



103 College Road East • Princeton, New Jersey 08540
phone 609-987-0880 • fax 609-987-0850 • Eric.Brophy@njcfa.nj.gov

Eric D. Brophy, Esq.
Executive Director

**MINUTES OF THE MEETING OF THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HELD REMOTELY ON TUESDAY, AUGUST 25, 2020**

The meeting was called to order at 10:02 a.m. by board Chair Joshua Hodes. The New Jersey Educational Facilities Authority gave notice of the time, place and date of this meeting via fax and email on June 15, 2020, to The Star Ledger, The Times of Trenton and the Secretary of State and by posting the notice at the offices of the Authority in Princeton, New Jersey. Pursuant to the New Jersey Open Public Meetings Act, a resolution must be passed by the New Jersey Educational Facilities Authority in order to hold a session from which the public is excluded.

AUTHORITY MEMBERS PRESENT:

Joshua Hodes, Chair (via phone)
Ridgeley Hutchinson, Vice Chair (via phone)
Louis Rodriguez (via phone)
Elizabeth Maher Muoio, State Treasurer, Treasurer (represented by Ryan Feeney [via phone])

AUTHORITY MEMBERS ABSENT:

Diana Gonzalez, Interim Secretary of Higher Education

STAFF PRESENT:

Eric D. Brophy, Executive Director (via phone)
Sheryl A. Stitt, Deputy Executive Director (via phone)
Steven Nelson, Director of Project Management (via phone)
Brian Sootkoos, Director of Finance-Controller (via phone)
Ellen Yang, Director of Compliance Management (via phone)
Rebecca Clark, Associate Project Manager (via phone)
Matthew Curtis, Information Technology Manager (via phone)
Edward DiFiglia, Public Information Officer (via phone)
Carl MacDonald, Project Manager (via phone)

Jamie O'Donnell, Grant Program Manager (via phone)
Sheila Toles, Human Resources Manager

ALSO PRESENT:

George Loeser, Esq., Deputy Attorney General (via phone)
Craig Ambrose, Esq., Governor's Authorities Unit (via phone)
James Hartman, Rider University (via phone)
Peter Bihuniak, Rider University (via phone)
Mark Solomon, Rider University (via phone)
David Gannon, PKF O'Connor Davies (via phone)

ITEMS OF DISCUSSION

1. Approval of the Minutes of the Meeting of June 23, 2020

The minutes of the meeting of June 23, 2020 were delivered electronically to Governor Philip Murphy under the date of June 23, 2020. Mr. Rodriguez moved the meeting minutes for approval as presented; the motion was seconded by Mr. Hutchinson and passed unanimously.

2. Approval of the Minutes of the Special Meeting of July 9, 2020

The minutes of the meeting of July 9, 2020 were delivered electronically to Governor Philip Murphy under the date of July 10, 2020. Mr. Feeney moved the meeting minutes for approval as presented; the motion was seconded by Mr. Hodes and passed unanimously.

3. Approval of the Minutes of the July 9, 2020 Executive Session

The minutes of the executive session of July 9, 2020 were delivered electronically to Governor Philip Murphy under the date of July 10, 2020. Mr. Hodes moved the meeting minutes for approval as presented; the motion was seconded by Mr. Hutchinson and passed unanimously.

4. Executive Director's Report

Mr. Brophy provided the Executive Director's report for informational purposes only.

Mr. Brophy reported that staff continued to work remotely with the exception of individuals who needed to go into the office to check mail and to complete necessary tasks that could not be performed remotely. He reported that staff productivity had remained consistent since working remotely began in March and that the Authority's business systems and Information and Technology (IT) had continued to work well.

Mr. Brophy reported that staff continued training to expand IT skills utilizing remote work platforms and had recently met with the Director of IT at the Department of Community Affairs to discuss how the TEAMS remote platform was being utilized in the Department for daily work activity and public meetings.

Mr. Brophy reported that staff continued to monitor and assess the potential return to the office and had been working to prepare the physical office for that eventuality by continuing to work on office protocols and changes to systems and procedures.

Mr. Brophy reported that at the request of New Jersey's Department of Health, the Authority was assisting in spreading the word on the Administration's COVID-19 public awareness and education campaign by posting the Department's digital toolkit on the Authority's social media to stress the importance of testing and contact tracing.

Mr. Brophy reported that staff had completed and submitted a comprehensive continuing operations plan to the Governor's Authorities Unit.

Mr. Brophy reported that notwithstanding limited in person contact over the past five months, the Authority had been able to price and close a number of transactions this year and had priced and closed the most transactions since 2017 with a total par value of approximately \$500 million.

Mr. Brophy reported that staff continued to participate in remote industry, networking and informational meetings including the New Jersey Presidents' Council, an Alliance for Action virtual meeting "What's Building at Princeton", and a webinar on incorporating diversity and inclusion into the workplace culture, mission, brand and related communications strategies.

Mr. Brophy was pleased to report on the success of the Authority's Summer Extern program. He reported that Marc Peralta, a 3rd year law student at Seton Hall Law School completed his externship on August 14th. He reported that Mr. Peralta was a tremendous help to staff and that the program, unexpectedly, worked well remotely. Mr. Brophy reported that the Authority's Compliance Director Ellen Yang worked closely with Mr. Peralta and that he was able to meet (virtual time) with George Loeser from the Attorney General's Office. Mr. Brophy reported that overall, the externship had been a great success and that staff had again requested to be part of the Seton Hall Law program in the fall.

Mr. Brophy reported that staff continued to work with and provide support for the State Library grant program. He reported that grant applications were in review and staff was hopeful that awards would be provided in the weeks following legislative approval. Mr. Brophy thanked the Authority's grant manager, Jamie O'Donnell for taking the lead and being the Authority's liaison to the various state agencies working on the program.

5. **Project Management Report**

Mr. Nelson reported that higher education volume had increased significantly in 2020, with huge increases in taxable debt issuance due to the continued low interest rate environment. He explained that to compare this year with recent history, in 2018 and 2019 the higher education market issued roughly \$16 billion year to date, with about \$13 billion being issued in the tax-exempt market and \$3 billion in the taxable market. He reported that year to date 2020 issuance totaled nearly \$42 billion, with tax exempt issuance still in the historical \$13 billion range but taxable debt issuance had increased dramatically to \$29 billion.

Mr. Nelson reported that the Authority had a busy first half of the year, having issued two public college and three private college transactions for a total par value of \$500 million. He reported that Mr. MacDonald and Ms. Clark would describe the Authority's most recent closings for Seton Hall University and the College of New Jersey later in the meeting.

Mr. Nelson reported that while staff anticipated less par being issued by the Authority in the third and fourth quarter of the year, staff planned to bring two additional transactions to the board members at a later meeting. He explained that the first transaction was anticipated to be a small lease financing and the second transaction contemplates a refunding of existing bank debt plus new money.

6. **Report on the Sale of NJEFA Revenue Bonds, Seton Hall University Issue, 2020 Series C (Tax-Exempt) and 2020 Series D (Federally Taxable)**

Mr. MacDonald reported that on June 18, 2020, Seton Hall University closed two separate series of bonds, the 2020 Series C tax-exempt bonds in the amount of \$33,205,000 and the 2020 Series D taxable bonds in the amount of \$79,015,000.

Mr. MacDonald reported that the bonds were issued to provide funds to finance various capital improvements to its campus facilities, including, but not limited to, the construction, renovation and equipping of the University Center, Boland Hall dormitory, a new multi-story student housing facility, and the Richie Reagan Recreation and Athletic Center and to pay certain costs of issuance.

Mr. MacDonald reported that the 2020 Series C tax-exempt bonds were senior managed by Bank of America Securities and priced on June 4, 2020. He reported that the bonds were well received in the market with nearly \$2 billion in orders. The bonds achieved a true interest cost of 3.48% with a final maturity of July 1, 2050.

Mr. MacDonald reported that the 2020 Series D taxable bonds achieved a true interest cost of 3.80% with a final maturity of July 1, 2048. He reported that the bonds are rated Baa1 by Moody's and BBB+ by S&P Global Ratings. He reported that McManimon, Scotland and Baumann served as bond counsel for the transaction and Phoenix Advisors served as financial advisor to the University. PFM served as financial advisor to the Authority and Drexel Hamilton, Stern Brothers and UBS all served as co-managers on the financing.

A copy of the Bond Sale Summary for the issue is appended as Exhibit I.

7. **Report on the Sale of NJEFA Revenue Refunding Bonds, The College of New Jersey Issue, Series 2020 D (Federally Taxable)**

Ms. Clark reported that on July 8, 2020, the College of New Jersey closed its Series 2020 D bonds in the amount of \$182,185,000. She reported that the taxable bonds were issued to provide funds to advance refund all or a portion of the principal and interest payments of the Authority's outstanding Series 2013 A, Series 2015 G, Series 2016 F and Series 2016 G bonds as well as pay certain costs of issuance.

Ms. Clark reported that the Series 2020 D bonds were senior managed by Morgan Stanley and priced on June 18, 2020. Ramirez and Siebert Williams Shank served as co-managers on the transaction. She reported that the bonds achieved a true interest cost of 3.60% and a final maturity of July 1, 2050. Ms. Clark reported that the bonds are rated A2 by Moody's and A by S&P Global Ratings. McManimon, Scotland and Baumann served as the Authority's bond counsel and PFM served as financial advisor and Callowhill Capital Advisors served as financial advisor to the College.

A copy of the Bond Sale Summary for the issue is appended as Exhibit II.

8. **Resolution of the New Jersey Educational Facilities Authority Authorizing the Execution and Delivery of an Escrow Deposit Agreement and Other Actions in Connection with the Refunding of Certain NJEFA Bonds Previously Issued on Behalf of Rider University**

Mr. MacDonald reported that the Authority sought the Members' approval for the execution and delivery of one or more Escrow Deposit Agreements and other actions in connection with the defeasance of certain Authority bonds previously issued on behalf of Rider University.

Mr. MacDonald reported that the University had elected to defease approximately \$28,510,000 in aggregate of the outstanding Rider University Issue, Series 2012 A bonds previously issued through the Authority. He explained that the

defeasance of the bonds was required to complete the planned financing through the Wisconsin Public Finance Authority (PFA), as the mortgage for the bonds was needed to secure the PFA financing. Mr. MacDonald explained that additionally, in accordance with the negative pledge language contained in the loan agreement for the Rider University Issue, Series 2017 F bonds, the University sought the Authority's consent to a parity lien on tuition revenues with the proposed new transaction to be issued through the PFA.

Mr. MacDonald reported that Callowhill Capital Advisors had been retained by the University to serve as financial advisor and the Bank of New York Mellon, trustee for the 2012 A bonds had been appointed to serve as escrow agent. McManimon, Scotland & Baumann, LLC would serve as bond counsel.

John Cavaliere, Esq. of McManimon, Scotland & Bauman described the resolution for the Members' consideration.

Mr. Rodriguez moved the adoption of the following entitled resolution:

RESOLUTION AUTHORIZING THE EXECUTION AND
DELIVERY OF AN ESCROW DEPOSIT AGREEMENT AND
OTHER ACTIONS IN CONNECTION WITH THE
REFUNDING OF CERTAIN BONDS OF THE NEW JERSEY
EDUCATIONAL FACILITIES AUTHORITY PREVIOUSLY
ISSUED ON BEHALF OF RIDER UNIVERSITY

The motion was seconded by Mr. Feeney and passed unanimously.

The adopted resolution is appended as Exhibit III.

9. **Resolution of the New Jersey Educational Facilities Authority Accepting and Adopting the Financial Statements and Independent Auditors' Report for 2019**

Mr. Feeney reported that the Audit Committee, consisting of himself, David Moore as the State Treasurer's Designee and the Authority's Vice Chair, Ridgeley Hutchinson, met on July 13, 2020 with David Gannon of PKF O'Connor Davies LLP to discuss the annual audit. Mr. Feeney then invited Mr. Gannon to provide an overview to the Members of the audit results and related Audit Committee discussions.

Mr. Feeney reported that the Audit Committee recommended the Members' approval of the 2019 Financial Statements and the Independent Auditors' Report.

Mr. Hodes moved the adoption of the following entitled resolution:

RESOLUTION OF THE NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY ACCEPTING AND ADOPTING THE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT FOR 2019

The motion was seconded by Mr. Hutchinson and passed unanimously.

The adopted resolution is appended as Exhibit IV.

10. **Report on Operating and Construction Fund Statements and Disbursements**

Mr. Sootkoos reviewed the Results of Operations and Budget Variance Analysis and reported on the status of construction funds and related investments for June and July 2020.

Mr. Hutchinson moved that the reports be accepted as presented; the motion was seconded by Mr. Hodes and passed unanimously.

The reports are appended as Exhibit V.

11. **Next Meeting Date**

Mr. Hodes reminded everyone that the next meeting is scheduled for Tuesday, September 22nd at 10:00 a.m. Mr. Hodes advised that all board meetings would be conducted by phone until further notice. He then requested a motion to adjourn.

Mr. Rodriguez moved that the meeting be adjourned at 10:28 a.m. The motion was seconded by Mr. Hodes and passed unanimously.

Respectfully submitted,



Eric D. Brophy
Secretary



103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540
 PHONE 609-987-0880 • FAX 609-987-0850 • www.njefa.com

BOND SALE SUMMARY

Borrower: Seton Hall University, South Orange, New Jersey

Issue: 2020 Series C (Tax-Exempt)
 2020 Series D (Federally Taxable)

Amount: \$112,220,000

Purpose: The 2020 Series C Bonds are being issued to provide funds to finance: (i) various capital improvements to its campus facilities, including, but not limited to, the renovation, construction and equipping of the University Center, the renovation and equipping of the Boland Hall dormitory and various campus landscaping and hardscaping improvements; (ii) funding capitalized interest for the 2020 Series C Bonds through July 1, 2022; and, (iii) paying certain costs of issuance of the 2020 Series C Bonds.

The 2020 Series D Bonds are being issued to provide funds to finance: (i) various capital improvements to its campus facilities, including, but not limited to, the demolition of certain buildings, the construction and equipping of a multi-story student housing facility and the renovation, construction and equipping of athletic facilities located in and around the Richie Regan Recreation and Athletic Center; (ii) funding capitalized interest for the 2020 Series D Bonds through July 1, 2022; and, (iii) paying certain costs of issuing the 2020 Series D Bonds.

Structure: Negotiated Sale, Fixed Rate

Final Maturity: 2020 Series C: July 1, 2050
 2020 Series D: July 1, 2048

True Interest Cost: 2020 Series C: 3.49%
 2020 Series D: 3.81%

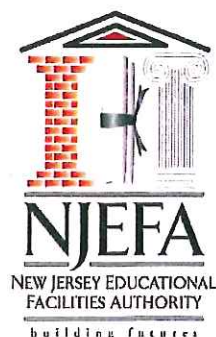
Bond Ratings: Baa1 - Moody's Investors Service
BBB+ - S&P Global Ratings

Priced: June 4, 2020

Closed: June 18, 2020

Professionals on the Transaction:

Bond Counsel:	McManimon, Scotland & Baumann, LLC
Authority's Counsel:	Attorney General of the State of New Jersey
University's Financial Advisor:	Phoenix Advisors, LLC
University's Counsel:	Connell Foley LLP
Senior Manager:	BofA Securities, Inc.
Co-Manager(s):	Drexel Hamilton, LLC Stern Brothers & Co. UBS Financial Services, Inc.
Underwriter's Counsel:	Ballard Spahr LLP
Trustee:	The Bank of New York Mellon
Trustee's Counsel:	Hawkins Delafield & Wood LLP
Printer:	ImageMaster LLC



103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540
PHONE 609-987-0880 • FAX 609-987-0850 • www.njefa.com

BOND SALE SUMMARY

Borrower: The College of New Jersey, Ewing, New Jersey

Issue: Series 2020 D (Federally Taxable)

Amount: \$182,185,000

Purpose: The Series 2020 D Bonds are being issued to provide funds to: (i) advance refund all or a portion of principal and interest payment of the Authority's outstanding Revenue Refunding Bonds, The College of New Jersey Issues, Series 2013 A, 2015 G, 2016 F and 2016 G; and, (ii) pay certain costs of issuance.

Structure: Negotiated Sale, Fixed Rate

Final Maturity: July 1, 2050

True Interest Cost: 3.60%

Bond Ratings: A2 - Moody's Investors Service
A - S&P Global Ratings

Priced: June 18, 2020

Closed: July 8, 2020

Professionals on the Transaction:

Bond Counsel:	McManimon, Scotland & Baumann, LLC
Authority's Counsel:	Attorney General of the State of New Jersey
University's Financial Advisor:	Callowhill Capital Advisors LLC
Senior Manager:	Morgan Stanley
Co-Manager(s):	Ramirez & Co. Siebert Williams Shank & Co., LLC
Underwriter's Counsel:	Connell Foley LLP
Trustee:	U.S. Bank National Association
Trustee's Counsel:	M. Jeremy Ostow, Esq.
Escrow Agent:	U.S. Bank National Association
Verification Agent:	Causey Demgen & Moore P.C.
Printer:	ImageMaster LLC

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN
ESCROW DEPOSIT AGREEMENT AND OTHER ACTIONS IN
CONNECTION WITH THE REFUNDING OF CERTAIN BONDS OF THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY PREVIOUSLY
ISSUED ON BEHALF OF RIDER UNIVERSITY**

Adopted: August 25, 2020

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT AND OTHER ACTIONS IN CONNECTION WITH THE REFUNDING OF CERTAIN BONDS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY PREVIOUSLY ISSUED ON BEHALF OF RIDER UNIVERSITY

WHEREAS, the New Jersey Educational Facilities Authority (the "Authority") was created as a public body corporate and politic of the State of New Jersey (the "State") pursuant to the New Jersey Educational Facilities Authority Law (being Chapter 72A of Title 18A of the New Jersey Statutes, as amended and supplemented), *N.J.S.A.* 18A:72A-1 *et seq.* (the "Act"); and

WHEREAS, the Authority has heretofore issued, *inter alia*, its \$52,020,000 Revenue Bonds, Rider University Issue, 2012 Series A (the "2012 Series A Bonds") on behalf of Rider University a New Jersey Non-Profit Corporation (the "University"); and

WHEREAS, the 2012 Series A Bonds were issued under the terms and provisions of a bond resolution of the Authority adopted on January 30, 2012 and a Trust Indenture dated as of April 1, 2012 (the "2012 Indenture") by and between the Authority and The Bank of New York Mellon, as trustee (the "2012 Trustee"); and

WHEREAS, the Authority has heretofore issued, *inter alia*, its \$41,770,000 Revenue Bonds, Rider University Issue, 2017 Series F (the "2017 Series F Bonds") on behalf of the University; and

WHEREAS, the 2017 Series F Bonds were issued under the terms and provisions of a bond resolution of the Authority adopted on October 17, 2017 and a Trust Indenture dated as of November 1, 2017 by and between the Authority and The Bank of New York Mellon, as trustee (the "2017 Trustee"); and

WHEREAS, the proceeds of the 2017 Series F Bonds were loaned to the University pursuant to a Loan Agreement dated as of November 1, 2017 by and between the Authority and the University (the "2017 Loan Agreement"); and

WHEREAS, the 2017 Loan Agreement provides that the University may not pledge or create or suffer to be created or exist upon tuition ("Tuition") any lien, security interest or restriction without the consent of the Authority, which consent shall not be unreasonably withheld; and

WHEREAS, in the event of such consent, the University may pledge Tuition to secure, on a parity basis, the University's payment obligations under the 2017 Loan Agreement and such other obligation for which such consent was requested; and

WHEREAS, the University has requested that the Public Finance Authority (the "PFA") issue a series of bonds (the "PFA Bonds") for the purpose of providing funds to pay, *inter alia*, the cost of refunding the outstanding 2012 Series A Bonds (collectively, the "Bonds To Be Refunded"); and

WHEREAS, the University has represented that the documents governing the PFA Bonds will not impair the obligations of the University under any indentures of trust, loan agreements or

similar documents heretofore in effect with respect to any bonds of the Authority previously issued on behalf of the University; and

WHEREAS, the University has requested that the Authority authorize the execution and delivery of such documents and the taking of such actions as may be necessary or convenient in connection with the proposed refunding of the Bonds To Be Refunded by the PFA (the "Refunding"), including, *inter alia*, the approval of the hereinafter-defined Escrow Deposit Agreement and the delivery of legal opinions by the hereinafter-defined Bond Counsel as to the defeasance of the Bonds To Be Refunded and related matters; and

WHEREAS, the University has requested that the Authority consent to the pledge of Tuition to secure the PFA Bonds, on a parity basis with the 2017 Series F Bonds; and

WHEREAS, the University has agreed to pay all fees and expenses of the Authority, the Authority's financial advisor (if necessary), the hereinafter-defined Escrow Agent, Verification Agent, and Bond Counsel in connection with the Refunding; and

WHEREAS, the Authority deems it necessary and in keeping with its purposes to assist the University in the consummation of the Refunding, to consent to the parity lien on Tuition, and to authorize certain actions and the execution and delivery of certain documents in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE AUTHORITY, AS FOLLOWS:

**ARTICLE I
AUTHORIZATION OF REFUNDING; APPROVAL OF DOCUMENTS;
APPOINTMENT OF ESCROW AGENT**

1.1 Authorization of Refunding.

The Authority hereby declares that assisting the University in connection with the Refunding is an authorized undertaking of the Authority and authorizes and directs the Chair, Vice Chair, Executive Director, Deputy Executive Director, Treasurer, Director of Project Management, Director of Compliance Management, Secretary, Assistant Treasurer or any Assistant Secretary of the Authority, and any other person authorized by resolution of the Authority, and any such officers designated as "acting" or "interim" (each an "Authorized Officer"), to execute and deliver all documents necessary to enable the Authority, as permitted by the Act, to assist the University in the consummation of the Refunding and the transactions related thereto; provided, that in connection with the defeasance of the Bonds To Be Refunded, (i) the University shall pay all fees and expenses of the Authority, the Authority's financial advisor (if necessary) and the hereinafter-defined Escrow Agent, Verification Agent, and Bond Counsel in connection with the Refunding and (ii) there shall be delivered to the Authority the following documents:

(a) a certificate or certificates of an authorized officer of the University and an opinion or opinions of counsel to the University, each addressed to the Authority, to the effect that the Escrow Deposit Agreement has been duly authorized, executed and delivered by the University, and constitutes the legal, valid and binding obligation of the University, enforceable against the

University in accordance with its terms (subject to customary exceptions as to bankruptcy, equitable principles and the like);

(b) an opinion or opinions of McManimon, Scotland & Baumann, LLC, the firm heretofore appointed to serve as Bond Counsel to the Authority in connection with the Refunding (“Bond Counsel”), to the effect that the Bonds To Be Refunded are no longer deemed to be “Outstanding” within the meaning of the 2012 Indenture;

(c) a verification report as to the sufficiency of the funds deposited with the Escrow Agent (together with investment income thereon, if any), in form and substance acceptable to the Authority, Bond Counsel and the Attorney General of the State, to be provided by the entity retained by the University for such purpose (the “Verification Agent”); and

(d) such other agreements, certificates, opinions or other items as may reasonably be required by the Authority, Bond Counsel or the Attorney General of the State.

1.2 Approval of Escrow Deposit Agreement.

The form of the Escrow Deposit Agreement for the Bonds to be Refunded (the “Escrow Deposit Agreement”), presented at the meeting at which this Resolution is adopted (a copy of which shall be filed with the records of the Authority), is hereby approved. Any Authorized Officer is hereby authorized and directed to execute, acknowledge and deliver, and any other Authorized Officer is hereby authorized and directed to attest to the execution, acknowledgement and delivery of the Escrow Deposit Agreement in substantially such form, with such insertions and changes therein as the Authorized Officer executing the same may approve with the advice of Bond Counsel and the Attorney General of the State, such approval to be evidenced by such Authorized Officer’s execution thereof.

1.3 Appointment of Escrow Agent.

The Bank of New York Mellon, the entity serving as the 2012 Trustee under the 2012 Indenture, is hereby appointed as the Escrow Agent under the Escrow Deposit Agreement (the “Escrow Agent”). The Escrow Agent shall signify acceptance of the duties and obligations imposed upon it by the Escrow Deposit Agreement by its execution thereof.

1.4 Consent to Parity Lien on Tuition.

The Authority hereby authorizes the Authorized Officers to execute a consent to the lien on Tuition to secure the PFA Bonds on a parity with the lien on Tuition securing the 2017 Series F Bonds (the “Lien Consent”); provided that the principal amount of the PFA Bonds does not exceed \$55,000,000.

ARTICLE II MISCELLANEOUS

2.1 Authorization to Invest Bond Proceeds.

Any Authorized Officer is hereby authorized to direct the use of the proceeds of the PFA Bonds or other available moneys held pursuant to the 2012 Indenture either (a) to purchase United States Treasury Obligations, State and Local Government Series (“SLGS”) or (b) to select a firm to act as the Authority’s broker or to select a bidding agent to solicit bids to purchase open market U.S. Treasury Obligations (which qualify as permissible defeasance obligations pursuant to the 2012 Indenture), in the event that such Authorized Officer of the Authority determines that it is necessary or advantageous to the Authority to purchase such open market U.S. Treasury Obligations. In connection with the purchase of open market U.S. Treasury Obligations, any Authorized Officer of the Authority is further authorized to solicit bids for one or more float forward or escrow reinvestment agreements (a “Float Forward Agreement”) and to direct the Escrow Agent pursuant to the Escrow Deposit Agreement to enter into any such Float Forward Agreement with the successful bidder or bidders thereof. Pursuant to the terms of any Float Forward Agreement, the provider, in consideration of an upfront payment to the Escrow Agent, shall have the right to sell U.S. Treasury Obligations to the Escrow Agent, at the times and in the amounts set forth in the Float Forward Agreement at an aggregate purchase price not exceeding the maturity value thereof. Such U.S. Treasury Obligations shall mature on or before the dates when the proceeds thereof are needed to make payments in accordance with the Escrow Deposit Agreement. Each Float Forward Agreement shall be awarded to the bidder offering to pay the highest upfront payment therefor. The form of any Float Forward Agreement shall be approved by an Authorized Officer of the Authority, in consultation with Bond Counsel and the Attorney General of the State. An Authorized Officer of the Authority is further authorized to execute and deliver any such Float Forward Agreement and/or any certificates or other documents required in connection therewith. Notwithstanding the foregoing, nothing contained herein shall prohibit an Authorized Officer of the Authority from purchasing both SLGS and open market U.S. Treasury Obligations, to the extent permitted by law. Bond Counsel, the Escrow Agent, the underwriter for the PFA Bonds, the University’s financial advisor, and the Authority’s financial advisor are each hereby authorized to act as agent(s), if so directed by an Authorized Officer of the Authority, on behalf of the Authority for the subscription of SLGS via SLGSafe pursuant to the regulations promulgated therefor set forth in 31 C.F.R. Part 344.

2.2 Incidental Action.

The Authorized Officers are hereby authorized and directed to execute and deliver such other documents, certificates, directions and notices, and to take such other action as may be necessary or appropriate in order to effectuate the: (a) Refunding and the defeasance and redemption of the Bonds To Be Refunded; (b) execution and delivery of the Escrow Deposit Agreement; (iii) execution of any Float Forward Agreement; and (iv) Lien Consent.

2.3 Effective Date.

This Resolution shall take effect as provided for under the Act.

ESCROW DEPOSIT AGREEMENT

by and among

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

and

RIDER UNIVERSITY A NEW JERSEY NON-PROFIT CORPORATION

and

THE BANK OF NEW YORK MELLON, as ESCROW AGENT

Dated [CLOSING DATE]

With Respect to the
New Jersey Educational Facilities Authority
Revenue Bonds, Rider University Issue, 2012 Series A

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT (this “Agreement”) dated [CLOSING DATE] is by and among the **NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY** (the “Authority”), **RIDER UNIVERSITY A NEW JERSEY NON-PROFIT CORPORATION** (the “University”) and **THE BANK OF NEW YORK MELLON**, as Escrow Agent (the “Escrow Agent”), a state banking corporation organized and existing under the laws of the State of New York with trust powers in the State of New Jersey and having a corporate trust office located in Woodland Park, New Jersey.

WITNESSETH:

WHEREAS, the Authority has previously issued and sold its Revenue Bonds, Rider University Issue, 2012 Series A (the “2012 Series A Bonds”) on behalf of the University pursuant to a bond resolution adopted by the Authority on January 30, 2012 and a Trust Indenture dated as of April 1, 2012 (the “2012 Indenture”), by and between the Authority and The Bank of New York Mellon, as trustee (in such capacity, the “2012 Trustee”); and

WHEREAS, the Authority loaned the proceeds of the 2012 Series A Bonds to the University pursuant to a Loan Agreement dated as of April 1, 2012 by and between the Authority and the University (the “2012 Loan Agreement”); and

WHEREAS, the 2012 Indenture provides, in substance, that if the Authority shall pay or cause to be paid to the holders of any of the 2012 Series A Bonds the principal of and interest thereon, at the times and in the manner stipulated therein, then the pledge of the Revenues or other moneys and securities pledged by the 2012 Indenture for such 2012 Series A Bonds, and all other rights granted by the 2012 Indenture to such 2012 Series A Bonds, shall be discharged and satisfied; and

WHEREAS, the Public Finance Authority is now issuing its \$[BOND AMOUNT] principal amount of its Revenue Bonds (Rider University Project) Series 2020 (Taxable) (the “PFA Bonds”) on behalf of the University to provide for, among other things, the refunding of all of the outstanding 2012 Series A Bonds (the “Refunded Bonds”); and

WHEREAS, the University has authorized the deposit with the Escrow Agent of an amount from the proceeds of the PFA Bonds that, together with certain moneys transferred to the Escrow Agent from certain amounts on deposit under the 2012 Indenture and in the Project Mortgage Fund established by the University pursuant to the Loan Agreement (the “Project Mortgage Fund”), and the investment income to be earned on such proceeds and transferred funds, will be sufficient to pay the principal of and interest on the Refunded Bonds as set forth on **Exhibit A**, and to pay the redemption price of the Refunded Bonds (the “Redemption Price”) on July 1, 2021 (the “Redemption Date”); and

WHEREAS, upon the deposit with the Escrow Agent of moneys which, together with the investment income to be earned thereon, will be sufficient to pay the principal and Redemption Price of and interest on the Refunded Bonds until and on Redemption Date, and the giving of certain irrevocable instructions by the Authority to the Escrow Agent as herein provided, the Refunded Bonds shall cease to be entitled to any lien or security under the 2012 Indenture, as applicable, and all obligations of the Authority to the holders of the Refunded Bonds shall thereupon be released, discharged and satisfied; and

WHEREAS, any capitalized terms used herein but not defined herein shall have the respective meanings ascribed thereto in the 2012 Indenture.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

SECTION 1. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund (the "Escrow Fund") to be held by the Escrow Agent as a trust fund for the sole and exclusive benefit of the holders of the Refunded Bonds. The Escrow Fund shall be held by the Escrow Agent separate and apart from all other funds of the Authority and the Escrow Agent.

SECTION 2. (a) The Escrow Agent hereby acknowledges receipt of immediately available funds in the aggregate amount of \$[_____], consisting of proceeds of the PFA Bonds.

(b) The Escrow Agent, in its capacity as Trustee for the Refunded Bonds, is hereby directed by the University and the Authority to transfer \$[_____] to the Escrow Fund, consisting of:

- (i) \$[_____] on deposit in the Project Mortgage Fund; and
- (ii) \$[_____] on deposit in the Debt Service Fund.

SECTION 3. The Escrow Agent shall immediately deposit the amounts set forth in Section 2 hereof aggregating \$[_____] into the Escrow Fund and shall apply \$[_____] of such amount on [_____], 2020, to the purchase of the securities listed on **Exhibit B** attached hereto, and shall retain \$[___] uninvested in the Escrow Fund. In sole reliance on the computations prepared by [Wells Fargo Bank, National Association] [Wells Fargo Securities, LLC] and verified by [_____], as described in the verification report attached hereto as **Exhibit C**, the University represents that the amounts so deposited in the Escrow Fund, together with income from the investment thereof to be retained therein pursuant to this Agreement, will provide sufficient funds to pay interest on the Refunded Bonds to the Redemption Date and the principal and Redemption Price of the Refunded Bonds to and including the Redemption Date, as set forth on **Exhibit A**.

SECTION 4. (a) The Escrow Agent agrees that the amounts deposited in the Escrow Fund pursuant to Section 3 hereof and the interest income to be earned thereon and any other

moneys and investments deposited in the Escrow Fund will be held in trust for the benefit of the holders of the Refunded Bonds. The Escrow Agent shall have no liability for the payment of the principal of and interest on the Refunded Bonds pursuant to this Section and the 2012 Indenture, except for the application of moneys and obligations available for such purposes in the Escrow Fund. The Escrow Agent shall not be liable for any loss resulting from any investment made in accordance with the provisions of this Agreement, nor shall it be required to risk or expend its own funds hereunder.

(b) The balance remaining upon purchase of the Defeasance Securities listed on **Exhibit B** shall remain uninvested. For the purposes of the immediately preceding sentence “uninvested” shall mean held as a cash balance in the Escrow Fund.

SECTION 5. Except as otherwise expressly provided herein, the Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Defeasance Securities held hereunder or to sell, transfer or otherwise dispose of the Defeasance Securities acquired hereunder, or to pay interest on any such moneys not required to be invested hereunder; provided however, that at the written direction of the Authority and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to sell, transfer, otherwise dispose of, or request the redemption of, the Defeasance Securities acquired hereunder, and to substitute therefor other Defeasance Securities which are non-callable. Any substituted Defeasance Securities or cash shall be a part of and credited to the Escrow Fund. The Authority hereby covenants that and agrees that it will not request the Escrow Agent to exercise any of the powers described in the preceding sentences in any manner which would cause the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder in effect on the date of such request and applicable to the Refunded Bonds. The Escrow Agent shall purchase such substitute Defeasance Securities with the proceeds derived from the sale, transfer, disposition or redemption of the Defeasance Securities and with any other funds available for such purpose. From time to time, Defeasance Securities may be sold, transferred, redeemed or otherwise disposed of and replaced by other Defeasance Securities subject to the same conditions. Any amounts received from the sale or redemption of Defeasance Securities and not needed or used to purchase substitute Defeasance Securities shall be transferred by the Escrow Agent as directed in writing by the Authority. The foregoing transactions may be effected only if: (i) a recognized firm of certified public accountants or a nationally recognized firm providing verification agent services shall certify that after such transaction the principal amount of, and interest income on, the substituted Defeasance Securities or cash will, together with any moneys or securities in the Escrow Fund reserved for such purpose, be sufficient to pay when due (whether at stated maturity or at the optional redemption date, as applicable) the principal of, and interest and redemption premium on, the Refunded Bonds; (ii) the amounts and dates of the anticipated payments from the Escrow Fund to the holders of such Refunded Bonds in accordance with their terms will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive an opinion of Bond Counsel to the effect that such disposition and substitution or purchase is permitted under the 2012 Indenture, the Trust Indenture and this Agreement, and it would have no adverse effect on the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds; (iv) in the event cash is provided, such cash shall, to the extent not insured by the Federal Deposit Insurance Corporation or other Federal

agency, be continuously secured by the pledge of direct obligations of the United States of America; and (v) the Authority pays all costs incident to the transactions. If United States Treasury Securities, State and Local Government Series are to be purchased as substitute Defeasance Securities, the Authority shall prepare and file the appropriate application therefor. The Escrow Agent shall incur no liability for complying with the provisions of this Section except for its own negligence or willful misconduct.

SECTION 6. The Authority hereby irrevocably instructs the Escrow Agent and the Escrow Agent hereby agrees to:

(a) pay the respective Refunded Bonds on the respective dates, and in the amounts set forth on **Exhibit A**, and to apply the principal of and interest earned on the Defeasance Securities to the payment of interest on and the principal or Redemption Price of such Refunded Bonds as the same become due until and on the dates, as set forth on **Exhibit A**;

(b) mail to (i) all registered owners of the Bonds to be Refunded, (ii) The Depository Trust Company, New York, New York (“DTC”), as securities depository for the Bonds to be Refunded, and (iii) each Rating Agency specified by the Authority or the University, as soon as practicable after the date hereof, a notice of the defeasance of the Bonds to be Refunded in substantially the form attached hereto as **Exhibit D** (such notice to be given in the manner described in Sections 3.4 and 10.3 of the 2012 Indenture); and

(c) mail to (i) all registered owners of the Bonds to be Refunded, (ii) DTC, as securities depository for the Bonds to be Refunded, and (iii) each Rating Agency, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, a notice of redemption substantially in the form attached hereto as **Exhibit E** (such notice to be given in the manner described in Section 3.4 of the 2012 Indenture).

SECTION 7. On the Redemption Date, after payment of the redemption price of and interest on the Refunded Bonds, all remaining moneys and securities in the Escrow Fund shall be transferred by the Escrow Agent to the University.

SECTION 8. The Escrow Fund created hereby shall be irrevocable and the holders of the Refunded Bonds shall have an express lien on and security interest in all amounts deposited in the Escrow Fund until used and applied in accordance herewith.

SECTION 9. (a) Unless otherwise provided by contract, the Escrow Agent shall be compensated for its reasonable fees, expenses and disbursements, including reasonable legal fees, incurred with respect to services rendered hereunder, based upon itemized invoices submitted to the University for payment. This right to receive compensation notwithstanding, the Escrow Agent acknowledges that it has no claim against or lien on the moneys or securities on deposit in the Escrow Fund for any such payment. The compensation of the Escrow Agent provided in this Section 9(a) shall survive termination of this Agreement pursuant to Section 11 hereof.

(b) The recitals of fact in this Agreement shall be taken as the statements of the Authority and the University, and the Escrow Agent does not assume any responsibility for the correctness of the same. The Escrow Agent shall not be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit in respect of this Agreement or to advance any of its own moneys unless properly indemnified to its satisfaction. The Escrow Agent shall not be liable in connection with the performance of its respective duties hereunder except for its own negligence or willful misconduct.

(c) The Escrow Agent shall be entitled to rely and act upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it to be genuine, and to have been signed and presented by the proper party or parties, and may consult with counsel, who may or may not be counsel to the University or the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Agreement, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Authority and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Agreement, but in its discretion the Escrow Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Escrow Agent shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer thereof. The Escrow Agent may perform any duties hereunder either directly or, to the extent that it may reasonably determine is necessary or appropriate to the conduct of its duties hereunder, by or through agents or attorneys, and the Escrow Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder, taking into account the duties with respect to which such agent or attorney is appointed. The foregoing sentence shall not be interpreted as absolving the Escrow Agent of responsibility with respect to duties customarily performed by escrow agents in the ordinary course of business without the employment of agents or attorneys.

(d) The Escrow Agent may resign at any time and be discharged of its duties hereunder, provided that: (i) it has given not less than sixty (60) days written notice to the Authority and the University of such resignation; (ii) it has given notice of resignation to the Holders of the Refunded Bonds in the manner prescribed in the 2012 Indenture; (iii) the Authority has appointed a successor to the Escrow Agent hereunder; (iv) the Escrow Agent has received an instrument of acceptance executed by the successor to the Escrow Agent hereunder; and (v) the Escrow Agent has delivered to its successor hereunder all of the escrowed documents and moneys held by the Escrow Agent in the Escrow Fund. Such resignation shall take effect only upon the occurrence of all of the events listed in clauses (i) through (v) of this subsection (d) and only if the Escrow Agent has complied with and is not in default of any of its obligations hereunder, unless the Authority and the University consent to such resignation. Upon receipt by the Authority of the written notice described in clause (i) above, the Authority shall use its best

efforts to obtain a successor to the Escrow Agent hereunder as soon as possible. If no appointment of a successor is made within sixty (60) days after the giving by the Escrow Agent of written notice of resignation in accordance with this Section 9(d), the Escrow Agent may apply to any State court of competent jurisdiction for the appointment of such a successor, and the State court may thereupon, after such notice, if any, as the State court may deem proper, appoint a successor.

(e) The Escrow Agent may be removed at any time by the Authority by an instrument in writing signed and acknowledged by the Authority. A copy of such instrument shall be delivered by the Authority to the Escrow Agent and the University at least thirty (30) days prior to the effective date of the removal of such Escrow Agent. Upon such effective date, the Escrow Agent shall deliver to the Escrow Agent's successor (at the written direction of the Authority) all documents, instruments and moneys listed in clause (v) of subsection (d) of Section 9 above.

(f) Upon any removal or resignation of the Escrow Agent, the successor Escrow Agent shall provide written notice of such resignation or removal, and of the appointment of a successor Escrow Agent, in the same manner as is prescribed in the 2012 Indenture for the removal, resignation and appointment of a successor Trustee thereunder. Any bank that merges with or merges into the Escrow Agent or any corporation or association succeeding to the corporate trust business of the Escrow Agent shall be deemed the successor Escrow Agent without any further action hereunder.

SECTION 10. (a) The University agrees to pay the fees and expenses of the Authority, the Escrow Agent and the Verification Agent in connection with the performance of their respective obligations under and during the term of this Agreement, and in connection with the defeasance and redemption of the Refunded Bonds, together with the fees and expenses of McManimon, Scotland & Baumann, LLC, bond counsel to the Authority in connection therewith. The obligation of the University to pay or cause to be paid the amounts payable under this Agreement shall be absolute and unconditional.

(b) To the extent permitted by law, the University shall indemnify and hold harmless the Authority and the Escrow Agent and their respective officers, directors, agents and employees for and against any loss, liability or expense incurred, without negligence or willful misconduct on the Escrow Agent's part, arising out of or in connection with their respective performance under this Agreement or in connection with the refunding of the Refunded Bonds or the issuance of the PFA Bonds, including, without limitation, the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending their directors, officers, agents and employees against any such claim or liability in connection with their exercise or performance of any of their duties hereunder and of enforcing this indemnification provision. The indemnification of the Authority and the Escrow Agent provided for in this Section 10 shall survive termination of this Agreement, the payment of the Refunded Bonds and the removal or resignation of the Escrow Agent. The Authority and the University hereby agree that the Escrow Agent shall have all of the rights and protections under this Agreement as are provided to it as the 2012 Trustee under the 2012 Indenture.

SECTION 11. Except as provided in Sections 9(a) and 10(b) hereof, this Agreement shall terminate when the principal or redemption price of and interest on all of the Refunded Bonds have been fully paid; provided that moneys held by the Escrow Agent in the Escrow Fund for the payment and discharge of any of the Refunded Bonds which remain unclaimed shall be held in compliance with the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 *et seq.* and in accordance with the Escrow Agent's escheat policies and procedures, which must not be in conflict with the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 *et seq.*

SECTION 12. This Agreement shall not be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part without the written consent of the holders of one hundred percent (100%) in principal amount of the unpaid Refunded Bonds at the time such election is made; provided, however, that the Authority, the University and the Escrow Agent may, without the consent of or notice to the holders of the unpaid Refunded Bonds, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement; or
- (b) to grant to or confer upon the Escrow Agent for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Escrow Agent.

The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Bond Counsel with respect to the matters provided for in this Section 12, including the extent, if any, to which any change, modification, addition or elimination affects the rights of holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions or provisions of this Section 12. Notwithstanding anything in this paragraph to the contrary, no change shall be made to any provision of this Agreement regarding the investment or other use of the proceeds of the PFA Bonds without an unqualified opinion of Bond Counsel to the effect that such investment or other use of the proceeds of the PFA Bonds in accordance with such change will not cause any of the Refunded Bonds to be deemed "outstanding" within the meaning of the 2012 Indenture.

SECTION 13. In accordance with P.L. 2005, c. 92, the Escrow Agent covenants and agrees that all services performed under this Agreement by the Escrow Agent shall be performed within the United States of America. The Escrow Agent represents that it has complied with the requirements of N.J.S.A. 52:32-58 and has filed a certification with the Authority that it is not identified on the list of persons engaging in investment activities in Iran.

SECTION 14. The Escrow Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (P.L. 2005, c. 271, section 3) if the Escrow Agent enters into agreements or contracts such as this Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a

calendar year. It is the Escrow Agent's responsibility to determine if filing is necessary. Failure to so file can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 15. The Escrow Agent represents and warrants that all information, certifications and disclosure statements previously provided in connection with P.L. 2005, c. 51, which codified Executive Order No. 134 (McGreevey 2004), as amended by Executive Order No. 117 (Corzine 2008), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority will rely upon the truth of the statements contained herein in engaging the Escrow Agent, as escrow agent in connection with the Refunded Bonds. The Escrow Agent agrees that it shall maintain continued compliance with P.L. 2005, c. 51 and regulations promulgated thereunder during the term of this Agreement. The Escrow Agent acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder, the Escrow Agent may be removed as Escrow Agent under this Agreement and any remedies available may be exercised against the Escrow Agent at law or in equity.

SECTION 16. This Agreement shall be governed by the laws of the State of New Jersey.

SECTION 17. The Escrow Agent agrees to accept and act upon instructions or directions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means (as defined below), provided, however, that the Authority and/or the University shall provide to the 2012 Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the University, as applicable, whenever a person is to be added or deleted from the listing. If the Authority and/or the University, as applicable, elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Authority and the University understand and agree that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Authority and the University shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Authority, the University and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or the University, as applicable. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder.

SECTION 18. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

{THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK}

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

**NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY**

By: _____
Eric D. Brophy, Esq.
Executive Director

RIDER UNIVERSITY

By: _____
James Hartman
Vice President for Finance,
Treasurer, and Chief
Financial Officer

THE BANK OF NEW YORK MELLON,
as Escrow Agent

By: _____
Rick Fierro
Vice President

{Signature page to Escrow Deposit Agreement}

EXHIBIT A

SUMMARY OF REFUNDED BONDS

Redemption Date: July 1, 2021

Maturity Date July 1	Principal Amount	Interest Rate	CUSIP
2021	\$1,750,000	3.00%	6460652D3
2022	\$1,795,000	5.00%	6460652E1
2023	\$1,895,000	3.50%	6460652F8
2024	\$1,955,000	4.00%	6460652G6
2025	\$2,035,000	3.50%	6460652H4
2026	\$2,100,000	4.00%	6460652J0
2027	\$2,195,000	4.00%	6460652K7
2032	\$7,870,000	5.00%	6460652L5
2037	\$6,915,000	5.00%	6460652M3

PAYMENT DATES AND AMOUNTS ON THE REFUNDED BONDS

Date	Principal	Interest	Redemption Price	Total
01/01/2021		\$[]		\$[]
07/01/2021	\$1,750,000	\$[]	\$26,760,000	\$[]
	\$1,750,000	\$[]	\$26,760,000	\$[]

EXHIBIT B
DEFEASANCE SECURITIES

EXHIBIT C

VERIFICATION REPORT

See Closing Index No. []

EXHIBIT D

NOTICE OF DEFEASANCE

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

**Revenue Bonds, Rider University Issue, 2012 Series A,
dated April 4, 2012**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Indenture, dated as of April 1, 2012 (the “2012 Indenture”), between the New Jersey Educational Facilities Authority (the “Authority”) and The Bank of New York Mellon, as trustee, there has been deposited with The Bank of New York Mellon, as Escrow Agent, moneys and/or direct obligations of the United States of America that are not subject to redemption prior to maturity, the principal of and interest on which, when due, will provide moneys which (together with the moneys, if any, deposited with the Escrow Agent at the same time) shall be sufficient to pay when due the interest on and the principal and redemption price of the bonds referenced below (the “Outstanding Bonds”) to become due through and including the Redemption Date listed below, and that the Authority has given the Escrow Agent irrevocable instructions to call the Refunded Bonds for optional redemption on **July 1, 2021** (the “Redemption Date”), at a redemption price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date:

Maturity Date July 1	Principal Amount	Interest Rate	CUSIP
2021	\$1,750,000	3.00%	6460652D3
2022	\$1,795,000	5.00%	6460652E1
2023	\$1,895,000	3.50%	6460652F8
2024	\$1,955,000	4.00%	6460652G6
2025	\$2,035,000	3.50%	6460652H4
2026	\$2,100,000	4.00%	6460652J0
2027	\$2,195,000	4.00%	6460652K7
2032	\$7,870,000	5.00%	6460652L5
2037	\$6,915,000	5.00%	6460652M3

Accordingly, the Outstanding Bonds are deemed to have been paid in accordance with Section 10.3 of the 2012 Indenture.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Bonds or as contained in this notice and reliance may be placed only on the identification numbers as printed on the Outstanding Bonds.

Dated: [_____], 2020

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
By: The Bank of New York Mellon, as Escrow Agent

EXHIBIT E

NOTICE OF OPTIONAL REDEMPTION

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

**Revenue Bonds, Rider University Issue, 2012 Series A,
dated April 4, 2012**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Indenture, dated as of April 1, 2012 (the "2012 Indenture"), between the New Jersey Educational Facilities Authority (the "Authority") and The Bank of New York Mellon, as trustee, there has been deposited with The Bank of New York Mellon, as Escrow Agent, moneys and/or direct obligations of the United States of America that are not subject to redemption prior to maturity, the principal of and interest on which, when due, will provide moneys which (together with the moneys, if any, deposited with the Escrow Agent at the same time) shall be sufficient to pay when due the interest on and the principal and redemption price of the bonds referenced below (the "Refunded Bonds") to become due through and including the Redemption Date listed below, and that the Authority has given the Escrow Agent irrevocable instructions to call the Refunded Bonds for optional redemption on **July 1, 2021** (the "Redemption Date"), at a redemption price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date:

Maturity Date July 1	Principal Amount	Interest Rate	CUSIP
2021	\$1,750,000	3.00%	6460652D3
2022	\$1,795,000	5.00%	6460652E1
2023	\$1,895,000	3.50%	6460652F8
2024	\$1,955,000	4.00%	6460652G6
2025	\$2,035,000	3.50%	6460652H4
2026	\$2,100,000	4.00%	6460652J0
2027	\$2,195,000	4.00%	6460652K7
2032	\$7,870,000	5.00%	6460652L5
2037	\$6,915,000	5.00%	6460652M3

On the Redemption Date, moneys will be available for the payment of the redemption price on said Refunded Bonds. Accordingly, said Refunded Bonds are deemed to have been paid in accordance with the 2012 Indenture. You are hereby notified that the Refunded Bonds should be presented for payment at the corporate trust office of the Escrow Agent, The Bank of New York Mellon, as follows:

First Class/Registered Certified

The Bank of New York Mellon
Global Corporate Trust
P.O. Box 396
East Syracuse, New York 13057

Express Delivery Only

The Bank of New York Mellon
Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, New York 13057

By Hand Only

The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
240 Greenwich Street
New York, New York 10286

on or immediately prior to the Redemption Date. On the Redemption Date, the Refunded Bonds will become due and payable at the redemption price stated above, plus interest accrued to the Redemption Date, and interest on the Refunded Bonds shall cease to accrue and be payable from and after the Redemption Date.

No representation is made as to the correctness or accuracy of the CUSIP Numbers, either as printed on the Refunded Bonds or as contained in this Notice of Redemption. Reliance may only be placed on the identification numbers printed herein or on the Refunded Bonds.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

By: The Bank of New York Mellon, as Escrow Agent

IMPORTANT NOTICE

Under provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the Paying Agent may be obligated to withhold 28% from payments of the redemption price of and interest on the Refunded Bonds to individuals who have failed to furnish the Paying Agent with a valid Taxpayer Identification Number. Holders of the Refunded Bonds who wish to avoid the application of these provisions should submit certified Taxpayer Identification Numbers on form W-9 when presenting their Redeemed Bonds.

_____ Mr. Rodriguez _____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by ____ Mr. Feeney ____ and upon roll call the following members voted:

AYE: Joshua Hodes
Ridgeley Hutchinson
Louis Rodriguez
Elizabeth Maher Muoio (represented by Ryan Feeney)

NAY: None

ABSTAIN: None

ABSENT: Diana Gonzalez

The Chair thereupon declared said motion carried and said resolution adopted.

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT FOR 2020**

Adopted: August 25, 2020

- WHEREAS:** The New Jersey Educational Facilities Authority (the "Authority") was duly created and now exists under the New Jersey Educational Facilities Authority Law, Public Laws of 1967, Chapter 271, N.J.S.A. 18A:72A-1 et seq., as amended (the "Act"); and
- WHEREAS:** The Authority annually prepares financial statements and pursuant to a Resolution adopted on October 23, 2018, the Authority authorized the engagement of the independent auditing firm of PKF O'Connor Davies, LLP (the "Independent Auditors") to provide outside auditing services for a period of five (5) years commencing with the audit period for the Authority's fiscal year ending December 31, 2018, and ending after the audit period for the Authority's fiscal year ending December 31, 2022; and
- WHEREAS:** The Authority has engaged the Independent Auditors to perform an audit of the Authority's financial statements for the year ended December 31, 2019 (the "2019 Financial Statements") in accordance with N.J.S.A. 18A:72A-21; and
- WHEREAS:** In accordance with Executive Order #122 (McGreevey) ("EO 122"), and the Authority's By-Laws, the members of the Authority's Audit Committee have received and reviewed the 2019 Financial Statements and the unmodified Report of the Independent Auditors thereon dated July 13, 2020 (the "Independent Auditors' Report") and have held a private meeting with representatives of the Independent Auditors to discuss the 2019 Financial Statements and the Independent Auditors' Report; and
- WHEREAS:** The members of the Authority have received the 2019 Financial Statements and the Independent Auditors' Report; and
- WHEREAS:** The members of the Authority's Audit Committee have recommended that the members of the Authority accept the 2019 Financial Statements and the Independent Auditors' Report, attached hereto as EXHIBIT A; and
- WHEREAS:** The members of the Authority wish to accept and adopt the 2019 Financial Statements and the Independent Auditors' Report.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY AS FOLLOWS:

SECTION 1. The Authority hereby accepts and adopts the 2019 Financial Statements and the Independent Auditors' Report, as attached hereto as **EXHIBIT A** and incorporated by reference as if set forth in full herein.

SECTION 2. This resolution shall take effect in accordance with N.J.S.A. 18A:72A-4(i).

_____ Mr. Hodes _____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by _____ Mr. Hutchinson _____ and upon roll call the following members voted:

AYE: Joshua Hodes
Ridgeley Hutchinson
Louis Rodriguez
Elizabeth Maher Muoio (represented by Ryan Feeney)

NAY: None

ABSTAIN: None

ABSENT: Diana Gonzalez

The Chair thereupon declared said motion carried and said resolution adopted.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

REPORT OF MANAGEMENT	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	10
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	11
STATEMENTS OF CASH FLOWS	12
STATEMENTS OF FIDUCIARY NET POSITION	13
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	14
NOTES TO THE FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN	35
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN	36
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY	37
SCHEDULE OF EMPLOYER CONTRIBUTIONS	38
SUPPLEMENTAL FINANCIAL INFORMATION	
BALANCE SHEETS – TRUSTEE HELD FUNDS	39
STATEMENTS OF CHANGES IN TRUSTEE HELD FUNDS	40
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION	41
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	50



103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540
PHONE 609-987-0880 • FAX 609-987-0850 • www.njefa.com

REPORT OF MANAGEMENT

Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, consequently, they reflect certain amounts based upon the best estimates and judgment of management.

The financial statements have been audited by the independent firm of PKF O'Connor Davies, LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditors' opinion is presented on page 2.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, that assets of the Authority are properly safeguarded, and that the covenants of all financing agreements are honored. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

Consistent with Executive Order No. 122, the Authority, through its Audit and Evaluation Committees, engages the independent auditors. The Audit and Evaluation Committees comprise individuals who are not employees of the Authority, and who meet certain standards of independence and financial expertise. The Audit Committee periodically meets with the independent auditors and is responsible for assisting the Members of the Authority in overseeing the Authority's compliance with legal, regulatory and ethical requirements, as well as overseeing the integrity and quality of the Authority's financial statements. The independent auditors have unrestricted access to the Audit Committee.


Eric D. Brophy, Esq.
Executive Director


Brian Sootkoos
Director of Finance

July 13, 2020



INDEPENDENT AUDITORS' REPORT

**Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey**

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and fiduciary funds of the New Jersey Educational Facilities Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

**Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey
Page 2**

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary funds of the Authority as of December 31, 2019 and 2018, and the respective changes in its financial position, and, where applicable their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 9 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 (“COVID-19”). Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 5 – 9, the schedule of proportionate share of the net OPEB liability and schedule of Authority OPEB contributions pages 32 and 33, and the schedule of proportionate share of net pension liability and schedule of Authority pensions contributions on pages 34 and 35, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The supplemental financial information on pages 36 – 47, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

**Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey**
Page 3

The supplemental financial information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
July 13, 2020

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Introduction

This section of the New Jersey Educational Facilities Authority's ("NJEFA" or the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2019 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Background

The New Jersey Educational Facilities Authority ("NJEFA" or "Authority"), is an independent and self-supporting state entity created pursuant to Chapter 271 of the Public Laws of 1966, N.J.S.A. 18A:72A-1 et seq., as amended and supplemented (the "Act"), to provide a means for New Jersey public and private colleges and universities ("Institutions") to construct educational facilities through the financial resources of a public fiduciary empowered to sell tax-exempt and taxable bonds, notes and other obligations. NJFEA is New Jersey's primary issuer of higher education purpose municipal bonds to finance and refinance the construction and development of campus facilities at Institutions throughout the State.

The Authority finances and refinances various types of projects for approximately 50 public and private institutions of higher education in New Jersey. Projects include, but are not limited to, the construction, renovation and acquisition of residential, academic, and research facilities; libraries; technology infrastructures; student life and athletic facilities; parking structures; utilities-related projects; and refinancing of existing debt.

In conjunction with the Office of the Secretary of Higher Education, the Authority also administers the State of New Jersey's higher education capital facilities grant programs and from time to time, issues state-backed bonds under these programs to fund grants for their various purposes. These state-backed bonds are secured by a contract with the State Treasurer to pay principal of and interest on such bonds subject to appropriations being made, from time to time, by the New Jersey State Legislature (the "Legislature").

The obligations issued by the Authority are special and limited obligations of the Authority and are not a debt or liability of the State of New Jersey or of any political subdivision thereof other than the Authority, and are not a pledge of the faith and credit of the State of New Jersey or of any such political subdivision thereof. The Authority has no taxing power. The obligations issued by the Authority are payable solely from amounts received from the borrower's by the Authority under the transaction documents and amounts on deposit in certain funds established under the transaction documents.

The Authority is governed by a seven-member board composed of five public, unsalaried members appointed by the Governor with confirmation by the New Jersey Senate. The State Treasurer and the Secretary of Higher Education serve as ex-officio members and by statute, the Governor has veto authority over all actions of the Authority members.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Business Overview

Today, the NJEFA offers colleges and universities a range of services and products to meet institution's financing objectives, including tax-exempt and taxable bond financings, direct bank placement/ purchase transactions, and tax-exempt equipment leasing. Financing options include new money transactions, refunding transactions or a combination of the two. More than just financing a transaction, NJEFA remains involved with their clients from concept to closing and beyond. NJEFA provides its clients with in-house expertise in the financial markets, tax and securities law, and post-issuance matters, among others. In addition, the Authority assists in the processing of all requisitioning and bond fund accounting for college borrowers; manages the investment and reinvestment of bond funds; and manages all arbitrage compliance.

The Authority's operating revenue is derived from initial and annual fees related to the issuance and administration of stand-alone bond transactions, as well as the issuance and administration of state-backed bonds under the State's higher education capital facilities grant programs.

Stand-Alone Debt Transactions

The Authority's operating revenues primarily result from initial and annual financing fees related to stand-alone financing transactions. Generally, upon the closing of a transaction, higher education institutions pay an initial financing fee to cover the services provided by NJEFA to manage and complete the desired financing. The fee is calculated using a percentage of the total issuance amount. Annual financing fees are calculated using a percentage of the total outstanding par amount on the bonds. The annual financing fee, typically referred to as the annual administrative fee, covers ongoing bond fund administration and post issuance debt compliance, including: investment of bond funds; requisition review and payment; audit support as requested; arbitrage monitoring; real estate matters; and assisting institutions with continuing post-issuance compliance matters.

State Grant Administration

The Authority, in partnership with the Office of the Secretary of Higher Education and the Department of Treasury, administers the New Jersey Higher Education Capital Grant Programs. Through NJEFA's issuance of state-backed bonds and the State's issuance of General Obligation bonds, New Jersey's institutions of higher education are able to increase capacity, modernize facilities and equipment, expand access to and provide state-of-the-art academic opportunity for New Jersey's students.

The Authority is highly involved in every aspect of the grant process and post issuance administration. During the solicitation process, the Authority assists in the development, distribution and review of applications for conformity to solicitation requirements. In consultation with the Office of the Secretary of Higher Education and the Attorney General's Office, the Authority develops grant and lease agreements in accordance with state law and regulations, reviews financing documents, and corresponds with institutions needing assistance throughout the process. The Authority receives and reviews all requisitions for approved projects. Requisitions are reviewed to ensure grant proceeds are expended only for costs of an approved project, that the institution has satisfied any obligation to match grant funding, and that reimbursement is permissible per the grant agreement and applicable IRS rules and regulations.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

The Authority assists the Secretary of Higher Education in fulfilling obligations under the post-issuance compliance tax procedures and in addressing any tax issues that may arise when a contract or arrangement might create "private business use" of bond-financed facilities.

The Authority's operating revenues related to the administration of the Higher Education Capital Grant Programs are derived from initial fees on NJEFA issued State-backed bonds and annual fees for ongoing bond fund and grant management and debt compliance. Generally, The Authority collects an initial fee for each completed State-backed financing and annual fees for each grant, funded throughout the term of the bonds. Both the initial fee and the annual fee are based on a contracted amount as defined in the grant or lease agreements.

Overview of Financial Statements

The Authority is a self-supporting, special purpose government entity supported entirely by fees charged for the services it provides. Accordingly, the Authority is considered an Enterprise Fund and utilizes the accrual basis of accounting. The basic financial statements provide information about the Authority's overall financial condition and operations. The notes provide explanations and more details about the content of the basic financial statements.

This report consists of three parts: management's discussion and analysis, financial statements and the accompanying notes and the required supplementary information. The three financial statements presented are as follows:

Statement of Net Position – The statement of net position presents information reflecting the Authority's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position. The Authority's net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the Authority's financial position and operational solvency.

Statement of Revenues, Expenses and Changes in Net Position – The statement reflects the Authority's operating and nonoperating revenues and expense for the fiscal year. Nonoperating activity primarily relates to investment income.

Statement of Cash Flows – The statement of cash flows is presented using the direct method which reflects cash flows from operating, investing and capital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for each year. The statement also includes a reconciliation between operating income or loss for the period per the Statement of Revenues, Expenses and Changes in Net Position to net cash provided or used from operating activities per the Statement of Cash Flows.

Statement of Fiduciary Net Position – The statement of fiduciary net position presents information reflecting the Authority's trust fund for Other Post Employment Benefit (OPEB) assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position. The Authority's fiduciary net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the Authority's financial position and operational solvency for the OPEB plan.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Statement of Changes in Fiduciary Net Position – The statement reflects the Authority's additions and deductions to the OPEB trust during the fiscal year.

Financial Highlights 2019:

- The Authority issued \$22 million of conduit debt for educational institutions during 2019.
- Cash and Investments represent approximately 90% of Total Assets at the end of 2019.
- The Authority's 2019 operating margin (net operating income as a percentage of operating revenues) was 0.4%.
- At December 31, 2019, Net Position represents approximately 2 times 2019 total operating expenses.

During 2019, the Authority's volume of financing activity, excluding the state-backed bond programs was approximately \$22 million more than 2018. The increased volume was due primarily to the result of market conditions. The Authority continued to work with the State's public and private institutions on their multi-year plans to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment to accommodate growing demand for higher education. The Authority also helped New Jersey colleges and universities restructure outstanding issues for the greatest benefit to the institutions.

Condensed Financial Information

The following table represents condensed statement of net position information and changes between December 31, 2018 and December 31, 2019 and between December 31, 2017 and December 31, 2018:

	2019	2018	2017	Increase (Decrease) 2018 to 2019	Increase (Decrease) 2017 to 2018
Current Assets	\$ 10,863,450	\$ 10,662,151	\$ 10,541,445	1.89%	1.15%
Capital Assets, Net	66,142	86,049	104,493	-23.13%	-17.65%
Security Deposit	21,505	21,505	21,505	0.00%	0.00%
Net OPEB Asset	385,851	-	-	100.00%	0.00%
Deferred Outflows of Resources	1,130,156	1,526,382	2,110,999	-25.96%	-27.69%
Total Assets and Def. Outflows	<u>12,467,104</u>	<u>12,296,087</u>	<u>12,778,442</u>	1.39%	-3.77%
Current Liabilities	712,898	645,259	503,583	10.48%	28.13%
Noncurrent Liabilities	3,468,062	3,921,922	5,804,742	-11.57%	-32.44%
Total Liabilities	<u>4,180,960</u>	<u>4,567,181</u>	<u>6,308,325</u>	-8.46%	-27.60%
Deferred Inflows of Resources	3,711,608	3,384,687	2,052,198	9.66%	64.93%
Total Net Position	<u>\$ 4,574,536</u>	<u>\$ 4,344,219</u>	<u>\$ 4,417,919</u>	5.30%	-1.67%

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Net Position, and changes between 2018 and 2019 and between 2017 and 2018:

	2019	2018	2017	Increase (Decrease) 2018 to 2019	Increase (Decrease) 2017 to 2018
Operating Revenues:					
Administrative Fees	\$ 2,437,351	\$ 2,493,007	\$ 3,166,792	-2.23%	-21.28%
Total Operating Revenues	<u>2,437,351</u>	<u>2,493,007</u>	<u>3,166,792</u>	-2.23%	-21.28%
Operating Expenses:					
Salaries and Related Expenses	1,855,729	2,076,501	2,396,746	-10.63%	-13.36%
General and Administrative Expenses	511,616	599,007	578,309	-14.59%	3.58%
Professional Fees	59,133	92,427	121,573	-36.02%	-23.97%
Total Operating Expenses	<u>2,426,478</u>	<u>2,767,935</u>	<u>3,096,628</u>	-12.34%	-10.61%
Net Operating Income/(Loss)	10,873	(274,928)	70,164	-103.95%	-491.84%
Nonoperating Revenues (Expenses):					
Loss of Asset Disposal	(129)	(895)	(1,860)	-85.59%	-51.88%
Investment Income	<u>219,573</u>	<u>202,123</u>	<u>69,933</u>	8.63%	189.03%
Change in Net Position	230,317	(73,700)	138,237	-412.51%	-153.31%
Net Position - Beginning of Year	<u>4,344,219</u>	<u>4,417,919</u>	<u>4,279,682</u>	-1.67%	3.23%
Net Position - End of Year	<u>\$ 4,574,536</u>	<u>\$ 4,344,219</u>	<u>\$ 4,417,919</u>	5.30%	-1.67%

Analysis of Overall Financial Position and Results of Operations

The Authority's solid financial position and strong operating results continued.

Revenues

The Authority's revenues are derived primarily from two fees; annual fees charged with respect to existing bond issues, and initial fees charged with respect to the issuance of new debt. Total revenues for 2019 decreased approximately \$56,000 from 2018 and total revenues for 2018 decreased approximately \$674,000 from 2017.

Expenses

Operating expenses decreased in 2019 by 12.34% from 2018, and 2018 decreased 10.61% from 2017.

Assets and Liabilities

Net position increased \$230,317, or 5.30% from 2018 to 2019 and decreased \$73,700, or 1.67% from 2017 to 2018. Net position increased in 2019 as a result of a decrease in operating expenses.

Contacting the Authority's Financial Management

If you have questions about this report or need additional financial information, contact the Office of the Chief Finance Officer, New Jersey Educational Facilities Authority, 103 College Road East, Princeton, New Jersey 08540-6612. Readers are invited to visit the Authority's website at www.njefa.com.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 905,527	\$ 169,676
Investments, Principally U.S. Government Obligations	9,915,551	10,020,352
Fees Receivable	2,078	419,828
Prepaid Expenses and Other Assets	40,294	52,295
Total Current Assets	10,863,450	10,662,151
NONCURRENT ASSETS		
Capital Assets, at cost, Less Accumulated Depreciation of \$377,529 and \$350,052 Through 2019 and 2018, Respectively	66,142	86,049
Security Deposit	21,505	21,505
Net OPEB asset	385,851	-
Total Noncurrent Assets	473,498	107,554
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	1,109,809	1,507,147
OPEB deferrals	20,347	19,235
Total Deferred Outflows of Resources	1,130,156	1,526,382
Total Assets and Deferred Outflows of Resources	\$ 12,467,104	\$ 12,296,087
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 712,898	\$ 645,259
NONCURRENT LIABILITIES		
Net Pension Liability	3,461,597	3,675,155
Postemployment Benefits Other than Pension	-	237,069
Project Obligations	6,465	9,698
Total Noncurrent Liabilities	3,468,062	3,921,922
Total Liabilities	4,180,960	4,567,181
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	1,452,611	1,519,780
OPEB deferrals	2,258,997	1,864,907
Total Deferred Inflows of Resources	3,711,608	3,384,687
NET POSITION		
Investment in Capital Assets	87,647	107,554
Unrestricted	4,486,889	4,236,665
Total Net Position	4,574,536	4,344,219
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,467,104	\$ 12,296,087

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENT OF REVENUES, EXPENSE AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Administrative Fees	\$ 2,437,351	\$ 2,493,007
OPERATING EXPENSES		
Salaries and Related Expenses	1,855,729	2,076,501
General and Administrative Expenses	511,616	599,007
Professional Fees	59,133	92,427
Total Operating Expenses	<u>2,426,478</u>	<u>2,767,935</u>
NET OPERATING INCOME (LOSS)	10,873	(274,928)
NONOPERATING REVENUE/(EXPENSES)		
Loss of Asset Disposal	(129)	(895)
Investment Income	<u>219,573</u>	<u>202,123</u>
CHANGES IN NET POSITION	230,317	(73,700)
Net Position - Beginning of Year	<u>4,344,219</u>	<u>4,417,919</u>
NET POSITION - END OF YEAR	<u>\$ 4,574,536</u>	<u>\$ 4,344,219</u>

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Administrative Fees	\$ 2,855,101	\$ 2,102,155
Payments to Employees	(1,739,118)	(1,987,476)
Payments to Suppliers	(675,688)	(605,604)
Net Cash Provided/(Used) by Operating Activities	440,295	(490,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(87,287,466)	(88,053,841)
Sale and Maturity of Investments	87,369,221	87,627,680
Investment Income	222,658	210,060
Net Cash Provided/(Used) by Investing Activities	304,413	(216,101)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(8,857)	(10,633)
Proceeds from the Sale of Capital Assets	-	1,381
Net Cash Used by Capital and Related Financing Activities	(8,857)	(9,252)
NET INCREASE (DECREASE) IN CASH	735,851	(716,278)
Cash - Beginning of Year	169,676	885,954
CASH - END OF YEAR	\$ 905,527	\$ 169,676
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Net Operating Income	\$ 10,873	\$ (274,928)
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	28,636	23,469
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Fees Receivable	417,750	(390,852)
Prepaid Expenses and Other Assets	12,001	(24,576)
Accounts Payable and Accrued Expenses	67,639	141,676
Project Obligations	(3,233)	(3,232)
Postemployment Benefits other than Pension and Related Deferred Items	(209,982)	(1,112,390)
Net Pension Liability and Related Deferred Items	116,611	1,149,908
Net Cash Provided/(Used) by Operating Activities	\$ 440,295	\$ (490,925)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT ACTIVITIES		
Change in Fair Value of Investments	\$ (3,085)	\$ (20,123)

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash & Equivalents	\$ 2,808,430	\$ 101,644
Total Current Assets	2,808,430	101,644
INVESTMENTS AT FAIR VALUE		
U.S. Treasuries	-	2,686,824
Total Noncurrent Assets	-	2,686,824
Total Assets	\$ 2,808,430	\$ 2,788,468
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Total Net Position	\$ 2,808,430	\$ 2,788,468

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Additions		
Investment Income:		
Net Increase/(Decrease) in Fair Value	\$ -	\$ 2,443
Interest and Dividend Income	58,024	49,560
Net Investment Income	58,024	52,003
Total Additions	58,024	52,003
Deductions		
Employer Reimbursement	(37,562)	-
Trustee Payment	(500)	(500)
Total Deductions	(38,062)	(500)
CHANGES IN NET POSITION	19,962	51,503
Net Position - Beginning of Year	2,788,468	2,736,965
NET POSITION - END OF YEAR	\$ 2,808,430	\$ 2,788,468

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION AND FUNCTION OF THE AUTHORITY

The New Jersey Educational Facilities Authority (the Authority), a component unit of the State of New Jersey, was created under the provisions of Chapter 106 of New Jersey Public Laws of 1966 as a public body corporate and politic. The powers of the Authority permit the sale of notes, bonds and other obligations to support the construction, acquisition and equipping of educational facilities for public and private institutions of higher education in the State of New Jersey. The Authority is also authorized, pursuant to statutory amendments, to issue State supported bonds to fund matching grants to qualified public libraries for capital improvements. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

The Authority is exempt from both federal and state taxes.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB).

Administrative Fees

The Authority charges administrative fees to its client institutions for which bond and note sales have been completed. Such fees are considered operating revenue and are charged for services related to the structuring and administration of Authority financings, investment management of bond proceeds, monitoring of financial performance and other project costs and services. These fees are recognized as earned. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient reserves will be available to provide for the Authority's needs.

Capital Assets

Capital assets, which consist of furniture and equipment, are carried at cost and depreciated over their useful lives using the straight-line method.

Conduit Debt

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2019 and 2018, the amount of conduit debt outstanding totaled \$4,742,324,053 and \$4,963,318,355, respectively.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Deferred outflows and inflows of resources for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan and OPEB investments, changes in the Authority's proportion of expenses and liabilities to the pension and OPEB as a whole, differences between the Authority's pension and OPEB contributions and its proportionate share of contributions, and the Authority's pension and OPEB contributions subsequent to the pension and OPEB valuation measurement dates.

New Accounting Standard Adopted

GASB issued GASB Statement No. 84 (GASB No. 84), *Fiduciary Activities*, which is effective for reporting periods beginning after December 15, 2018. GASB No. 84 addresses criteria for identifying activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units. Activities meeting these criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. In 2019, the Authority applied the GASB No. 84 criteria as it relates to its OPEB plan.

Recent Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has not yet completed the process of evaluating the impact of GASB 87 on its financial statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Standards (continued)

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, which is effective for fiscal years beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Authority has determined that GASB 91 will not impact its financial statements.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics and the majority of topics are effective for fiscal years beginning after June 15, 2020. The Authority has not yet completed the process of evaluating the impact of GASB 92 on its financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

At December 31, 2019 and 2018, the Authority's bank balance excluding payments and deposits in transit was \$909,724 and \$197,742, respectively. Funds in excess of the Federal Deposit Insurance Corporation (FDIC) insured amounts are protected by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

The Authority 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.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes and the Authority's approved investment policy. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds of the Authority may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

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

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

As of December 31, 2019 and 2018, the Authority had the following recurring fair value measurements using current sale prices (Level 1) or sale prices of comparable securities (Level 2 inputs) and using net asset value (NAV) per share valuation for Money Market Mutual Funds for investments and cash equivalents, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>2019</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Bill	\$ 653,642	\$ 653,642	\$ -	\$ -
U.S. Treasury Note	2,418,983	2,418,983	-	-
U.S. Agencies	1,003,288	1,003,288	-	-
Corporate Bonds	1,232,857	-	1,232,857	-
Commercial Paper	757,498	-	757,498	-
Certificate of Deposit	2,941,653	-	2,941,653	-
Asset-Backed Security	863,393	-	863,393	-
Money Market Funds	44,237	44,237	-	-
	<u>\$ 9,915,551</u>	<u>\$ 4,120,150</u>	<u>\$ 5,795,401</u>	<u>\$ -</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>2018</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Bill	\$ 9,857,218	\$ 9,857,218	\$ -	\$ -
Money Market Funds	163,134	163,134	-	-
	<u>\$ 10,020,352</u>	<u>\$ 10,020,352</u>	<u>\$ -</u>	<u>\$ -</u>

In 2019 and 2018, the Authority had \$44,237 and \$163,134, respectively, invested in a money market mutual fund, which invests in short-term and other obligations of the U.S. Treasury.

In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Investments.

- (a) Custodial Credit Risk – The Authority’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are held by either: the counterparty or the counterparty's trust department or agent but not in the Authority's name. The risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At December 31, 2019 and 2018, the Authority's bank balances were not exposed to custodial credit risk since the amounts were covered by either FDIC insurance or New Jersey GUDPA.

As of December 31, 2019 and 2018, the Authority's investments consisted of U.S. Treasury and Agency Obligations in the amount of \$4,075,913 and \$9,857,218, respectively, Investment Agreements in the amount of \$5,795,401 and \$0, respectively, and Money Market Mutual Funds in the amount of \$44,237 and \$163,135, respectively. Since the investments are registered in the Authority's name they are not exposed to custodial credit risk.

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2019 and 2018, the Authority was not exposed to a concentration of credit risk.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Securities must be rated investment grade or better by a nationally recognized credit rating agency at the time of purchase. Split rated credits will be considered to have the lower credit rating. Money market instruments must be rated AAA or better at the time of purchase. In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the Authority and provide an evaluation and plan of action.

Temporary cash balances may be invested in a money market instrument (AAA+).

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

The following table summarizes S&P's agency ratings of the University's investments at fair value as of December 31, 2019 and 2018:

<u>Investment Type</u>	<u>Quality Rating</u>	<u>2019</u>	<u>2018</u>
U.S. Treasury Bill	A-1+	\$ 653,642	\$ 9,857,218
U.S. Treasury Note	AA+	2,418,983	
U.S. Agencies	AA+	1,003,287	
Corporate Bonds	A	610,779	
Corporate Bonds	A-	622,078	
Commercial Paper	A-1	309,152	
Commercial Paper	A-1+	448,346	
Certificate of Deposit	A-1	1,990,780	
Certificate of Deposit	A-1+	950,874	
Asset-Backed Security	AAA	863,393	
Money Market Funds	AAAm	44,237	163,134
		<u>\$ 9,915,551</u>	<u>\$ 10,020,352</u>

- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations, but the Authority does from time to time evaluate its investment portfolio to determine if, based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk. As of December 31, 2019 and 2018, the Authority had the following investments and maturities.

December 31, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>		
		<u>less than 1</u>	<u>1-5</u>	<u>greater than 5</u>
U.S. Treasury Bill	\$ 653,642	\$ 653,642	\$ -	\$ -
U.S. Treasury Note	2,418,983	2,418,983	-	-
U.S. Agencies	1,003,288	1,003,288	-	-
Corporate Bonds	1,232,857	1,232,857	-	-
Commercial Paper	757,498	757,498	-	-
Certificate of Deposit	2,941,653	2,941,653	-	-
Asset-Backed Security	863,393	-	863,393	-
Money Market Funds	44,237	44,237	-	-
	<u>\$ 9,915,551</u>	<u>\$ 9,052,158</u>	<u>\$ 863,393</u>	<u>\$ -</u>

December 31, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>		
		<u>less than 1</u>	<u>1-5</u>	<u>greater than 5</u>
U.S. Treasury Bill	\$ 9,857,218	\$ 9,857,218	\$ -	\$ -
Money Market Funds	163,134	163,134	-	-
	<u>\$ 10,020,352</u>	<u>\$ 10,020,352</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

For the years ended December 31, 2019 and 2018, investment income comprised the following:

	2019	2018
Interest Earnings	\$ 222,658	\$ 210,060
Net Increase in Fair Value of Investments	(3,085)	(7,937)
Total Investment Income	<u>\$ 219,573</u>	<u>\$ 202,123</u>

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS

Description of Plans

The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS,

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund.

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	178,748	174,904
Inactive plan members entitled to but not yet receiving benefits	609	589
Active plan members	<u>252,598</u>	<u>254,780</u>
Total	<u><u>431,955</u></u>	<u><u>430,273</u></u>

Contributing Employers – 1,697

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2019 and 2018 the Authority's total and covered payroll for all employees was \$1,335,909 and \$1,366,115. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Commission to active employees covered by the Plan.

Specific Contribution Requirements and Benefit Provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 70% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 70% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2019 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2019 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

The Authority's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Authority's payments to PERS during the years ending December 31, 2019 and 2018 consisted of the following:

	2019	2018
Total Regular Billing	\$ 186,870	\$ 185,662

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

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 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.

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of 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.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the PERS reported a net pension liability of \$18,143,832,135 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$3,461,597 or 0.0192113659%, which was an increase of 0.0005458059% from its proportion measured as of June 30, 2019.

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$3,675,155 or 0.0186655583%.

The following presents a summary of the proportionate share of the Authority changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Authority for the year ended June 30, 2019 and 2018:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 62,131	\$ 15,292
Changes of assumptions	345,653	1,201,509
Net difference between projected and actual investment earnings on pension plan investments		54,643
Changes in proportion	608,590	181,167
Authority contributions subsequent to the measurement date	93,435	-
	\$ 1,109,809	\$ 1,452,611
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 70,086	\$ 18,950
Changes of assumptions	605,605	1,175,119
Net difference between projected and actual investment earnings on pension plan investments		34,473
Changes in proportion	738,625	291,238
Authority contributions subsequent to the measurement date	92,831	
	\$ 1,507,147	\$ 1,519,780

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

\$93,435 is reflected above as deferred outflows of resources related to PERS resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS will be recognized as a reduction of the net pension liability as follows:

Year ended December 31,	Amount
2020	\$ 16,154
2021	(133,629)
2022	(172,089)
2023	(137,026)
2024	(9,647)
Total	<u>\$ (436,237)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>June 30, 2019</u>	
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%
<u>June 30, 2018</u>	
Inflation	2.25%
Salary Increases (2012 - 2021)	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
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 a 101.4% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 97.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 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-2019.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 rate of return (expected returns, net of pension plans 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, 2019 and 2018 are summarized in the following tables:

2019		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

	2018	
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
Absolute Return/Risk Mitigation	5.00%	5.51%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

<u>June 30, 2019</u>	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS	\$ 4,372,560	\$ 3,461,597	\$ 2,693,982
<u>June 30, 2018</u>	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS	\$ 4,621,084	\$ 3,675,155	\$ 2,881,581

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (continued)

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were \$29,847,977,666 and \$29,472,374,536, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2019 and 2018 was \$23,347,631,751 and \$22,742,071,972, respectively.

Additional information

Collective Local Group balances at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$ 3,149,522,616
Collective deferred inflows of resources	7,645,087,574
Collective net pension liability	18,143,832,135
Authority's Proportion	0.0192113659%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$974,471,686 and \$1,099,708,157, respectively. The average of the expected remaining service lives of all plan members is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2018 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2018 valuation Chapter 83 P.L. 2017 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2019 and June 30, 2018 are \$1,038,092,124 and \$1,073,054,740, respectively.

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS

The New Jersey Educational Facilities Authority provides healthcare to its employees and retirees through its participation in the State Health Benefits Program (SHBP), a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS (continued)

and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2,000,000 to pay for the employee postretirement medical benefits. The Authority established the trust for its OPEB obligations (OPEB Trust) for the exclusive benefit of the OPEB Trust beneficiaries and not of the Authority. The ownership of the OPEB Trust assets are not considered funds or assets of the Authority for any purpose. All of the OPEB Trust assets are irrevocably dedicated to, and are used for the exclusive purpose of, making payments of benefits to or for the benefit of the Authority OPEB Plan beneficiaries and for paying administrative expenses of the Authority OPEB Plan and the OPEB Trust and will not be available to any creditors of the Authority. The OPEB Trust does not issue a stand-alone financial report and its financial statements are reported as a fiduciary fund in the Authority's financial report. At December 31, 2019 and 2018, the fair value of this trust fund was \$2,808,430 and \$2,788,468.

At June 30, 2019 and 2018, Eighteen (18) and Twenty (20) plan members (active and retiree) were receiving postretirement health care benefits in which the Authority was billed \$354,930 and \$361,349, respectively. Participating employers are contractually required to provide for their contributions based on the amount of premiums attributable to the retirees.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Contributions

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 health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS (continued)

Nonspecial Funding Situation - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$8,020,352,361 and \$9,452,773,649 at June 30, 2019 and 2018, respectively.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the New Jersey Educational Facilities Authority was \$2,422,579 and \$3,025,537 at June 30, 2019 and 2018, respectively. These allocated liabilities represent 0.017884% and 0.019312% of the State's Total Non-employer OPEB Liability for June 30, 2019 and 2018, respectively.

Components of Net OPEB Liability - The components of the collective net OPEB liability for PERS, including the State of New Jersey, is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 13,819,244,582	\$ 15,981,103,227
Plan Fiduciary Net Position	<u>273,173,482</u>	<u>314,485,086</u>
 Net OPEB Liability	 <u>\$ 13,546,071,100</u>	 <u>\$ 15,666,618,141</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 1.98%	 1.97%

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases*:	
Public Employees' Retirement Systems (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00 - 6.00%
Rate thereafter	3.00 - 7.00%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

*Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience study prepared for July 1, 2014 to June 30, 2018.

100% of active members are considered to participate in the Plan upon retirement.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS (continued)

Healthcare Trend Assumptions – For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate - The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

	June 30, 2019		
	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
Total Net OPEB Liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995
Authority's Share	\$ 3,498,290	\$ 2,422,579	\$ 2,641,362
	June 30, 2018		
	1% Decrease (2.87%)	At Discount Rate (3.87%)	1% Increase (4.87%)
Total Net OPEB Liability	\$ 18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388
Authority's Share	\$ 3,549,755	\$ 3,025,537	\$ 2,606,806

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS (continued)

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2019 and 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Authority's Share	\$ 2,553,180	\$ 2,422,579	\$ 3,628,107
	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023
Authority's Share	\$ 2,523,783	\$ 3,025,537	\$ 3,674,881

At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience		\$ 708,457
Changes of assumptions		858,508
Changes in proportion		692,032
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 1,996	
Authority contributions subsequent to the measurement date	18,351	
	<u>\$ 20,347</u>	<u>\$ 2,258,997</u>
	June 30, 2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience		\$ 614,292
Changes of assumptions		767,467
Changes in proportion		483,148
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 1,599	
Authority contributions subsequent to the measurement date	17,636	
	<u>\$ 19,235</u>	<u>\$ 1,864,907</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 POST-RETIREMENT HEALTH CARE BENEFITS (continued)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$ (374,812)
2020	(374,812)
2021	(374,989)
2022	(375,255)
2023	(375,466)
Thereafter	<u>(381,667)</u>
Total	<u>\$ (2,257,001)</u>

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14, and 8.04 years for the 2019, 2018, and 2017 amounts, respectively.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$197,340 through December 31, 2024.

The Authority, in the normal course of business, is involved in various legal matters. Under the terms of the agreements between the Authority and the public and private institutions of higher education, and costs associated with litigation are the obligation of the institution involved. It is the opinion of the Authority after consultation with legal counsel that its financial position will not be adversely affected by the ultimate outcome of any existing legal proceedings.

NOTE 7 NET POSITION

The Authority's net position represents the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources and is categorized as follows:

- **Investment in Capital Assets** are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation.
- **Unrestricted** is the remaining net position, which can be further categorized as designated or undesignated. The designated position is not governed by statute or contract but is committed for specific purposes pursuant to Authority policy and/or directives. The designated position includes funds and assets committed to working capital.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 NET POSITION (continued)

The changes in net position are as follows:

	<u>Net Investment in Capital Investments</u>	<u>Unrestricted</u>	<u>Total</u>
Net Position at December 31, 2017 (as restated)	\$ 125,998	\$ 4,291,921	\$ 4,417,919
Net Position Change	-	(73,700)	(73,700)
Loss on Capital Asset Disposals	(895)	895	-
Capital Asset Additions	5,920	(5,920)	-
Depreciation	(23,469)	23,469	-
Net Position at December 31, 2018	107,554	4,236,665	4,344,219
Net Position Change	-	230,317	230,317
Capital Asset Additions	8,858	(8,858)	-
Loss on Capital Asset Disposals	(129)	129	-
Depreciation	(28,636)	28,636	-
Net Position at December 31, 2019	\$ 87,647	\$ 4,486,889	\$ 4,574,536

NOTE 8 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the last three years.

NOTE 9 SUBSEQUENT EVENT

The Authority has evaluated subsequent events through the report date and noted a significant event. Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Authority's economically sensitive revenues (i.e. Annual fee revenue from New Jersey Colleges and Universities and fee revenue from grant programs) might be negatively impacted. Anticipated collection rates of annual fees might be slowed as New Jersey colleges and universities experience potential cash flow issues and may defer payments. In addition, anticipated fees for administration of grant programs may be delayed as implementation of grant programs has stalled. Meanwhile, the Authority's expenditures for pension benefits and other postemployment health benefits (due to stock market declines) could increase sharply. These factors were unforeseen and not taken into consideration in the development of the 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Authority's financial position at this time.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

LAST TEN FISCAL YEARS*

	2019	2018	2017	2016
Authority's proportion of the net OPEB liability (asset)	0.017884%	0.019312%	0.020016%	0.022119%
Authority's proportionate share of the net OPEB liability (asset)	\$ 2,422,579	\$ 3,025,537	\$ 4,086,424	\$ 4,809,888
Authority's covered-employee payroll	\$ 1,355,809	\$ 1,381,404	\$ 1,276,233	\$ 1,129,887
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	178.87%	222.24%	320.19%	425.27%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	1.98%	1.97%	1.03%	0.89%

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

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

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
 (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
 STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

LAST TEN FISCAL YEARS*

	2019	2018	2017	2016
Contractually required contribution	\$ 354,930	\$ 361,349	\$ 345,240	\$ 231,500
Contributions in relation to the contractually required contribution	<u>(354,930)</u>	<u>(361,349)</u>	<u>(345,240)</u>	<u>(231,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,355,909	\$ 1,361,404	\$ 1,276,233	\$ 1,128,567
Contributions as a percentage of covered-employee payroll	26%	27%	27%	20%

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

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

LAST TEN FISCAL YEARS*

	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset) - Local Group	0.0192113659%	0.0186655683%	0.0190835813%	0.0141831411%	0.0161515486%	0.0161122246%	0.0158916053%
Authority's proportionate share of the net pension liability (asset)	\$ 3,461,697	\$ 3,675,155	\$ 4,442,353	\$ 4,200,640	\$ 3,625,699	\$ 2,829,422	\$ 3,037,202
Authority's covered-employee payroll	\$ 1,365,909	\$ 1,361,404	\$ 1,276,233	\$ 1,129,567	Not available	Not available	Not available
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	255.30%	269.95%	348.08%	371.88%	Not available	Not available	Not available
Plan fiduciary net position as a percentage of the total pension liability - Local Group	56.27%	53.60%	48.10%	40.14%	47.93%	48.62%	46.72%

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

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

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.26% as of June 30, 2019.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

LAST TEN FISCAL YEARS*

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 186,870	\$ 185,662	\$ 176,789	\$ 126,001	\$ 138,860	\$ 124,583	\$ 119,740
Contributions in relation to the contractually required contribution	(186,870)	(185,662)	(176,789)	(126,001)	(138,860)	(124,583)	(119,740)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 1,355,909	\$ 1,361,404	\$ 1,276,233	\$ 1,129,567	Not available	Not available	Not available
Contributions as a percentage of covered-employee payroll	13.78%	13.64%	13.85%	11.15%	Not available	Not available	Not available

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

REQUIRED SUPPLEMENTARY INFORMATION

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

BALANCE SHEETS – TRUSTEE HELD FUNDS

	2019	2018
ASSETS		
Investments, Principally U.S. Government Obligations	\$ 235,663,277	\$ 376,414,768
Accrued Interest Receivable	74,115	291,658
Due from Colleges and Universities	2,350,492	2,358,000
Loans and Leases Receivable	4,707,946,553	4,924,145,855
Total Assets	\$ 4,946,034,437	\$ 5,303,210,281
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,328,978	\$ 11,177,824
Accrued Interest Payable	89,397,037	94,982,577
Bonds, Notes, and Leases Payable	4,742,324,053	4,963,318,355
Funds Held in Trust	110,984,369	233,731,525
Total Liabilities	\$ 4,946,034,437	\$ 5,303,210,281

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

STATEMENTS OF CHANGES IN TRUSTEE HELD FUNDS

	2019	2018
Funds Held in Trust - Beginning of Year	\$ 233,731,525	\$ 477,778,180
Additions:		
Proceeds from Sale of Bonds and Issuance of Notes:		
Par Amount	88,785,159	5,000,000
Annual Loan and Rental Requirements	499,118,381	477,661,427
College and University Contributions (Returned)	(33,264)	(23,770)
Investment Income	4,669,648	6,776,520
U.S. Government Debt Service Subsidies	1,256,039	1,713,039
Change in Investment Valuation Reserve	407,522	(128,672)
Total Additions	594,203,485	490,998,544
Deductions:		
Debt Service:		
Interest	216,483,040	204,082,039
Principal	283,210,206	249,823,706
Project Costs	192,730,702	278,584,826
Issuance Costs	270,271	61,621
Administrative Fees	2,437,350	2,493,007
Transfers to Escrow Accounts for Defeasance of Refunded Issues	21,819,072	-
Total Deductions	716,950,641	735,045,199
Decrease in Funds Held in Trust	(122,747,156)	(244,046,655)
Funds Held in Trust - End of Year	\$ 110,984,369	\$ 233,731,525

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 1 INTRODUCTION

Under the terms of the Authority's enabling legislation, the Authority has the power to issue bonds and notes on behalf of public and private institutions of higher education in the state of New Jersey. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the state of New Jersey.

Because the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. The supplemental financial statements presented herein include information pertaining to funds held by Trustees of the various bond and note issuances of the Authority.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The Trustee Held Funds are presented as fiduciary funds and are held by outside trustees and as such are not intended to present the financial position or results of operations of the Authority. The Trustee Held Funds utilize the accrual basis of accounting.

NOTE 3 FUNDS HELD IN TRUST

Funds held in trust include amounts in the construction, debt service and debt service reserve funds and the renewal and replacement accounts established for each bond issue. Balances maintained in the construction funds represent unexpended proceeds allocated for specific projects; the debt service fund, debt service reserve fund, and renewal and replacement account balances represent amounts reserved for payment of debt service and the renewal and replacement of major components of projects as required by the provisions of the various series resolutions. The following is a schedule of the aggregate funds held in trust as of December 31, 2019 and 2018:

	2019	2018
Construction Funds	\$ 101,391,244	\$ 224,046,794
Debt Service Funds	881,136	1,273,014
Debt Service Reserve Funds	7,732,251	7,732,251
Renewal and Replacement Accounts	979,738	679,466
Total Funds Held in Trust	<u>\$ 110,984,369</u>	<u>\$ 233,731,525</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 4 CASH AND INVESTMENTS

Investments permitted in the Trustee Held Funds are authorized by the respective Bond Resolutions. All funds held by the trustees may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the state of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the state of New Jersey.

Investments held by trustees are carried at fair value and comprise the following:

	2019	2018
Investments:		
Collateralized Investment Agreements	\$ 2,591,727	\$ 34,483,753
U.S. Treasury and Agency Obligations*	233,071,550	341,931,015
Total Investments	\$ 235,663,277	\$ 376,414,768

* Includes \$181,974,977 and \$269,632,536 of investments in pooled U.S. Treasury funds at December 31, 2019 and 2018, respectively, which are uncategorized.

NOTE 5 LOANS AND LEASES RECEIVABLE

Since its inception, the Authority has issued obligations of \$18,003,453,125 as of December 31, 2019, for the benefit of various public and private institutions of higher education. The obligations are secured by loans, mortgages, leases and other agreements, the terms of which generally correspond to the amortization of the related bond issues.

The loans and mortgages are secured by revenues produced by the facilities and by other legally available funds of the institutions. For projects under lease agreements, the Authority is the owner of those projects. It is the intention of the Authority to transfer title in the projects at the expiration of the leases. Accordingly, the leases are being accounted for as financing transactions.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 5 LOANS AND LEASES RECEIVABLE (continued)

	2019	2018
Loans:		
Institute for Advanced Study	\$ 35,220,000	\$ 38,090,000
New Jersey Institute of Technology	49,300,000	49,790,000
Princeton Theological Seminary	-	627,500
Princeton University	1,698,235,000	1,751,180,000
Mortgages:		
Bloomfield College	28,713,062	29,479,623
Caldwell University (formerly Caldwell College)	17,511,310	17,005,153
College of Saint Elizabeth	20,425,000	20,730,000
Fairleigh Dickinson University	55,926,991	61,020,087
Georgian Court University	25,762,500	26,842,500
Institute for Defense Analyses	7,320,000	7,865,000
Rider University	71,125,000	72,770,000
Saint Peter's University (formerly Saint Peter's College)	22,229,980	24,481,446
Seton Hall University	166,177,500	170,292,500
Stevens Institute of Technology	113,402,500	115,905,000
Leases:		
Kean University	298,112,442	305,024,896
Montclair State University	371,162,500	383,575,000
New Jersey City University	133,200,000	138,190,000
Passaic County Community College	11,627,500	11,925,000
Ramapo College of New Jersey	204,617,500	212,342,500
Rowan University	51,340,000	56,232,500
Thomas Edison State University (formerly Thomas Edison State College)	8,132,777	9,405,849
The College of New Jersey	320,507,500	331,955,000
Stockton University (formerly The Richard Stockton College of New Jersey)	209,672,491	212,831,301
The William Paterson University of New Jersey	158,775,000	166,795,000
Higher Education Capital Improvement Fund	408,950,000	459,445,000
Higher Education Facilities Trust Fund	155,785,000	167,620,000
Higher Education Equipment Leasing Fund	26,665,000	39,140,000
Higher Education Technology Infrastructure Fund	27,675,000	30,090,000
Library Grant Program	10,375,000	13,495,000
	\$ 4,707,946,553	\$ 4,924,145,855
Total		

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 6 BONDS, NOTES AND LEASES PAYABLE

Bonds, notes, and leases payable comprise the following:

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding	
				December 31, 2019	2018
Bloomfield College 2013 Series A	\$ 32,267,000	5/13/2043	Variable	\$ 28,713,062	\$ 29,479,623
Caldwell University (formerly Caldwell College): 2013 Series E	20,000,000	5/31/2038	3.629%	-	17,005,153
2019 Series A	17,000,000	6/1/2044	3.730%	16,796,151	-
Fairleigh Dickinson University: 2006 Series G	14,505,000	7/1/2028	4.954%	8,030,000	8,725,000
2006 Series H	2,147,554	7/1/2027	4.954%	521,991	577,587
2014 Series B	51,925,000	2/1/2029	3.678%	39,005,000	41,405,000
2015 Series B	19,675,000	7/1/2045	3.932%	8,735,000	11,045,000
Georgian Court University: 2017 Series G	13,325,000	7/1/2037	3.818%	13,200,000	13,280,000
2017 Series H	14,095,000	7/1/2033	4.196%	13,110,000	14,095,000
Higher Education Capital Improvement Fund: Series 2002 A	194,590,000	9/1/2022	4.599%	1,640,000	1,640,000
Series 2014 A	164,245,000	9/1/2033	3.889%	134,160,000	140,695,000
Series 2014 B	14,345,000	9/1/2033	3.671%	11,715,000	12,285,000
Series 2014 C	21,230,000	9/1/2020	1.696%	4,015,000	7,750,000
Series 2014 D	3,490,000	9/1/2020	1.712%	660,000	1,275,000
Series 2016 A	252,270,000	9/1/2024	2.841%	126,465,000	160,690,000
Series 2016 B	142,715,000	9/1/2036	4.733%	130,295,000	135,110,000
Higher Education Equipment Leasing Fund: Series 2014 A	82,235,000	6/1/2023	1.894%	23,705,000	35,380,000
Series 2014 B	7,105,000	6/1/2023	1.894%	2,960,000	3,760,000
Higher Education Facilities Trust Fund: Series 2014	199,855,000	6/15/2029	3.246%	155,785,000	167,620,000
Higher Education Technology Infrastructure Fund: Series 2014	38,110,000	6/1/2028	3.039%	27,675,000	30,090,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding	
				December 31,	
				2019	2018
Institute for Advanced Study:					
2006 Series B	\$ 29,600,000	7/1/2031	3.990%	\$ 19,500,000	\$ 21,100,000
2006 Series C	20,000,000	7/1/2036	Variable	14,300,000	14,900,000
2008 Series C	11,255,000	7/1/2021	3.619%	1,420,000	2,090,000
Institute for Defense Analysis:					
2000 Series D	16,695,000	10/1/2030	Variable	7,320,000	7,865,000
Kean University:					
Series 2009 A	179,380,000	9/1/2036	6.404%	-	360,000
Series 2015 H	117,175,000	7/1/2039	3.762%	97,995,000	103,340,000
Series 2017 C	184,230,000	9/1/2036	3.626%	184,230,000	184,230,000
Series 2017 D	15,655,000	9/1/2039	3.310%	15,655,000	15,655,000
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	10,375,000	13,495,000
Montclair State University:					
Series 2006 J	154,110,000	7/1/2034	4.300%	11,460,000	17,695,000
Series 2007 A	6,150,000	7/1/2021	4.022%	1,335,000	1,955,000
Series 2014 A	189,365,000	7/1/2044	4.212%	177,940,000	182,045,000
Series 2015 D	73,770,000	7/1/2036	3.767%	69,520,000	69,520,000
Series 2016 B	118,190,000	7/1/2038	2.875%	117,490,000	118,190,000
New Jersey City University:					
Series 2007 F	17,910,000	7/1/2032	4.337%	12,910,000	13,765,000
Series 2008 F	6,175,000	7/1/2036	7.039%	6,175,000	6,175,000
Series 2010 F	24,065,000	7/1/2028	3.313%	13,015,000	14,975,000
Series 2010 G	18,310,000	7/1/2040	4.062%**	18,310,000	18,310,000
Series 2015 A	35,340,000	7/1/2045	3.932%	35,340,000	35,340,000
Series 2016 D	52,075,000	7/1/2035	2.886%	49,990,000	52,075,000
New Jersey Institute of Technology:					
Series 2010 H	50,965,000	7/1/2031	4.280%	29,340,000	29,340,000
Series 2010 I	20,450,000	7/1/2040	4.304%**	20,450,000	20,450,000
Passaic County Community College:					
Series 2010 C	13,635,000	7/1/2041	5.355%	11,780,000	12,070,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding	
				December 31, 2019	2018
Princeton Theological Seminary: 2009 Series B	\$ 14,435,000	12/1/2032	2.878%	\$ -	\$ 1,255,000
Princeton University:					
2003 Series D	114,495,000	7/1/2019	3.727%	-	11,130,000
2010 Series B	250,000,000	7/1/2040	4.034%	-	5,785,000
2011 Series B	250,000,000	7/1/2041	4.087%	215,845,000	221,460,000
2014 Series A	200,000,000	7/1/2044	3.773%	189,030,000	191,935,000
2015 Series A	156,790,000	7/1/2035	2.317%	117,700,000	134,735,000
2015 Series D	150,000,000	7/1/2045	3.403%	144,415,000	144,415,000
2016 Series A	109,500,000	7/1/2035	2.525%	105,610,000	105,610,000
2016 Series B	117,820,000	7/1/2027	1.769%	110,015,000	113,020,000
2017 Series B	342,240,000	7/1/2036	2.911%	307,705,000	325,455,000
2017 Series C	141,095,000	7/1/2047	3.505%	141,095,000	141,095,000
2017 Series I	357,105,000	7/1/2040	2.968%	351,820,000	357,105,000
Ramapo College of New Jersey:					
Series 2011 A	19,090,000	7/1/2021	3.325%	2,220,000	3,890,000
Series 2012 B	80,670,000	7/1/2042	3.689%	73,120,000	74,105,000
Series 2015 B	45,180,000	7/1/2040	3.585%	40,360,000	41,835,000
Series 2017 A	99,450,000	7/1/2047	3.505%	92,845,000	96,310,000
Rider University:					
2012 Series A	52,020,000	7/1/2037	3.741%	30,200,000	31,800,000
2017 Series F	41,770,000	7/1/2047	4.187%	41,770,000	41,770,000
Rowan University:					
Series 2011 C	30,045,000	7/1/2025	3.705%	12,550,000	15,120,000
Series 2016 C	45,300,000	7/1/2031	2.129%	41,595,000	43,200,000
Saint Peter's University (formerly Saint Peter's College):					
2007 Series G	36,053,465	7/1/2027	4.217%	22,229,980	24,481,446

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding	
				December 31, 2019	2018
Seton Hall University:					
2011 Series A	\$ 35,470,000	7/1/2026	2.997%	\$ 5,270,000	\$ 5,900,000
2013 Series D	41,910,000	7/1/2043	2.707%	35,800,000	38,510,000
2015 Series C	22,205,000	7/1/2037	3.819%	19,505,000	20,200,000
2016 Series C	36,265,000	7/1/2046	3.198%	36,265,000	36,265,000
2017 Series D	39,520,000	7/1/2047	3.853%	39,520,000	39,520,000
2017 Series E	31,915,000	7/1/2039	3.914%	31,915,000	31,915,000
Stevens Institute of Technology:					
2017 Series A	119,905,000	7/1/2047	3.976%	114,685,000	117,125,000
The College of New Jersey:					
Series 2010 B	41,090,000	7/1/2040	4.748%**	-	1,045,000
Series 2012 A	26,255,000	7/1/2019	1.637%	-	5,145,000
Series 2013 A	24,950,000	7/1/2043	4.561%	23,015,000	23,535,000
Series 2015 G	114,525,000	7/1/2031	3.301%	110,285,000	114,525,000
Series 2016 F	87,925,000	7/1/2040	2.928%	87,925,000	87,925,000
Series 2016 G	105,255,000	7/1/2034	3.323%	105,255,000	105,255,000
The College of Saint Elizabeth:					
2016 Series D	21,435,000	7/1/2046	4.566%	20,580,000	20,880,000
Stockton University (formerly The Richard Stockton College of New Jersey):					
Series 2015 E	18,830,826	7/1/2028	2.830%	13,447,491	14,866,301
Series 2016 A	202,445,000	7/1/2041	3.175%	197,120,000	198,810,000
Thomas Edison State University (formerly Thomas Edison State College):					
Series 2011 D	8,000,000	10/1/2031	3.516%	4,237,005	4,658,058
Series 2014 B	7,000,000	12/1/2024	2.500%	3,685,000	4,370,000
The William Paterson University of New Jersey:					
Series 2008 C	88,670,000	7/1/2038	4.724%	-	5,170,000
Series 2012 C	33,815,000	7/1/2042	2.955%	30,230,000	30,750,000
Series 2012 D	21,860,000	7/1/2028	2.489%	11,840,000	12,985,000
Series 2015 C	45,695,000	7/1/2040	3.538%	30,785,000	34,650,000
Series 2016 E	60,755,000	7/1/2038	2.877%	58,485,000	60,755,000
Series 2017 B	27,065,000	7/1/2047	3.796%	26,255,000	26,710,000
Series 2019 A	5,070,000	7/1/2038	3.450%	5,070,000	-

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 6 BONDS, NOTES AND LEASES PAYABLE (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2019	2018
Notes Payable					
Princeton University: Various Commercial Paper	\$ 120,000,000 *	N/A	Variable	\$ 15,000,000	\$ 5,000,000
Leases Payable					
Kean University	10,000,000	7/1/2020	3.140%	750,000	1,750,000
Kean University	15,000,000	2/15/2021	2.820%	1,312,442	2,362,396
Thomas Edison State University	2,700,000	9/28/2022	Variable	210,772	281,029
Thomas Edison State University	948,000	7/1/2019	2.427%	-	96,762
Caidwell	3,000,000	N/A	Variable	715,159	-
				<u>\$ 4,742,324,053</u>	<u>\$ 4,963,318,355</u>

* Maximum authorized amount.

** Build America Bond

The minimum aggregate principal maturities for each of the following five-year periods are as follows:

2020 - 2023	\$ 973,907,775
2024 - 2028	1,230,240,454
2029 - 2033	1,091,723,734
2034 - 2038	851,123,241
2039 - 2043	350,531,545
2044 - 2047	244,797,304
Total	<u>\$ 4,742,324,053</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
DECEMBER 31, 2019 AND 2018**

NOTE 7 REFUNDED BOND ISSUES

When conditions have warranted, the Authority has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by the Escrow Agent, an amount which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Authority's financial statements.

Certain transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The debt service savings, together with any accounting gain or loss that will be deferred, accrue to the respective institutions.

Refunded bonds outstanding at December 31, 2019 comprise the following:

Issue	Principal Amount Outstanding December 31, 2019	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Stevens Institute of Technology 1998 Series I	\$ 2,310,000	\$ 6,050,000	No Call	N/A*	8/2/2007	2007 Series A	\$ 71,060,000
Princeton Theological Seminary Series 2010 A	45,550,000	49,205,000	7/1/2020	N/A**			
New Jersey Institute of Technology Series 2010 H	11,500,000	19,545,000	7/1/2020	N/A**			
Drew University Series 2003 C	5,110,000	11,385,000	7/1/2021	N/A**			

* Debt Restructuring

** Not NJEFA Refunding Bonds



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and fiduciary funds of the New Jersey Educational Facilities Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 13, 2020.

Internal Control Over Financial Reporting

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

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

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

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

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

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

**Management and Members of
New Jersey Educational Facilities Authority
Princeton, New Jersey**
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
July 13, 2020

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
2020 BUDGET VARIANCE ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

EXECUTIVE SUMMARY

Net Operating Income

The NJEFA concluded June with year-to-date net operating income in the amount of \$388,290 based on year to date revenues of \$1,692,042 and expenses of \$1,303,752.

Revenues

Year-to-date revenues were \$175,564 more than projected due to higher investment income than was budgeted and timing of initial fees.

Expenses

Operating expenditures for the first six months of the year were under budget by \$361,997 primarily due to timing of expenditures and staff vacancies.

Exhibits

Report	Page
Actual vs. Budget Report	1
Operating Account – Vendor Payments	2
Summary of Construction Funds	3

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACTUAL vs. BUDGET REPORT
JUNE 2020

	Month Ended June 30, 2020			Year-to-Date June 30, 2020		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating Revenues</u>						
Annual Administrative Fees	\$ 197,850	\$ 197,851	\$ (1)	\$ 1,187,104	\$ 1,187,102	\$ 2
Initial Fees	191,410	127,187	64,223	356,250	254,376	101,874
Investment Income	22,762	12,500	10,262	148,688	75,000	73,688
	<u>\$ 412,022</u>	<u>\$ 337,538</u>	<u>\$ 74,484</u>	<u>\$ 1,692,042</u>	<u>\$ 1,516,478</u>	<u>\$ 175,564</u>
<u>Operating Expenses</u>						
Salaries	\$ 112,931	\$ 120,020	\$ 7,089	\$ 702,481	\$ 780,140	\$ 77,659
Employee Benefits	40,158	65,011	24,853	244,637	390,069	145,432
Provision for Post Ret. Health Benefits	10,416	10,417	1	62,500	62,498	(2)
Office of The Governor	2,083	2,083	-	12,500	12,502	2
Office of The Attorney General	6,250	6,250	-	38,422	37,500	(922)
Sponsored Programs & Meetings	-	983	983	492	5,902	5,410
Telecom & Data	2,903	3,300	397	15,075	19,800	4,725
Rent	16,445	16,667	222	98,670	99,998	1,328
Utilities	2,132	2,333	201	12,790	14,002	1,212
Office Supplies & Postage Expense	410	2,250	1,840	5,387	13,500	8,113
Travel & Expense Reimbursement	-	1,167	1,167	215	6,998	6,783
Staff Training & Conferences	270	2,583	2,313	809	15,502	14,693
Insurance	4,272	5,500	1,228	25,632	33,000	7,368
Publications & Public Relations	-	1,750	1,750	-	10,500	10,500
Professional Services	9,726	17,168	7,442	52,964	102,990	50,026
Dues & Subscriptions	1,959	5,792	3,833	11,652	34,748	23,096
Maintenance Expense	1,052	1,433	381	7,845	8,602	757
Depreciation	1,947	2,917	970	11,681	17,498	5,817
Contingency	-	-	-	-	-	-
	<u>212,954</u>	<u>267,624</u>	<u>54,670</u>	<u>1,303,752</u>	<u>1,665,749</u>	<u>361,997</u>
Net Operating Income	<u>\$ 199,068</u>	<u>\$ 69,914</u>	<u>\$ 129,154</u>	<u>\$ 388,290</u>	<u>\$ (149,271)</u>	<u>\$ 537,561</u>

NJEFA
Vendor Payments
June 2020

10:12 AM

Type	Date	Num	Name	Memo	Account	Accrual Basis Amount
Bill Pmt -Check	06/04/2020	EFT	NJSHBP	ID 150400 06/20	Accounts Payable	20,902.32
Bill Pmt -Check	06/04/2020	EFT	NJSHBP	ID 150400 06/20	Accounts Payable	3,049.89
Bill Pmt -Check	06/05/2020	EFT	BMO Financial Group	PPE Supplies, Crash Plan	Accounts Payable	168.31
Bill Pmt -Check	06/24/2020	2037	Comcast	060720	Accounts Payable	88.40
Bill Pmt -Check	06/24/2020	2038	DocuSafe	125899	Accounts Payable	173.92
Bill Pmt -Check	06/24/2020	2039	Government News Network	87574-G	Accounts Payable	350.00
Bill Pmt -Check	06/24/2020	2040	NJ Alliance For Action, Inc.	Inv 35936, 35994	Accounts Payable	270.00
Bill Pmt -Check	06/24/2020	2041	NJ Economic Development Authority	2020June	Accounts Payable	1,454.90
Bill Pmt -Check	06/24/2020	2042	NJ OIT Fiscal Services	2020May	Accounts Payable	1,270.49
Bill Pmt -Check	06/24/2020	2043	PFM Asset Management LLC	SMA-M0520-17464D, MAC-M0420-1339	Accounts Payable	1,371.48
Bill Pmt -Check	06/24/2020	2044	The Hartford	Acct 12566813 WC7/1/20-7/1/21	Accounts Payable	3,482.00
Bill Pmt -Check	06/24/2020	2045	The Wall Street Journal	041212250423 06/2020-7/2021	Accounts Payable	539.88
Bill Pmt -Check	06/24/2020	2046	Thomson Reuters - West	842484593 NJ Statutes	Accounts Payable	330.00
Bill Pmt -Check	06/24/2020	2047	Treasurer, State of New Jersey - DAG	FY20203rdQtr	Accounts Payable	26,038.00
Bill Pmt -Check	06/24/2020	2048	Treasurer, State of New Jersey - Pinnacle	053120	Accounts Payable	1,184.70
Bill Pmt -Check	06/24/2020	2049	UPS	2Y687X210	Accounts Payable	30.17
Bill Pmt -Check	06/24/2020	2050	Verizon Wireless	9855789403	Accounts Payable	359.52
Bill Pmt -Check	06/24/2020	2051	W.B. Mason Company, Inc.	IS1128294	Accounts Payable	47.96
Bill Pmt -Check	06/24/2020	2052	Zions Bank	062020-062021 Custody, 062020-062021 OPEB	Accounts Payable	3,000.00
Bill Pmt -Check	06/30/2020	Wire	SS&C Technologies, Inc	INV/513516	Accounts Payable	12,625.00
						76,736.94

New Jersey Educational Facilities Authority
Summary of Construction Funds
As of June 30, 2020

<u>Institution</u>	<u>Description</u>	<u>Bond Proceeds</u>	<u>Net Disbursed</u>	<u>Balance</u>	<u>% Complete</u>
Private					
Seton Hall University	Construction new student housing and athletic facilities	\$70,000,000.00	-	\$70,000,000.00	0%
Seton Hall University	University Center & Boland Hall Renovations	30,000,000.00	-	30,000,000.00	0%
Stevens Institute of Technology	Student Housing and University Center	191,200,000.00	(63,366,332.39)	127,833,667.61	33%
Stevens Institute of Technology	Various Renov & Improvements, Refund 1998 I, 2007 A	76,911,558.14	(70,007,212.79)	6,904,345.35	91%
Rider University	Academic & Residential Facilities, Science & Technology Bldg	44,228,160.45	(31,055,436.34)	13,172,724.11	70%
Georgian Court University	Various Capital Improvements & Renovations, Refund 07 D, H	7,874,383.16	(107,343.04)	7,767,040.12	1%
Sub Total		<u>\$420,214,101.75</u>	<u>(\$164,536,324.56)</u>	<u>\$255,677,777.19</u>	
Public					
Ramapo College of New Jersey	Refund 06 I, Renov Library, Learning Center	1,278,830.75	(798,734.41)	10,480,096.34	7%
Sub Total		<u>\$ 1,278,830.75</u>	<u>\$ (798,734.41)</u>	<u>\$ 10,480,096.34</u>	
Other Programs					
Equipment Leasing Fund	Acquisition and Installation of Equipment	\$ 101,266,893.00	\$ (98,258,855.78)	\$ 3,008,037.22	97%
Technology Infrastructure Fund	Development of Technology Infrastructure	41,313,667.00	(39,009,407.96)	2,304,259.04	94%
Capital Improvement Fund	Capital Improvements	191,905,596.00	(186,334,706.29)	5,570,889.71	97%
Facilities Trust Fund	Construct, Reconstruct, Develop & Improve Facilities	219,977,164.00	(205,772,530.49)	14,204,833.51	94%
Capital Improvement Fund	Capital Improvements	146,700,261.19	(138,323,425.97)	8,376,835.22	94%
Sub Total		<u>\$ 701,163,581.19</u>	<u>\$ (667,698,726.49)</u>	<u>\$ 33,464,854.70</u>	
Grand Total		<u>\$ 1,132,656,513.69</u>	<u>\$ (833,033,785.46)</u>	<u>\$ 299,622,728.23</u>	

* This issue has reached a completion rate of 95% or higher and will not appear on future reports.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
2020 BUDGET VARIANCE ANALYSIS
FOR THE SEVEN MONTHS ENDED JULY 31, 2020**

EXECUTIVE SUMMARY

Net Operating Income

The NJEFA concluded July with year-to-date net operating income in the amount of \$514,475 based on year to date revenues of \$2,050,938 and expenses of \$1,536,463.

Revenues

Year-to-date revenues were \$321,379 more than projected due to higher investment income than was budgeted and timing of initial fees.

Expenses

Operating expenditures for the first seven months of the year were under budget by \$389,077 primarily due to timing of expenditures and staff vacancies.

Exhibits

Report	Page
Actual vs. Budget Report	1
Operating Account – Vendor Payments	2
Summary of Construction Funds	3

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACTUAL vs. BUDGET REPORT
JULY 2020

	Month Ended July 31, 2020			Year-to-Date July 31, 2020		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating Revenues</u>						
Annual Administrative Fees	\$ 223,873	\$ 200,581	\$ 23,292	\$ 1,410,977	\$ 1,387,683	\$ 23,294
Initial Fees	125,000	-	125,000	481,250	254,376	226,874
Investment Income	10,023	12,500	(2,477)	158,711	87,500	71,211
	<u>\$ 358,896</u>	<u>\$ 213,081</u>	<u>\$ 145,815</u>	<u>\$ 2,050,938</u>	<u>\$ 1,729,559</u>	<u>\$ 321,379</u>
<u>Operating Expenses</u>						
Salaries	\$ 112,931	\$ 120,020	\$ 7,089	\$ 815,412	\$ 900,160	\$ 84,748
Employee Benefits	39,219	65,011	25,792	283,856	455,080	171,224
Provision for Post Ret. Health Benefits	10,417	10,417	-	72,917	72,915	(2)
Office of The Governor	2,083	2,083	-	14,583	14,585	2
Office of The Attorney General	27,967	6,250	(21,717)	66,389	43,750	(22,639)
Sponsored Programs & Meetings	-	983	983	492	6,885	6,393
Telecom & Data	3,216	3,300	84	18,291	23,100	4,809
Rent	16,445	16,667	222	115,115	116,665	1,550
Utilities	2,132	2,333	201	14,922	16,335	1,413
Office Supplies & Postage Expense	645	2,250	1,605	6,032	15,750	9,718
Travel & Expense Reimbursement	-	1,167	1,167	215	8,165	7,950
Staff Training & Conferences	675	2,583	1,908	1,484	18,085	16,601
Insurance	4,621	5,500	879	30,253	38,500	8,247
Publications & Public Relations	-	1,750	1,750	-	12,250	12,250
Professional Services	7,143	9,335	2,192	60,107	112,325	52,218
Dues & Subscriptions	784	5,792	5,008	12,436	40,540	28,104
Maintenance Expense	2,486	1,433	(1,053)	10,331	10,035	(296)
Depreciation	1,947	2,917	970	13,628	20,415	6,787
Contingency	-	-	-	-	-	-
	<u>232,711</u>	<u>259,791</u>	<u>27,080</u>	<u>1,536,463</u>	<u>1,925,540</u>	<u>389,077</u>
Net Operating Income	<u>\$ 126,185</u>	<u>\$ (46,710)</u>	<u>\$ 172,895</u>	<u>\$ 514,475</u>	<u>\$ (195,981)</u>	<u>\$ 710,456</u>

NJEFA
Vendor Payments
July 2020

3:01 PM

Type	Date	Num	Name	Memo	Account	Accrual Basis Amount
Bill Pmt -Check	07/01/2020	EFT	100 & RW CRA, LLC	Inv 007515	Accounts Payable	22,371.67
Bill Pmt -Check	07/06/2020	EFT	NJSHBP	ID 150400 07/20	Accounts Payable	20,902.32
Bill Pmt -Check	07/06/2020	EFT	NJSHBP	ID 150400 07/20	Accounts Payable	3,049.89
Bill Pmt -Check	07/07/2020	EFT	BMO Financial Group	Acrylic Guard, KB & Mouse, Craspiant	Accounts Payable	189.96
Bill Pmt -Check	07/23/2020	2053	100 & RW CRA, LLC	007653	Accounts Payable	22,371.67
Bill Pmt -Check	07/23/2020	2054	BLX Group, LLC.	Airtrage Invoices	Accounts Payable	16,950.00
Bill Pmt -Check	07/23/2020	2055	Comcast	070720	Accounts Payable	88.40
Bill Pmt -Check	07/23/2020	2056	DocuSign	132730	Accounts Payable	173.92
Bill Pmt -Check	07/23/2020	2057	Government News Network	87913-G	Accounts Payable	350.00
Bill Pmt -Check	07/23/2020	2058	Hawkins, Delafield & Wood	Airtrage Invoices	Accounts Payable	6,250.00
Bill Pmt -Check	07/23/2020	2059	NAHEFFA	FY2021	Accounts Payable	3,000.00
Bill Pmt -Check	07/23/2020	2060	NJ Advances Media	0002602842	Accounts Payable	82.93
Bill Pmt -Check	07/23/2020	2061	NJ OIT Fiscal Services	2020June	Accounts Payable	1,520.88
Bill Pmt -Check	07/23/2020	2062	Perin Medicine	5251	Accounts Payable	105.00
Bill Pmt -Check	07/23/2020	2063	PFM Asset Management LLC	MAC-M0520-13661 OPEB	Accounts Payable	792.88
Bill Pmt -Check	07/23/2020	2064	PFM Financial Advisors LLC	110595 SHU, 110596 TCNJ	Accounts Payable	5,700.00
Bill Pmt -Check	07/23/2020	2065	Polar Inc.	108002 July Aug Sept Rent	Accounts Payable	32.85
Bill Pmt -Check	07/23/2020	2066	TGI Office Automation	INV2363872, INV2399341	Accounts Payable	1,434.50
Bill Pmt -Check	07/23/2020	2067	Treasurer, State of New Jersey - DAG	FY20204thQtr	Accounts Payable	29,429.00
Bill Pmt -Check	07/23/2020	2068	Treasurer, State of New Jersey - Pinnacle	063020	Accounts Payable	1,184.60
Bill Pmt -Check	07/23/2020	2069	UPS	2Y687X250, X270, X280	Accounts Payable	85.33
Bill Pmt -Check	07/23/2020	2070	Verizon Wireless	9857831944	Accounts Payable	421.85
Bill Pmt -Check	07/23/2020	2071	W.B. Mason Company, Inc.	IS1141156	Accounts Payable	64.49
Bill Pmt -Check	07/23/2020	2072	Civil Service Commission	LMS-21-128 Learning & Metrics 15 Usais	Accounts Payable	675.00
Bill Pmt -Check	07/24/2020	EFT	Zions Bank	Processing Chrg	Accounts Payable	25.00
						<u>137,252.14</u>

New Jersey Educational Facilities Authority
Summary of Construction Funds
As of July 31, 2020

<u>Institution</u>	<u>Description</u>	<u>Bond Proceeds</u>	<u>Net Disbursed</u>	<u>Balance</u>	<u>% Complete</u>
Private					
Seton Hall University	Construction new student housing and athletic facilities	\$70,000,000.00	-	\$70,000,000.00	0%
Seton Hall University	University Center & Boland Hall Renovations	30,000,000.00	-	30,000,000.00	0%
Stevens Institute of Technology	Student Housing and University Center	191,200,000.00	(74,233,775.80)	116,966,224.20	39%
Stevens Institute of Technology	Various Renov & Improvements, Refund 1998 I, 2007 A	76,911,558.14	(71,558,875.37)	5,352,682.77	93%
Rider University	Academic & Residential Facilities, Science & Technology Bldg	44,228,160.45	(31,054,762.73)	13,173,397.72	70%
Georgian Court University	Various Capital Improvements & Renovations, Refund 07 D, H	7,874,383.16	(123,406.59)	7,750,976.57	2%
Sub Total		\$420,214,101.75	(\$176,970,820.49)	\$243,243,281.26	
Public					
Ramapo College of New Jersey	Refund 06 I, Renov Library, Learning Center	11,278,830.75	(797,958.76)	10,480,871.99	7%
Sub Total		\$ 11,278,830.75	\$ (797,958.76)	\$ 10,480,871.99	
Other Programs					
Equipment Leasing Fund	Acquisition and Installation of Equipment	\$ 101,266,893.00	\$ (98,258,855.78)	\$ 3,008,037.22	97%
Technology Infrastructure Fund	Development of Technology Infrastructure	41,313,667.00	(39,208,450.96)	2,105,216.04	95%
Capital Improvement Fund	Capital Improvements	191,905,596.00	(186,334,706.29)	5,570,889.71	97%
Facilities Trust Fund	Construct, Reconstruct, Develop & Improve Facilities	219,977,164.00	(205,772,330.49)	14,204,833.51	94%
Capital Improvement Fund	Capital Improvements	146,700,261.19	(138,323,425.97)	8,376,835.22	94%
Sub Total		\$ 701,163,581.19	\$ (667,897,769.49)	\$ 33,265,811.70	
Grand Total		\$ 1,132,656,513.69	\$ (845,666,548.74)	\$ 286,989,964.95	

* This issue has reached a completion rate of 95% or higher and will not appear on future reports.