loans are intended to be used to make new loans.

The following table reflects the University's financial assets available to meet cash needs for general expenditures within one year and the University's financial assets available to meet cash needs for general expenditures when acted upon by the board:

	<b>June 30</b>	
	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 23,425,341	22,526,283
Short-term investments	57,668,024	62,411,194
Student accounts receivable, net	890,914	1,255,317
Grants and other receivables, net	3,254,960	2,454,881
Contributions receivable, net	23,544,239	8,576,226
Student loans receivable, net	2,518,594	2,784,970
Liquid long-term investments, subsequent year's endowment spending under the board approved policy	<u>6,430,600</u>	<u>6,052,230</u>
Financial assets, excluding the liquid long-term investments not appropriated for spending, at year-end	<u>117,732,672</u>	<u>106,061,101</u>
Less those unavailable for general expenditure within one year due to:		
Short-term investments board designated reserves for plant and capital	(32,852,342)	(37,225,290)
Short-term investments board designated reserves for capital renewal and replacement	(2,443,787)	(2,436,084)
Short-term investments board designated reserves for loan funds	(1,194,163)	(1,186,212)

**MONMOUTH UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Student accounts receivable collectible beyond one year	\$ (74,634)	(162,805)
Grants and other receivables with restrictions or collectible beyond one year	(162,405)	(165,461)
Contributions receivable with donor restrictions or collectible beyond one year	(21,872,546)	(6,652,824)
Student loans receivable, net	(2,518,594)	(2,784,970)
Liquid long-term investments, endowment spending unavailable for general expenditures	(766,650)	(737,100)
Springsteen Center cash	(11,390,922)	(9,251,864)
Springsteen Center contributions receivable	(703,863)	(935,920)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 43,752,766</u>	<u>44,522,571</u>
Financial assets available to meet cash needs for general expenditures within one year, upon action by the board:		
Long-term investments board-designated for endowment	\$ 50,336,308	49,320,334
Short-term investments board-designated reserves for plant and capital	32,852,342	37,225,290
Short-term investments board-designated reserves for capital renewal and replacement	2,443,787	2,436,084
Short-term investments board-designated reserves for loan funds	<u>1,194,163</u>	<u>1,186,212</u>
	<u>\$ 86,826,600</u>	<u>90,167,920</u>

**(11) Related-Party Transactions**

The relationship between the University and the Springsteen Center is defined in a Master Agreement, Financial Services Agreement, and Facilities Management Agreement. The Master Agreement specifies the purpose of the Springsteen Center and the terms of the creation and operation of the Center. The Financial Services Agreement specifies the administrative and management services the University will provide to the Center. The Facilities Management Agreement specifies the terms with respect to the creation and operation of the future facility that will house the Center. For the years ended June 30, 2023 and 2022 the University contributed \$388,711 and \$277,327 in contributed services. Services provided included administrative, program and fundraising services to support the Springsteen Center operations. Disclosures about the University's related-party transactions are referenced in notes 1, 3, 4, 8, and 10 to the consolidated financial statements.

## MONMOUTH UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023

(with comparative financial information as of June 30, 2022)

The University has a written Board of Trustees Code of Ethics Policy that establishes an obligation for Board of Trustee members to avoid activities or situations which may result in an actual conflict of interest or the appearance of a conflict of interest. The University also has a Code of Ethics Policy for Students and Employees. Trustees who have declared or who have been found to have a conflict of interest shall refrain from participation in consideration of matters before both committees and the full board of trustees unless for special reasons they are requested to provide specific information or an interpretation regarding a matter. Trustees with conflicts shall not vote nor be present at the time of a vote on a particular matter for which they have a conflict of interest. Each trustee is required to file annually the "Conflict of Interest Disclosure for Trustees" and update these disclosures on a continuing basis as required. When a possible conflict of interest exists, measures are taken to mitigate any actual or perceived conflict, based on terms that are fair and reasonable to and in the best interest of the University, and in accordance with relevant conflict-of-interest laws. Members of the Board of Trustees, officers, and employees are subject to the University's conflict-of-interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. University employees who are members of the President's Direct Reports and other key employees are required to complete, sign, and submit annual Conflict of Interest statements. Statements that contain significant conflicts must include conflict mitigation measures. No such associations are considered to be significant as of and for the fiscal years ended June 30, 2023.

#### **(12) Subsequent Events**

The University evaluated events subsequent to June 30, 2023 and through October 26, 2023, the date on which the consolidated financial statements were available to be issued, and determined there were no subsequent events required to be disclosed.