

THE COUNTY COLLEGE OF MONMOUTH

REPORT ON FINANCIAL STATEMENT AUDIT

FISCAL YEAR ENDED JUNE 30, 2020



BROOKDALE
COMMUNITY COLLEGE

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2020 and 2019

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College
Lincroft, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of Brookdale Community College (the "College"), a component unit of the County of Monmouth, State of New Jersey, and its discretely presented component unit, Brookdale Community College Foundation, as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the College and its discretely presented component unit as of June 30, 2020 and 2019, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 audits 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the College, taken as a whole. The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and State of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

**Certified Public Accountants
Braintree, Massachusetts**

DATE

DRAFT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

DRAFT

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management’s Discussion and Analysis
For the fiscal years ended June 30, 2020 and 2019

Management’s Discussion and Analysis (MD&A) presents the financial performance of Brookdale Community College (the “College”) during the fiscal year ended June 30, 2020. This MD&A will provide various financial analyses comparing fiscal year 2020 to fiscal year 2019, as well as fiscal year 2018 activity.

Enrollment

The College’s enrollment is comprised of credit and noncredit full-time equated students (FTEs). A full-time equated student represents a student or combination of students taking 30 credits.

	2020	2019	2018	Change 2019-2020
Credit FTEs	8,004	8,363	8,929	(359)
Noncredit FTEs	481	484	488	(3)
Total FTEs	8,485	8,847	9,417	(362)

Full-time equated enrollment for credit and noncredit enrollment in fiscal year 2020 was 8,485, compared to fiscal year 2019 FTE enrollment of 8,847. This represents a 4 percent decrease.

- Credit enrollment decreased from 8,363 FTEs in fiscal year 2019 to 8,004 FTEs in fiscal year 2020, which represents a 4.3 percent decrease.
- Noncredit enrollment decreased from 484 FTEs in fiscal year 2019 to 481 FTEs in fiscal year 2020, which represents a less than one percent decrease.
- Credit enrollment decreases are consistent with the national trend across the higher education sector.

General Financial Information

The College’s basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board (GASB).

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2020 and 2019

Financial Highlights

Condensed Schedule of Net Position

The following represents assets, liabilities and net position of the College as of June 30, 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2019-2020</u>
Current Assets	\$ 27,818,073	27,898,126	15,731,642	(80,053)
Noncurrent Assets:				
Capital Assets	<u>155,930,790</u>	<u>158,407,347</u>	<u>160,095,135</u>	<u>(2,476,557)</u>
Total Assets	<u>\$ 183,748,863</u>	<u>186,305,473</u>	<u>175,826,777</u>	<u>(2,556,610)</u>
Deferred Outflow of Resources	<u>\$ 8,347,028</u>	<u>11,145,590</u>	<u>14,447,374</u>	<u>(2,798,562)</u>
Current Liabilities	\$ 16,190,836	21,054,745	13,401,944	(4,863,909)
Noncurrent Liabilities	<u>66,808,815</u>	<u>72,392,682</u>	<u>80,375,544</u>	<u>(5,583,867)</u>
Total Liabilities	<u>\$ 82,999,651</u>	<u>93,447,427</u>	<u>93,777,488</u>	<u>(10,447,776)</u>
Deferred Inflows of Resources	<u>15,653,551</u>	<u>17,288,895</u>	<u>16,210,117</u>	<u>(1,635,344)</u>
Net Position:				
Net Investment in Capital Assets	\$ 122,144,210	123,733,109	123,597,241	(1,588,899)
Restricted	88,690	623,077	708,533	(534,387)
Unrestricted	<u>(28,790,211)</u>	<u>(37,641,445)</u>	<u>(44,019,228)</u>	<u>8,851,234</u>
Total Net Position	<u>\$ 93,442,689</u>	<u>86,714,741</u>	<u>80,286,546</u>	<u>6,727,948</u>

The decrease in current assets of \$80,053 is due to the following:

- An increase in cash and equivalents of \$7,928,793.
- A decrease in accounts receivable of \$410,657 mainly due to the unappropriated portion of Institutional CARES funding.
- A decrease in deposits held by trustees of \$8,224,387 mainly due to the proceeds of the MCIA 2009 bonds being refunded and paid off in fiscal year 2020. The call date on these bonds was August 1, 2019.
- A decrease in prepaid expenses of \$195,116.

Net capital assets decreased by \$2,476,557, due to capital asset additions net of retirements of \$3,725,673 less net change in accumulated depreciation of \$6,202,230.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2020 and 2019

Financial Highlights – Continued

Condensed Schedule of Net Position – Continued

Deferred outflows of resources decreased \$2,798,562 due to a decrease in net pension liability of \$2,617,455 and deferred gain on bond refinancing of \$181,107.

The decrease in current liabilities of \$4,863,909 is due to the following:

- Accounts payable and accrued expenses increased \$99,990.
- Unearned student tuition and fees decreased \$625,467.
- Unearned grant revenue increased \$3,078,384 due to receipt of CARES funding.
- Current portion of long-term debt decreased \$7,416,816 due to refunded MCIA 2009 bonds with a call date in August. Funds to pay the refunded bonds were held in an escrow account in FY19. The call date occurred in FY20.

Non-current liabilities decreased \$5,583,867 due to the following:

- Long-term debt decreased \$1,876,337.
- Net pension liability decreased \$3,707,530 representing the net pension liability allocated to Brookdale Community College in the State of New Jersey Public Employees' Retirement System and State of New Jersey Police and Firemen's Retirement System audit reports.

Capital Asset Activity

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	2019	Additions	Retirements/ Depreciation	2020
Land	\$ 5,882,462	\$ -	\$ -	\$ 5,882,462
Buildings and improvements	264,333,369	4,474,762	(1,140,340)	267,667,791
Furniture and equipment	14,040,116	573,068	(181,817)	14,431,367
Total	284,255,947	5,047,830	(1,322,157)	287,981,620
Less accumulated depreciation:	(125,848,600)	(6,382,847)	180,617	(132,050,830)
Capital Assets, Net	\$ 158,407,347	\$ (1,335,017)	\$ (1,141,540)	\$ 155,930,790

As a best practice, the College contracts with a third-party firm to conduct an independent physical inventory of all College assets every 5 years, and as such conducted a physical inventory during 2016.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2020 and 2019

Summary of Revenues, Expenses, and Changes in Net Position

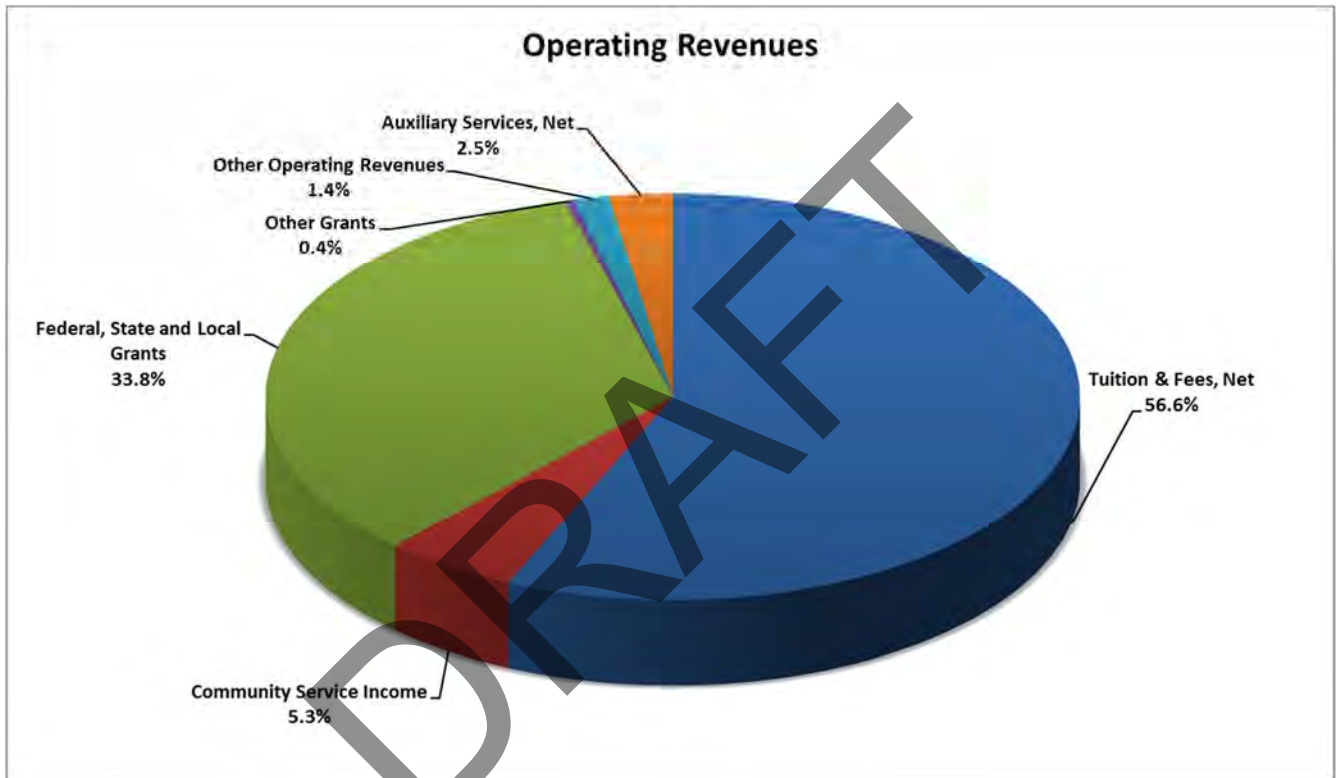
The College receives revenue from three main sources: student tuition and fees, State aid, and County support. The balance of revenue is from miscellaneous sources, which include Continuing Professional Services, Grants and Auxiliary services (bookstore, dining & events).

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2019-2020</u>
Operating Revenues:				
Tuition, net	\$ 19,349,250	20,566,210	21,259,259	\$ 1,216,960
Fees	8,158,840	7,875,632	4,547,313	(283,208)
Chargebacks to other counties	340,018	257,409	265,960	(82,609)
Community service income	2,612,557	3,136,967	3,084,201	524,410
Federal, state and local grants	16,619,077	16,737,648	16,831,794	118,571
Other grants	176,714	158,662	149,842	(18,052)
Other operating revenues	701,017	671,850	1,251,857	(29,167)
Auxiliary services, net	<u>1,245,580</u>	<u>1,920,349</u>	<u>4,728,486</u>	<u>674,769</u>
Total operating revenues	49,203,053	51,324,727	52,118,712	2,121,674
Operating expenses	<u>95,049,940</u>	<u>94,035,914</u>	<u>101,932,636</u>	<u>1,014,026</u>
Operating loss	<u>(45,846,887)</u>	<u>(42,711,187)</u>	<u>(49,813,924)</u>	<u>3,135,700</u>
Nonoperating Revenues (Expenses):				
Federal grants	1,445,912	-	-	(1,445,912)
State appropriations	8,954,612	10,285,798	10,325,921	1,331,186
Local appropriations	20,027,019	20,027,019	20,027,019	-
Pell grants	13,187,338	13,534,193	14,233,433	346,855
Other nonoperating revenues	4,259,256	4,170,106	6,059,385	(89,150)
Other nonoperating expenses	(1,386,145)	(1,406,139)	(347,389)	(19,994)
Bond issuance expense	-	(232,841)	(5,500)	(232,841)
Interest expense	<u>(1,348,334)</u>	<u>(1,418,559)</u>	<u>(1,570,672)</u>	<u>(70,225)</u>
Net Nonoperating Revenues	<u>45,139,658</u>	<u>44,959,577</u>	<u>48,722,197</u>	<u>1,265,831</u>
Loss Before Other Revenues	(707,229)	2,248,390	(1,091,727)	4,401,531
Other Revenues:				
Capital Appropriations	<u>7,435,177</u>	<u>4,179,805</u>	<u>3,141,105</u>	<u>(3,255,372)</u>
Increase (Decrease) in Net Position	<u>6,727,948</u>	<u>6,428,195</u>	<u>2,049,378</u>	<u>1,146,159</u>
Net Position as of Beginning of Year	<u>86,714,741</u>	<u>80,286,546</u>	<u>78,237,168</u>	<u>(6,428,195)</u>
Net Position as of End of Year	<u>\$ 93,442,689</u>	<u>86,714,741</u>	<u>80,286,546</u>	<u>(6,727,948)</u>

BROOKDALE COMMUNITY COLLEGE
 (A Component Unit of the County of Monmouth)
 Management’s Discussion and Analysis - Continued
 For the fiscal years ended June 30, 2020 and 2019

Revenues

The College charged \$145.00 and \$138.00 per student credit hour (“SCH”) to a maximum of \$2,175.00 and \$2,070.00 per term in fiscal years 2020 and 2019, respectively. In addition, the College charged a General Service Fee of 27% and 26% of tuition, or \$39.15 and \$35.88 per student credit hour to a maximum of \$587.25 and \$538.20, respectively during the same periods. Those fees helped fund technology enhancements, student life and activities, capital improvements and debt service obligations.



Net tuition, fee, and chargeback revenue decreased \$851,143. A 6% increase in tuition and fee rates were offset by a 6.3% decline in FTE enrollment resulting in a decrease in revenue of \$2,121,674. In addition, scholarship allowances increased \$1,308,013.

The College’s Auxiliary Services revenue, (Bookstore, Event Management and Dining Services) decreased \$674,769. These services were suspended in mid-March due COVID-19 which forced the College to close.

Nonoperating revenues

State aid decreased by \$1,331,186 due to the reduction of State funding resulting from the COVID-19 pandemic.

Total County aid of \$20,027,019 remained unchanged from 2019 to 2020.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2020 and 2019

Expenses

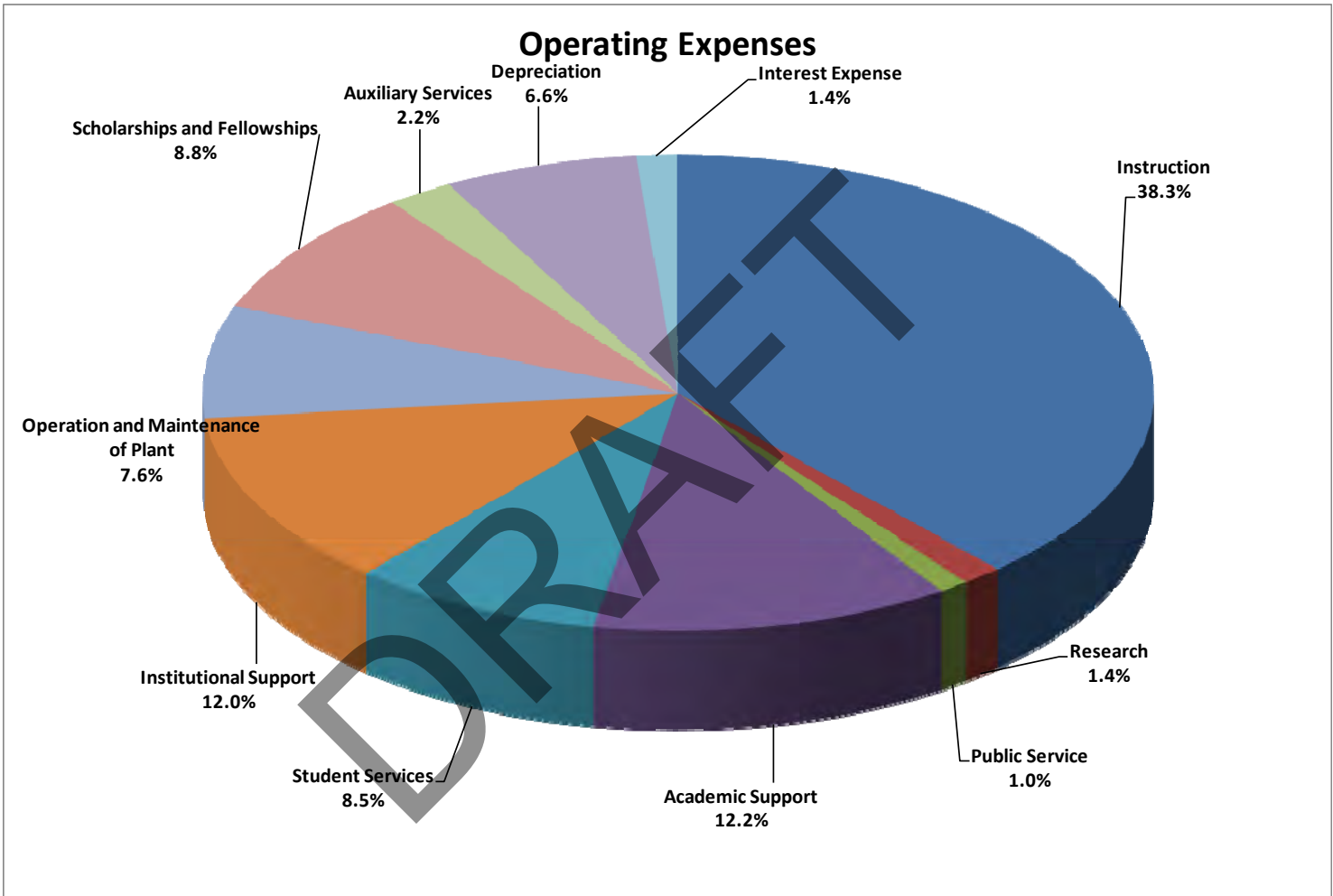
Operating expenses are those expenses paid by the College to acquire or produce goods and services to fulfill its mission. Naturally, the majority of expenses were integral to the College's core mission – student success. The College had total operating and interest expense of \$96,398,273 in FY20 compared to \$95,454,473 in FY19. The operating expenses of the College by functional classification for the years ended June 2020, 2019 and 2018 were:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2019-2020</u>
Operating Expenses:				
Instruction	\$ 36,823,803	36,756,680	39,203,721	67,123
Research	1,329,533	1,545,931	822,961	(216,398)
Public service	971,156	1,110,688	1,041,138	(139,532)
Academic support	11,758,603	10,663,968	11,498,779	1,094,635
Student services	8,203,540	7,701,149	7,761,263	502,391
Institutional support	11,579,895	10,345,128	10,717,362	1,234,767
Operation and maintenance of plant	7,314,697	8,231,412	9,635,342	(916,715)
Scholarships and fellowships	8,516,957	8,932,552	9,121,701	(415,595)
Auxiliary services	2,168,909	2,289,259	5,711,049	(120,350)
Depreciation	6,382,847	6,459,147	6,419,320	(76,300)
Total operating expenses	<u>95,049,940</u>	<u>94,035,914</u>	<u>101,932,636</u>	<u>1,014,026</u>
Interest expense	<u>1,348,334</u>	<u>1,418,559</u>	<u>1,570,672</u>	<u>(70,225)</u>
Total operating and interest expenses \$	<u><u>96,398,274</u></u>	<u><u>95,454,473</u></u>	<u><u>103,503,308</u></u>	<u><u>943,801</u></u>

BROOKDALE COMMUNITY COLLEGE
 (A Component Unit of the County of Monmouth)
 Management's Discussion and Analysis - Continued
 For the fiscal years ended June 30, 2020 and 2019

Expenses – Continued

Operating and interest expense in fiscal year 2020 increased \$943,801 from fiscal year 2019. The increase is primarily the result of an increase in restricted expenses.



BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2020 and 2019

Summary of Net Position

The College had the following net position as of June 30,:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2019-2020</u>
Net Position:				
Unrestricted	\$ 13,193,547	6,979,043	2,612,609	6,214,504
Restricted	88,690	623,077	708,533	(534,387)
Impact of GASB 68	(41,895,069)	(44,620,488)	(46,631,857)	2,725,419
	<u>(28,612,832)</u>	<u>(37,018,368)</u>	<u>(43,310,715)</u>	8,405,536
Net Investment in Capital Assets	<u>122,055,521</u>	<u>123,733,109</u>	<u>123,597,241</u>	(1,677,588)
Total Net Position	<u>\$ 93,442,689</u>	<u>86,714,741</u>	<u>80,286,526</u>	<u>6,727,948</u>

CARES Assistance

As a result of the COVID-19 crisis, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted and created the Higher Education Emergency Relief Fund (HEERF) and the College was awarded approximately \$6.3 million of which 50% is required to be distributed to students affected by the COVID-19 crisis as emergency financial aid and the other 50% was available to the College to cover costs due to the COVID-19 crisis. As of June 30, 2020, the College received and expended approximately \$1.2 million for emergency grants to students and received approximately \$0.1 million for institutional costs. The remaining \$5 million will be received and expended in FY 2021.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)

Statements of Net Position

As of June 30,

Assets	Brookdale Community College		Brookdale Community College Foundation	
	2020	2019	2020	2019
Current Assets:				
Cash and Cash Equivalents (Note 3)	\$ 22,121,974	14,193,181	1,383,028	937,985
Accounts Receivable, Net of Allowance of \$980,584 in 2020 and \$1,139,221 in 2019 (Note 4)	5,381,663	4,971,006	51,635	63,688
Deposits Held by Trustees (Note 3)	88,690	8,313,077	—	—
Prepaid Expenses	225,746	420,862	413	336
Total Current Assets	27,818,073	27,898,126	1,435,076	1,002,009
Noncurrent Assets:				
Investments (Note 3)	—	—	5,506,612	5,819,591
Capital Assets, Net of Accumulated Depreciation of \$132,050,830 in 2020 and \$125,848,600 in 2019 (Note 6)	155,930,790	158,407,347	—	—
Total Noncurrent Assets	155,930,790	158,407,347	5,506,612	5,819,591
Total Assets	183,748,863	186,305,473	6,941,688	6,821,600
 Deferred Outflows of Resources				
Related to Pensions	5,581,115	8,198,570	—	—
Deferred Loss on Bond Refinancing (Note 7)	2,765,913	2,947,020	—	—
	8,347,028	11,145,590	—	—
 Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Expenses (Note 5)	9,631,913	9,531,923	54,504	35,995
Unearned Student Tuition and Fees	1,715,150	2,340,617	—	—
Unearned Grant Revenue	3,188,773	110,389	—	—
Long-Term Debt, Current Portion (Note 7)	1,655,000	9,071,816	—	—
Total Current Liabilities	16,190,836	21,054,745	54,504	35,995
Noncurrent Liabilities:				
Long-Term Debt, Net of Current Portion (Note 7)	34,986,182	36,862,519	—	—
Net Pension Liability	31,822,633	35,530,163	—	—
Total Noncurrent Liabilities	66,808,815	72,392,682	—	—
Total Liabilities	82,999,651	93,447,427	54,504	35,995
 Deferred Inflows of Resources				
Related to Pensions	15,653,551	17,288,895	—	—
 Net Position				
Net Investment in Capital Assets	122,055,521	123,733,109	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	2,284,411	2,293,370
Expendable:				
Capital	88,690	623,077	—	—
Scholarships	—	—	2,781,536	3,016,323
Unrestricted (Note 8)	(28,701,522)	(37,641,445)	1,821,237	1,475,912
Total Net Position	\$ 93,442,689	86,714,741	6,887,184	6,785,605

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,

	Brookdale Community College		Brookdale Community College Foundation	
	2020	2019	2020	2019
Operating revenues:				
Student revenues:				
Tuition, Net of Scholarship Allowances of \$18,092,189 in 2020 and \$16,784,176 in 2019	\$ 19,349,250	20,566,210	—	—
Chargebacks to Other Counties	340,018	257,409	—	—
	<u>19,689,268</u>	<u>20,823,619</u>	<u>—</u>	<u>—</u>
Auxiliary services, net of scholarships of \$729,977 for 2020 and \$771,955 in 2019	1,245,580	1,920,349	—	—
Fees	8,158,840	7,875,632	—	—
Net Student Revenues	29,093,688	30,619,600	—	—
Community Service Income	2,612,557	3,136,967	—	—
Federal Grants	10,825,776	12,079,714	—	—
State Grants	5,398,221	4,211,298	—	—
Local Grants	395,080	446,636	—	—
Other Grants	176,714	158,662	—	—
Special Events	—	—	125,330	258,583
Other Operating Revenues	701,017	671,850	—	—
Total operating revenues	<u>49,203,053</u>	<u>51,324,727</u>	<u>125,330</u>	<u>258,583</u>
Operating Expenses:				
Instruction	36,823,803	36,756,680	—	—
Research	1,329,533	1,545,931	—	—
Public Service	971,156	1,110,688	—	—
Academic Support	11,758,603	10,663,968	—	—
Student Services	8,203,540	7,701,149	—	—
Institutional Support	11,579,895	10,345,128	233,843	252,411
Operation and Maintenance of Plant	7,314,697	8,231,412	—	—
Scholarships and Fellowships	8,516,957	8,932,552	949,765	959,914
Auxiliary Services	2,168,909	2,289,259	—	—
Depreciation	6,382,847	6,459,147	—	—
Total Operating Expenses	<u>95,049,940</u>	<u>94,035,914</u>	<u>1,183,608</u>	<u>1,212,325</u>
Operating Loss	<u>(45,846,887)</u>	<u>(42,711,187)</u>	<u>(1,058,278)</u>	<u>(953,742)</u>
Nonoperating Revenues (Expenses):				
Federal grants	1,445,912	—	—	—
State Appropriations	8,954,612	10,285,798	—	—
Local Appropriations	20,027,019	20,027,019	—	—
Pell Grants	13,187,338	13,534,193	—	—
Contributions	—	—	950,941	748,916
Investment Income	—	—	208,916	426,057
Other Nonoperating Revenues	4,259,256	4,170,106	—	—
Other Nonoperating Expenses	(244,605)	(277,054)	—	—
Disposition of property and equipment	(1,141,540)	(1,129,085)	—	—
Interest Expense	(1,348,334)	(1,418,559)	—	—
Bond issuance Expense	—	(232,841)	—	—
On-Behalf Payments - Other Post-Employment Benefits:				
Revenues	2,889,223	6,625,220	—	—
Expenses	(2,889,223)	(6,625,220)	—	—
On-Behalf Payments - Alternate Benefit Program				
Revenues	2,095,925	2,013,549	—	—
Expenses	(2,095,925)	(2,013,549)	—	—
On-Behalf Payments - Police & Firemen's Retirement System				
Revenues	69,978	74,140	—	—
Expenses	(69,978)	(74,140)	—	—
Net Nonoperating Revenues	<u>45,139,658</u>	<u>44,959,577</u>	<u>1,159,857</u>	<u>1,174,973</u>
Increase (Decrease) in Net Position	<u>(707,229)</u>	<u>2,248,390</u>	<u>101,579</u>	<u>221,231</u>
Other Revenues				
Capital Appropriations	7,435,177	4,179,805	—	—
Increase in Net Position	6,727,948	6,428,195	101,579	221,231
Net Position as of Beginning of Year	<u>86,714,741</u>	<u>80,286,546</u>	<u>6,785,605</u>	<u>6,564,374</u>
Net Position as of End of Year	<u>\$ 93,442,689</u>	<u>86,714,741</u>	<u>6,887,184</u>	<u>6,785,605</u>

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Cash Flows
For the Years Ended June 30,

Brookdale Community College		
	2020	2019
Cash flows from operating activities:		
Student tuition and fees (including chargebacks to other counties)	\$ 27,376,108	28,758,568
Noncredit revenue	2,708,167	3,136,425
Grants and contracts	19,449,298	16,335,200
Grant payments	(31,250,129)	(30,430,504)
Payments to suppliers	(6,340,560)	(3,989,115)
Payments to employees	(42,811,120)	(44,578,815)
Payments for scholarships and fellowships	(7,786,980)	(8,160,597)
Auxiliary services:		
Bookstore and dining services receipts	635,247	1,038,718
Bookstore and dining services payments	(138,370)	(184,179)
Other auxiliary services payments	(1,314,453)	(1,549,268)
Other operating receipts	701,017	671,851
Net cash used in operating activities	(38,771,775)	(38,951,716)
Cash flows from noncapital financing activities:		
Federal grants	1,445,912	—
State appropriations	8,954,612	10,285,798
Local appropriations	20,027,019	20,027,019
Pell Grants	13,187,338	13,534,193
Other non-operating revenues and expenses	2,873,111	3,828,343
Net cash provided by noncapital financing activities	46,487,992	47,675,353
Cash flows from capital financing activities:		
Proceeds from issuance of debt	—	7,690,000
Costs from issuance of debt	—	(232,841)
Payments on capital debt	(9,293,153)	(1,844,402)
Capital appropriations	7,435,177	4,179,805
Interest paid on capital debt	(1,106,005)	(1,531,470)
Purchases of capital assets	(5,047,830)	(5,671,884)
Net cash provided by (used in) capital financing activities	(8,011,811)	2,589,208
Change in cash and equivalents	(295,594)	11,312,845
Cash and equivalents, Beginning of year	22,506,258	11,193,413
Cash and equivalents, End of year	\$ 22,210,664	22,506,258
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (45,846,887)	(42,711,187)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	6,382,847	6,459,147
Net pension expense	(2,725,419)	(2,011,369)
Changes in assets and liabilities:		
Grants and other receivables	(410,660)	(847,632)
Prepaid expenses	195,116	(6,006)
Accounts payable and accrued expenses	1,180,311	243,469
Unearned student tuition and fees	(625,467)	(87,041)
Unearned grant revenue	3,078,384	8,903
Net cash used in operating activities	\$ (38,771,775)	(38,951,716)

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2020 and 2019

(1) Organization

Brookdale Community College (the “College”) was established in 1967 as a unit of the New Jersey Master Plan for Higher Education and became part of a statewide network of 18 county colleges. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees) as well as programs and certificates which are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive Continuing and Professional Studies operation which provides lifelong learning opportunities to the citizens and businesses of the County of Monmouth (the “County”). The College opened its doors to students on September 29, 1969.

The work of the College is centered on the main campus in Lincroft, New Jersey, on the site of the former Brookdale Farm. The main campus is spread across more than 200 acres of woodlands and rolling hills and includes 27 buildings comprised of classrooms, library, theatre/auditorium, student center, bookstore, sports arena, dining facilities, administrative offices, maintenance shop, and the Monmouth Museum.

The College also operates at five Higher Education Centers located throughout the County in Freehold, Wall, Neptune, Long Branch, and Hazlet. Offerings at these sites include GED preparation, Adult Basic Education, English as a Second Language, and a variety of credit courses. Additionally, the College has developed unique partnerships with four-year institutions to offer Brookdale students the ability to earn associate, bachelor and master’s degrees at all Brookdale locations.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 23, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester and the 2020 summer semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded \$6,334,411 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is eligible for the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operation due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$1,267,000 for emergency grants to students and \$178,912 for institutional costs from the HEERF funds.

(2) Summary of Significant Accounting Policies

Component Unit

The College organized Brookdale Community College Foundation (the “Foundation”), a legally separate component unit, in 1973, under the laws of the State of New Jersey (the “State”), for the sole benefit of the College, faculty, and students. The purpose of the Foundation is to receive, hold, invest, administer, encourage, and solicit contributions from the general public for the benefit of the College. The Foundation’s efforts benefit the College in the undertaking of projects which foster and promote educational philosophy and the mission and goals of the College; in providing funds for the development of curriculum and education media; and in the creation of scholarships. The financial statements of the Foundation are presented discretely in the College’s financial statements because of the nature and significance of its relationship with the College, including its ongoing financial support of the College. Copies of the Foundation’s financial statements can be obtained by writing to Brookdale Community College Foundation, Lincroft, New Jersey.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(2) **Summary of Significant Accounting Policies (continued)**

Deferred Outflows and Deferred Inflows of Resources

The statements of net position report separate sections for deferred inflows of resources and deferred outflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reports after total liabilities, represents an increase of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (“GASB”). The College is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the College’s proportion of expenses and liabilities to the pension as a whole, differences between the College’s pension contribution and its proportionate share of contributions, and the College’s pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Bond Refinancing – In a transaction involving current refundings or advance refundings resulting in defeasance of debt, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest expense over a period of time that is the shorter of the remaining life of the old debt or the life of the new debt.

Pensions

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

Adoption of New Governmental Accounting Pronouncement

The College adopted GASB Statement 84 – *Fiduciary Activities*. The objective of this statement is to establish the criteria for identifying and reporting fiduciary activities. Implementation of this statement is on a retroactive basis as of July 1, 2018. The implementation of this statement did not have a material effect on the financial statements.

New Government Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after July 1, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

New Government Accounting Pronouncements (continued)

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use-asset and a corresponding liability would be recognized for SBITAs.

Management has not completed its review of the requirements of these standards and their applicability.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with *Government Auditing Standards*. The College reports its financial statements as a business-type activity, as defined by GASB Statement 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Net Position

The College classifies its resources into three net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
 - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently by the College.
 - Expendable* – Net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted* – Net position not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the College’s Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

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

Other

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

- (a) Cash and equivalents consist of cash on deposit with banks and money market funds with original maturities of three months or less when purchased.
- (b) Investments are stated at fair value, which is based upon quoted market prices, and consist of certificates of deposit, equities, bonds and notes, and mutual funds. Interest, dividends and changes in the fair value of investments consisting of both realized and unrealized gains or losses, are reported as investment income on the statements of revenues, expenses and changes in net position.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Other (continued)

- (c) Capital assets are recorded at historical cost and include land, buildings and building improvements, and furniture and equipment over \$5,000. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as the projects are constructed and transferred to the appropriate asset category upon completion. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives
Buildings and building improvements	10 - 45 years
Furniture and equipment	5 - 10 years

- (d) The County is generally responsible for the issuance of certain bonds and notes for the College's capital expenditures which are financed by County bond ordinances; unexpended bond ordinances are available for capital expenditures in subsequent years. The County is also responsible for the payment of interest on this issued debt and the retirement of such obligations. Accordingly, this debt is reported in the financial statements of the County and is not included in the accompanying financial statements of the College. However, The Monmouth County Improvement Authority has issued Lease Revenue Bonds for which the College is responsible for future debt service payments (see Note 7).
- (e) Compensated absences are those absences for which employees will be paid for vacation when used. A liability is accrued for compensated absences that are earned and unused in accordance with the College's policy at June 30th of each fiscal year. Eligible employees earn a right to vacation benefits based on seniority.
- (f) Student tuition and fees and auxiliary services are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the period incurred. Student tuition and fees collected for courses that are held subsequent to fiscal year-end are recorded as unearned student tuition and fees in the accompanying statements of net position.
- (g) Grants receivable represent amounts awarded to, but not yet received by, the College. Revenues are recognized as the grants are expended. Amounts received from grants which have not yet been earned under the terms of the agreements are recorded as unearned grant revenue in the accompanying statements of net position.
- (h) Revenue from State of New Jersey and the County appropriations is recognized in the fiscal years during which the State of New Jersey and the County appropriate the funds to the College.
- (i) Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Other (continued)

- (j) Auxiliary services expenses include direct and indirect administration and general costs related to their operations.
- (k) Chargebacks to other counties represent the amount the College charges the counties in which out-of-county students reside for their portion of the College's operating expenses, as provided by the criteria and procedures specified in the Statement of Auditing and Accounting Standards for County Colleges recommended by the Council of County Colleges and for use by the Department of Treasury pursuant to New Jersey Statutes Annotated ("N.J.S.A.") 18A:64A-22 and 29.
- (l) The College receives appropriations from the State of New Jersey and the County. The College is economically dependent on these appropriations to carry on its operations. The College is considered a component unit of the County.
- (m) Grants and contributions are recorded as unrestricted revenue or restricted net position depending on the absence or existence of any donor restrictions. Unconditional grants and contributions are recognized as revenue when the related promise to give is disclosed.
- (n) Donor-restricted grants and contributions whose restrictions are satisfied in the same period as funds are recognized are reported as unrestricted support in the statements of revenues, expenses and changes in net position.
- (o) The College's policy defines operating activities in the statements of revenues, expenses, and changes in net position as those that serve the College's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary services, and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State of New Jersey and the County, contributions, and investment income. Interest expense is reported as a nonoperating expense.
- (p) The College is exempt from federal income taxes under Internal Revenue Code Section 115. The Foundation is an organization described under Section 501(c)(3) of the Internal Revenue Code ("Code") and therefore is exempt from federal income taxes under 501(a) of the Code.
- (q) The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension and OPEB liabilities.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(3) Cash and Equivalents and Investments

Cash and Equivalents

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College’s deposits may not be returned. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies.

As of June 30, 2020 and 2019, the College’s and Foundation’s combined bank balances of \$24,331,948 and \$23,087,139, respectively, were insured, collateralized, or uninsured as follows:

	Brookdale Community College		Brookdale Community College Foundation	
	2020	2019	2020	2019
Insured	\$ 250,000	\$ 500,000	\$ 250,000	\$ 250,000
Collateralized Under GUDPA	22,605,794	13,324,591	-	-
Uninsured	93,126	634,563	1,133,028	687,985
	\$ 22,948,920	\$ 14,459,154	\$ 1,383,028	\$ 937,985

Deposits held by trustees represent assets held by trustees under the terms of various agreements with the New Jersey Educational Facilities Authority (“NJEFA”) and another financial institution. During fiscal year 2019, the College refinanced an existing bond, Lease Revenue Bonds – Series 2009, (see Note 7). In connection with the refinancing, \$7,690,000 was deposited with a financial institution until the bond could be called. The bond was paid off with these funds during fiscal year 2020. Deposits held by trustees are carried in the financial statements at fair value and consist entirely of cash and equivalents. As of June 30, 2020 and 2019, the College’s deposits held by trustees are \$88,690 and \$8,313,077, respectively.

Investments

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, or are held by either the counterparty or the counterparty’s trust department or agent but not in the College’s name. The Foundation’s investments for the years ended June 30, 2020 and 2019, were \$5,506,612 and \$5,819,591, respectively, in certificates of deposit, mutual funds, bonds and notes, and equities at various financial institutions.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(3) Cash and Equivalents and Investments (continued)

Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, to mitigate this risk, most investments purchased have a maturity date of no more than one year. The Foundation monitors the investment maturities of bond investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase, and the College has no investment policy that limits its investment choices. The Foundation's investment policy establishes guidelines for permissible investments, which include certificates of deposits, mutual funds, equities, and bonds.

Foreign Currency Credit Risk

As of June 30, 2020 and 2019, the Foundation's exposure to foreign current risk is as follows:

2020				
Investment	Currency	Maturity	Fair Value	Rating
Bank of Montreal	Canadian dollar	4/13/2021	\$ 10,217	A+
			<u>\$ 10,217</u>	
2019				
Investment	Currency	Maturity	Fair Value	Rating
Toronto Dominion	Canadian dollar	2/12/2021	\$ 7,000	A+
Medtronic Global Holdings	European euro	4/1/2027	<u>12,746</u>	A
			<u>\$ 19,746</u>	

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(3) Cash and Equivalents and Investments (continued)

Investments (continued)

Concentration of Credit Risk

The College and the Foundation do not place a limit on the amount that may be invested in any one issuer. The risk categories for the bond fund holdings held by the Foundation as of June 30, are as follows:

<u>Investment rating*</u>	<u>2020</u>	<u>2019</u>
AAA	\$ 431,698	\$ 501,493
AA+	21,927	45,018
AA	10,861	-
AA-	17,384	75,903
A+	36,258	41,065
A	206,878	120,505
A-	204,519	291,833
BBB+	145,739	213,652
BBB	133,484	238,129
BBB-	-	31,271
BB+	-	23,059
BB	24,928	-
	<u>\$ 1,233,676</u>	<u>\$ 1,581,928</u>

*These ratings are determined by Standard & Poor's, a division of McGraw-Hill Companies, Inc. All ratings represent the opinions of the research provider and are disclaimed as not representations or guarantees of performance.

The Foundation's investments as of June 30, are stated at fair value and consist of the following:

<u>2020</u>					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
Corporate bonds	\$ 711,766	137,685	449,445	124,636	-
Government bonds	511,693	103,199	252,867	57,261	98,366
Foreign bonds	10,217	10,217	-	-	-
	<u>1,233,676</u>	251,101	702,312	181,897	98,366
<u>Other investments</u>					
Mutual funds	10,056				
Preferred stock	123,888				
Equities	4,138,992				
	<u>\$ 5,506,612</u>				

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(3) Cash and Equivalents and Investments (continued)

Investments (continued)

		2019				
		<u>Investment Maturities (in years)</u>				
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>	
Corporate bonds	\$ 1,087,674	78,082	607,812	187,021	214,759	
Government bonds	474,508	21,933	307,088	79,584	65,903	
Foreign bonds	19,746	7,000	-	12,746	-	
	1,581,928	107,015	914,900	279,351	280,662	
 <u>Other investments</u>						
Mutual funds	9,987					
Preferred stock	131,668					
Equities	4,096,008					
	\$ 5,819,591					

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Preferred stocks and equities: Valued at the closing price recorded on the active market on which the individual securities are traded.

Corporate bonds, municipal bonds and government bonds: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

Foreign bonds: Bonds issued by foreign governments that are valued using quoted prices, documented history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(3) Cash and Equivalents and Investments (continued)

Investments (continued)

Mutual Funds: Valued at the net asset value of the shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table is set forth, by level, the College's investments:

	2020			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 711,766	\$ -	\$ 711,766
Government bonds	-	511,693	-	511,693
Foreign bonds	-	10,217	-	10,217
Mutual funds	10,056	-	-	10,056
Preferred stock	123,888	-	-	123,888
Equities	4,138,992	-	-	4,138,992
Total Assets subject to fair value	<u>\$ 4,272,936</u>	<u>\$ 1,233,676</u>	<u>\$ -</u>	<u>\$ 5,506,612</u>
	2019			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 1,087,674	\$ -	\$ 1,087,674
Government bonds	-	474,508	-	474,508
Foreign bonds	-	19,746	-	19,746
Mutual funds	9,987	-	-	9,987
Preferred stock	131,668	-	-	131,668
Equities	4,096,008	-	-	4,096,008
Total Assets subject to fair value	<u>\$ 4,237,663</u>	<u>\$ 1,581,928</u>	<u>\$ -</u>	<u>\$ 5,819,591</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(4) Accounts Receivable

Accounts receivable consisted of the following as of June 30,:

	Brookdale Community College		Brookdale Community College Foundation	
	2020	2019	2020	2019
Federal, state and local grants receivable	\$ 2,692,702	2,413,390	-	-
Student accounts receivable	1,820,491	2,138,630	-	-
Community development receivables	131,838	227,447	-	-
Other receivables	1,717,216	1,330,760	51,635	63,688
	6,362,247	6,110,227	51,635	63,688
Less allowance for doubtful accounts	980,584	1,139,221	-	-
	\$ 5,381,663	4,971,006	51,635	63,688

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30,:

	Brookdale Community College		Brookdale Community College Foundation	
	2020	2019	2020	2019
Vendors	\$ 403,601	942,303	-	-
Construction	1,059,190	1,042,847	-	-
Payroll	3,331,762	2,964,108	-	-
Pension contribution	1,964,526	1,830,092	-	-
Compensated absences - vacation	2,265,261	2,125,483	-	-
State of New Jersey unemployment	337,003	331,238	-	-
Other	270,570	295,852	54,504	35,995
	\$ 9,631,913	9,531,923	54,504	35,995

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(6) Capital Assets

Capital assets consisted of the following as of June 30,:

	Balance			Balance
	June 30, 2019	Additions	Retirements	June 30, 2020
Depreciable Assets:				
Buildings and Building Improvements	\$ 264,768,607	4,474,762	(1,141,540)	268,101,829
Equipment	13,604,879	573,068	(180,617)	13,997,330
Total	<u>278,373,486</u>	<u>5,047,830</u>	<u>(1,322,157)</u>	<u>282,099,159</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(114,573,357)	(5,487,987)	-	(120,061,344)
Equipment	(11,275,244)	(894,860)	180,617	(11,989,487)
Total	<u>(125,848,601)</u>	<u>(6,382,847)</u>	<u>180,617</u>	<u>(132,050,831)</u>
Depreciable Assets, Net	152,524,885	(1,335,017)	(1,141,540)	150,048,328
Nondepreciable Asset - Land	5,882,462	-	-	5,882,462
Capital Assets, Net	<u>\$ 158,407,347</u>	<u>(1,335,017)</u>	<u>(1,141,540)</u>	<u>155,930,790</u>
	Balance			Balance
	June 30, 2018	Additions	Retirements	June 30, 2019
Depreciable Assets:				
Buildings and Building Improvements	\$ 260,339,378	5,558,314	(1,129,085)	264,768,607
Equipment	13,372,510	342,130	(109,761)	13,604,879
Total	<u>273,711,888</u>	<u>5,900,444</u>	<u>(1,238,846)</u>	<u>278,373,486</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(109,091,875)	(5,481,482)	-	(114,573,357)
Equipment	(10,407,340)	(977,665)	109,761	(11,275,244)
Total	<u>(119,499,215)</u>	<u>(6,459,147)</u>	<u>109,761</u>	<u>(125,848,601)</u>
Depreciable Assets, Net	154,212,673	(558,703)	(1,129,085)	152,524,885
Nondepreciable Asset - Land	5,882,462	-	-	5,882,462
Capital Assets, Net	<u>\$ 160,095,135</u>	<u>(558,703)</u>	<u>(1,129,085)</u>	<u>158,407,347</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(7) Long-Term Debt

Long-term debt consisted of the following as of June 30,:

	June 30, 2019	Increase	Decrease	June 30, 2020
A. Lease Revenue Bonds - Series 2009 Issue:				
Serial bonds (Interest rates from 2.0% to 5.125%; due on various dates)	\$ 1,995,000	\$ -	\$ (1,995,000)	\$ -
B. Term Bonds (Interest rate from 3.5% to 4.0%)	5,695,000	-	(5,695,000)	-
C. Lease Revenue Bonds - Series 2012 Issue:				
Serial Bonds (Interest rates from 2.0% to 5.0%; due on various dates through fiscal year 2026)	4,515,000	-	(500,000)	4,015,000
D. Equipment Leasing Fund	41,814	-	(41,814)	-
E. Lease Revenue Bonds - Series 2015 Issue				
Serial Bonds (Interest rates from 3.0% to 5.0%; due on various dates through fiscal year 2036)	19,125,000	-	(755,000)	18,370,000
Term Bonds (Interest rate 3.5%; due through fiscal year 2039)	5,005,000	-	-	5,005,000
F. Lease revenue bonds - Series 2019 issue:				
Serial Bonds (Interest rates from 3.0% to 5.0%; due on various dates through fiscal year 2032)	6,575,000	-	(85,000)	6,490,000
G. Bond Premium	2,982,521	-	(221,339)	2,761,182
Sub-total Bonds	<u>45,934,335</u>	<u>-</u>	<u>(9,293,153)</u>	<u>36,641,182</u>
H. Net Pension Liability	<u>35,530,163</u>	<u>-</u>	<u>(3,707,530)</u>	<u>31,822,633</u>
Total liabilities	<u>\$ 81,464,498</u>	<u>-</u>	<u>(13,000,683)</u>	<u>68,463,815</u>
Less: current portion of bonds				<u>(1,655,000)</u>
Total Long-Term Debt				<u>\$ 66,808,815</u>
	June 30, 2018	Increase	Decrease	June 30, 2019
A. Lease Revenue Bonds - Series 2008 Issue:				
Before Refunding-Serial bonds (Interest rates from 4.75% to 5% due on various dates through fiscal year 2019)	\$ 620,000	\$ -	\$ (620,000)	\$ -
B. Lease Revenue Bonds - Series 2009 Issue:				
Serial Bonds (Interest rates from 2.0% to 5.125%; due on various dates through fiscal year 2023)	2,455,000	-	(460,000)	1,995,000
Term Bonds (interest rate from 3.5% to 4.0%; due in fiscal years 2025 to 2032)	5,695,000	-	-	5,695,000
C. Lease Revenue Bonds - Series 2012 Issue:				
Serial Bonds (Interest rates from 2.0% to 5.0%; due on various dates through fiscal year 2026)	4,995,000	-	(480,000)	4,515,000
D. Equipment Leasing Fund	81,811	-	(39,997)	41,814
E. Lease Revenue Bonds - Series 2015 Issue				
Serial Bonds (Interest rates from 3.0% to 5.0%; due on various dates through fiscal year 2036)	19,225,000	-	(100,000)	19,125,000
Term Bonds (interest rate 3.5%; due through fiscal year 2039)	5,005,000	-	-	5,005,000
F. Lease revenue bonds - Series 2019 issue:				
Serial Bonds (Interest rates from 3.0% to 5.0%; due on various dates through fiscal year 2032)	-	6,575,000	-	6,575,000
F. Bond Premium	2,137,784	989,142	(144,405)	2,982,521
	<u>40,214,595</u>	<u>7,564,142</u>	<u>(1,844,402)</u>	<u>45,934,335</u>
H. Net Pension Liability	<u>41,860,946</u>	<u>-</u>	<u>(6,330,783)</u>	<u>35,530,163</u>
Total Liabilities	<u>\$ 82,075,541</u>	<u>\$ 7,564,142</u>	<u>\$ (8,175,185)</u>	<u>\$ 81,464,498</u>
Less: current portion of bonds				<u>(9,071,816)</u>
Total Long-Term Debt				<u>\$ 72,392,682</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(7) Long-Term Debt (continued)

- A. The lease revenue bonds – Series 2008 were issued by The Monmouth County Improvement Authority (“MCIA”) pursuant to an agreement with the College for the purpose of funding for the Big Four Projects, which was comprised of renovations to the Collins Arena, Fitness Center, AutoTech facility, and the Freehold Campus. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

On September 2, 2015, the MCIA pursuant to an agreement with the College issued lease revenue Bond Series 2015. As a result, the Series 2008 was considered partially defeased and the liability in the amount of \$22,820,000 for this bond was decreased to \$1,775,000. The final principal payment of \$620,000 was made during the fiscal year ending June 30, 2019.

- B. The lease revenue bonds – Series 2009 were issued by MCIA pursuant to an agreement with the College for the purpose of refinancing the funding for construction of a multi-purpose student life center on the Lincroft Campus of the College. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Bond principal payments are due August 1 of each year starting in the year 2010 and ending in the year 2029. A bond principal payment of \$460,000 was made on August 1, 2018. On June 6, 2019, the MCIA pursuant to an agreement with the College, issued lease revenue Bond Series 2019. The proceeds from this issuance is included within the College's deposits held by trustees balance on the statements of net position at June 30, 2019. On August 1, 2019, the bonds were redeemed with proceeds from the lease revenue Bond Series 2019.

- C. The lease revenue bonds – Series 2012 were issued MCIA pursuant to an agreement with the College for the purpose of providing funds to MCIA to fund an escrow, the proceeds of which were used for the purpose of refunding all of MCIA’s outstanding Lease Revenue Bonds - Series 2003 and paying certain costs in connection with the issuance of the bonds. As a result, the Series 2003 was considered to be defeased and the liability has been removed from the financial statements. The agreement with MCIA requires the pledging of certain rental revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings, and building improvements.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2012 bonds are not subject to redemption prior to August 1, 2022 and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2012 and ending in the year 2026. A bond principal payment of \$500,000 was made on August 1, 2019. A bond principal payment of \$520,000 is due on August 1, 2020; subsequent bond principal payments incrementally increase thereafter to a maximum of \$635,000 on August 1, 2026.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(7) Long-Term Debt (continued)

- D. In fiscal year 2015, New Jersey Educational Facilities Authority (“NJEFA”) leased certain equipment to the College. The State’s Equipment Leasing Fund provides funds to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment for public and private institutions of higher education. The equipment was purchased with the proceeds of a NJEFA bond issuance. The total amount of equipment financed was \$2,724,217. The College’s basic rent, as set forth in the loan schedule, is equal to approximately 22 percent of the debt service on the bonds, consisting of principal of \$609,466 and interest of \$101,124.

The bonds issued by the NJEFA are tax-exempt and require annual and semiannual principal and interest payments, respectively, which commenced on November 1, 2014, for interest and May 1, 2015, for principal. Final payment was paid on May 1, 2020. The final bond principal payment was \$41,814 and interest was \$1,045.

- E. The lease revenue bonds – Series 2015 were issued by MCIA pursuant to an agreement with the College for the purpose of providing funds to MCIA to fund an escrow, the proceeds of which are to be used for the purpose of refunding all but \$1,775,000 of MCIA’s presently outstanding Lease Revenue Bonds – Series 2008 and pay certain costs in connection with the issuance of the bonds. As a result, the Series 2008 is considered partially defeased and the liability in the amount of \$22,820,000 has been reduced to \$1,775,000. The purpose of the original bond was for the Big Four Projects, which was comprised of renovations to the Collins Arena, Fitness Center, Autotech and the Freehold campus. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2015 bonds are not subject to redemption prior to August 1, 2025 and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in fiscal year 2017 and ending in the year 2039. A bond principal payment of \$750,000 was made on August 1, 2019. A bond principal payment of \$785,000 was made on August 1, 2018; subsequent bond principal payments incrementally increase thereafter to a maximum of \$1,730,000 in August 1, 2038.

- F. The lease revenue bonds – Series 2019 were issued by MCIA in June 2019 pursuant to an agreement with the College for the purpose of refunding the \$7,690,000 MCIA’s presently outstanding Lease Revenue Bonds – Series 2009 and pay certain costs in connection with the issuance of the bonds. The proceeds from this debt issuance was included within the College's deposits held by trustee at June 30, 2019. These bonds were defeased on August 1, 2019. The original purpose of the bonds was to fund the construction of a multi-purpose student life center on the Lincroft Campus of the College.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(7) Long-Term Debt (continued)

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30,:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,655,000	\$ 1,343,221	\$ 2,998,221
2022	1,715,000	1,264,438	2,979,438
2023	1,800,000	1,180,325	2,980,325
2024	1,875,000	1,101,845	2,976,845
2025	1,950,000	1,020,052	2,970,052
2026-2030	9,920,000	3,587,544	13,507,544
2031-2035	8,405,000	1,675,538	10,080,538
2036-2039	6,560,000	373,696	6,933,696
	<u>\$ 33,880,000</u>	<u>\$ 11,546,659</u>	<u>\$ 45,426,659</u>

Interest expense for fiscal year 2020 and 2019 was \$1,348,334 and \$1,418,559, respectively.

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(7) Long-Term Debt (continued)

In connection with the refinancing of the Lease Revenue Bonds - Series 2003 with the Lease Revenue Bonds - Series 2012, the premium on the bond refinancing was \$764,690 and deferred loss on the bond refinancing was \$415,734. Bond premium and deferred loss on the bond refinancing are amortized over 15 years (the life of the bond). As of June 30, 2020 and 2019, the balance of the bond premium was \$350,483 and \$401,464 and the deferred loss was \$190,516 and \$218,232, respectively. The premium on the bond is included in long-term debt on the statements of net position. Deferred loss on the bond refinancing is included in deferred outflows of resources on the statements of net position.

In connection with the refinancing of the Lease Revenue Bonds - Series 2008 with the Lease Revenue Bonds - Series 2015, the premium on the bond refinancing was \$1,934,479 and deferred loss on the bond refinancing was \$3,170,549. Bond premium and deferred loss on the bond refinancing are amortized over 22 years (the life of the bond). As of June 30, 2020 and 2019, the balance of the bond premium was \$1,509,480 and \$1,597,410 and the deferred loss was \$2,473,989 and \$2,618,105, respectively. The premium on the bond is included in long-term debt on the statements of net position. Deferred loss on the bond refinancing is included in deferred outflows of resources on the statements of net position. For fiscal years 2020 and 2019 the amount of premium charged as a reduction of interest expense was \$87,931 and the amount of deferred loss charged as a reduction of interest expense was \$144,116.

In connection with the refinancing of the Lease Revenue Bonds - Series 2009 with the Lease Revenue Bonds - Series 2019, the premium on the bond refinancing was \$989,142 and deferred loss on the bond refinancing was \$111,302. Bond premium and deferred loss on the bond refinancing are amortized over 12 years (the life of the bond). As of June 30, 2020 and 2019, the balance of the bond premium was \$901,219 and \$983,647 and the deferred loss was \$101,408 and \$110,684, respectively. The premium on the bond is included in long-term debt on the statement of net position. Deferred loss on the bond refinancing is included in deferred outflows of resources on the statement of net position. For fiscal years 2020 and 2019 the amount of premium charged as a reduction of interest expense was \$82,429 and \$5,495 for and the amount of deferred loss charged as a reduction of interest expense was \$9,275 and \$618, respectively.

(8) Designations of Unrestricted Net Position

The College had designated portions of its unrestricted net position as of the following as of June 30,:

	2020	2019
Unrestricted net position prior to GASB 68 adjustment	\$ 13,193,547	\$ 6,979,043
Impact of GASB 68 Adjustments	(41,895,069)	(44,620,488)
	\$ (28,701,522)	\$ (37,641,445)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans

Plan Descriptions

The College participates in four major retirement plans for its employees – the State of New Jersey Public Employees’ Retirement System (“PERS”), Police and Firemen’s Retirement System (“PFRS”), Defined Contribution Retirement Program (“DCRP”), and Alternate Benefit Program (“ABP”). ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (“TIAA/CREF”), VOYA Financial, AXA Equitable Life Insurance, MASS Mutual, MetLife, VALIC, and Prudential Retirement. ABP alternatives are administered by a separate Board of Trustees. PERS and PFRS are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey. Generally, all employees, except certain part-time employees, participate in one of these plans.

The State issues a publicly available Comprehensive Annual Financial Report (“CAFR”) of the State of New Jersey Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS plan fiduciary net position. This CAFR can be obtained by writing to, or by visiting the website below.

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions/gasb-notice.shtml>

PERS and PFRS Information

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agency, provided the employee is not a member of another State of New Jersey-administered retirement system. PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time County and municipal police or firemen and State of New Jersey firemen appointed after June 30, 1994.

PERS Benefits Provided

The following represents the membership tiers for PERS:

Tier Definitions

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

PERS Benefits Provided (continued)

by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PFRS Benefits Provided

The following represents the membership tiers for PFRS:

Tier Definitions

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

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

PERS Funding Policy

PERS members are required to contribute 7.5% of their annual covered salary for the years ended June 30, 2020 and 2019. The College is required to contribute at an actuarially determined rate. During the years ended June 30, 2020 and 2019, the College's annual contributions to PERS was \$1,621,648 and \$1,515,273, respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

PFRS Funding Policy

PFRS members are required to contribute 10% of their annual covered salary for the years ended June 30, 2020 and 2019. The College contribution is based upon annual actuarially determined percentages of total compensation of all active members. The College's annual contribution approximates the actuarially determined pension cost for the year and is included in the accompanying financial statements. During fiscal years ended June 30, 2020 and 2019, the College's contribution to PFRS was \$342,878 and \$314,819, respectively. The contribution requirements of the plan members and the College are established and maybe amended by the State of New Jersey.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

DCRP Information

In September 2010, the State of New Jersey mandated that employees otherwise eligible to enroll in PERS, who do not work the minimum required number of hours per week for PERS, but who earn salary of at least \$5,000 annually, are now being enrolled in a defined contribution retirement program (“DCRP”). DCRP members are required to contribute 5.5% of their annual base salary and the College is required to contribute 3%. The contribution requirements of the plan are established and may be amended by the State of New Jersey.

Alternate Benefit Program Information

ABP is organized under Section 410(a) of the Internal Revenue Code and provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating College employees are required to contribute 5% and may contribute voluntary additional contributions of salary up to the maximum federal statutory limit, on a pre-tax basis. Employer contributions, some of which are reimbursed by the State of New Jersey, are 8% of base salary.

During the years ended June 30, 2020 and 2019, ABP contributions, based upon participating employee salaries of \$26,199,068 and \$25,169,367, respectively, were \$1,373,181 and \$1,327,372, respectively, from employees and \$1,401,125 and \$1,366,612, respectively, from the College. During the years ended June 30, 2020 and 2019, the State of New Jersey reimbursed the College \$2,095,925 and \$2,013,549, respectively, for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

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

A special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College as of the June 30, 2020 and 2019, measurement date are as follows:

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

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

	2019	2018
College's Proportionate Share of Net Pension Liability	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	602,259	625,926
	\$ 602,259	\$ 625,926

The following information is related to the PERS and PFRS are cost sharing multiple-employer defined benefit pension plans:

As of June 30, 2020 and 2019, the College reported a liability of \$31,822,633 and \$35,530,163, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarial determined.

The College's proportion of the net pension liability was based on its share of the State of New Jersey's collective pension amounts allocated on the basis of actual fringe benefits charges assessed to the College for the fiscal years 2020 and 2019. The State of New Jersey's proportionate share was based on actual employer contributions to the PERS and PFRS for fiscal years 2020 and 2019 related to total contributions of all participating employers for the fiscal years. At June 30, 2020 and 2019, the College's proportion was 0.07% for PERS and 0.02% for PFRS. For the years ended June 30, 2020 and 2019, the College's recognized pension income of \$915,519 and expense \$412,607, respectively, for PERS and \$260,014 and \$260,014, respectively, for PFRS.

At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

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

	2020					
	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ 502,716	\$ 32,196	\$ 534,912	\$ 123,729	\$ 24,148	\$ 147,877
Changes of Assumptions	2,796,751	130,693	2,927,444	9,721,661	1,232,693	10,954,354
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	442,125	51,680	493,805
Changes in Proportion and Differences Between College's Contributions and Proportionate Share of Contributions	30,584	123,649	154,233	3,466,378	591,137	4,057,515
College's Contributions Subsequent to the Measurement Date	<u>1,621,648</u>	<u>342,878</u>	<u>1,964,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,951,699</u>	<u>\$ 629,416</u>	<u>\$ 5,581,115</u>	<u>\$ 13,753,893</u>	<u>\$ 1,899,658</u>	<u>\$ 15,653,551</u>
	2019					
	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ 589,689	\$ 46,881	\$ 636,570	\$ 159,444	\$ 19,069	\$ 178,513
Changes of Assumptions	5,095,454	395,538	5,490,992	9,887,250	1,180,961	11,068,211
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	290,051	25,210	315,261
Changes in Proportion and Differences Between College's Contributions and Proportionate Share of Contributions	39,009	201,907	240,916	5,339,952	386,958	5,726,910
College's Contributions Subsequent to the Measurement Date	<u>1,515,273</u>	<u>314,819</u>	<u>1,830,092</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,239,425</u>	<u>\$ 959,145</u>	<u>\$ 8,198,570</u>	<u>\$ 15,676,697</u>	<u>\$ 1,612,198</u>	<u>\$ 17,288,895</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

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

As of June 30, 2020 and 2019, \$1,964,526 and \$1,830,092, respectively, reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2020	\$ (1,206,397)	\$ (281,554)	\$ (1,487,951)
2021	(3,913,531)	(591,026)	(4,504,557)
2022	(3,494,555)	(418,570)	(3,913,125)
2023	(1,640,874)	(206,327)	(1,847,201)
2024	(168,485)	(115,643)	(284,128)
	<u>\$ (10,423,842)</u>	<u>\$ (1,613,120)</u>	<u>\$ (12,036,962)</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement for the fiscal years June 30, 2020 and 2019 (measurement years June 30, 2019 and 2018):

	<u>PERS</u>	<u>PFRS</u>
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

The 2020 pension liability with a June 30, 2019 measurement date was determined by an actuarial valuation of July 1, 2018. The 2019 pension liability with a June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

Actuarial Assumptions (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with Directors of Division on Investment and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plans' target asset allocation as of the June 30, 2019 and 2018 measurement date (see the discussion of the pension plans investment policy) are summarized in the following tables:

<u>Asset Class</u>	<u>2020</u>			
	<u>PERS</u>		<u>PFRS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%	3.00%	4.67%
Cash equivalents	5.00%	2.00%	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%	5.00%	2.68%
Investment grade credit	10.00%	4.25%	10.00%	4.25%
High yield	2.00%	5.37%	2.00%	5.37%
Private credit	6.00%	7.92%	6.00%	7.92%
Real assets	2.50%	9.31%	2.50%	9.31%
Real estate	7.50%	8.33%	7.50%	8.33%
U.S. equity	28.00%	8.26%	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%	12.50%	9.00%
Emerging markets equity	6.50%	11.37%	6.50%	11.37%
Private equity	<u>12.00%</u>	10.85%	<u>12.00%</u>	10.85%
	<u>100.00%</u>		<u>100.00%</u>	

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>2019</u>			
	<u>PERS</u>		<u>PFRS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real estate	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	<u>8.25%</u>	13.08%	<u>8.25%</u>	13.08%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan as of June 30, 2019 is 6.28% and for PFRS plan is 6.85%. The discount rate used to measure the total pension liabilities of the PERS plan as of June 30, 2018 is 5.66% and for PFRS plan is 6.51%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (actuarial determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(9) Retirement Plans (continued)

Discount Rate (continued)

The following represents the College's proportionate share of the net pension liability calculated using the above discount rates with a measurement date as of June 30, 2019 and 2018, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

June 30, 2019			
PERS			
	1% Decrease <u>5.28%</u>	Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 35,625,407</u>	<u>\$ 28,008,498</u>	<u>\$ 21,949,206</u>
PFRS (Non-Special Funding Situation)			
	1% Decrease <u>5.85%</u>	Current Discount Rate <u>6.85%</u>	1% Increase <u>7.85%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 5,969,349</u>	<u>\$ 3,814,135</u>	<u>\$ 3,131,091</u>
June 30, 2018			
PERS			
	1% Decrease <u>4.66%</u>	Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 38,881,006</u>	<u>\$ 30,922,123</u>	<u>\$ 24,245,128</u>
PFRS (Non-Special Funding Situation)			
	1% Decrease <u>5.51%</u>	Current Discount Rate <u>6.51%</u>	1% Increase <u>7.57%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 5,773,071</u>	<u>\$ 4,608,040</u>	<u>\$ 2,824,028</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated above.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits

General Information about the OPEB Plan

The College is in a “special funding situation,” as described in GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (“GASB Statement 75”), in that OPEB contributions and expenses are legally required to be made by, and are the sole responsibility of, the State of New Jersey, not the College.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. In accordance with GASB Statement 75, the State Health Benefit Local Education Retired Employees Plan is classified as a single employer defined benefit other post-employment benefit (“OPEB”) plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement 75. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or County College with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Public Employees’ Retirement System (“PERS”), the Police and Firemen Retirement System (“PFRS”), or the Alternate Benefit Program (“ABP”). 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.

The total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits is the responsibility of the individual local education employers.

The OPEB plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division) and is part of the New Jersey State Health Benefits Program. The division issues a publicly available financial report that includes financial reports which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions/financial-reports.shtml>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

Actuarial Assumptions

The total non-employer OPEB liability as of June 30, 2020 and 2019 (measurement dates June 30, 2019 and 2018) was deterred using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2016	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years	Applied to all based on service years

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

The actuarial assumptions used in the June 30, 2019 and 2018 measurement date valuations were based on the results of the actuarial experience studies for the periods July 1, 2010 – June 30, 2013 and July 1, 2011 – June 30, 2014 for PFRS and PERS, respectively.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

Plan Membership

At June 30, 2020 and 2019, the Program membership consisted of the following:

	Measurement Date
	June 30, 2019
Active Plan Members	216,892
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	148,051
	364,943
	Measurement Date
	June 30, 2018
Active Plan Members	217,131
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	145,050
	362,181

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

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of \$2,889,223 and \$6,625,220, respectively, as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with a special funding situation, there is no allocation of the OPEB liability or recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 and 2018, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

OPEB Liabilities, Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

June 30, 2020

Deferred Outflows of Resources Related to OPEB

Contributions made in fiscal year ending June 30, 2020 after June 30, 2019 measurement date	TBD
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Deferred Inflows of Resources Related to OPEB

Difference between actual and expected experience	\$ 10,484,965,300
Changes in assumptions	8,481,529,343
Total	\$ 18,966,494,643

June 30, 2019

Deferred Outflows of Resources Related to OPEB

Contributions made in fiscal year ending June 30, 2019 after June 30, 2018 measurement date	TBD
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Deferred Inflows of Resources Related to OPEB

Difference between actual and expected experience	\$ 4,476,086,167
Changes in assumptions	10,335,978,867
Total	\$ 14,812,065,034

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the state:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Total</u>
2020	\$ (2,546,527,182)
2021	(2,546,527,182)
2022	(2,546,527,182)
2023	(2,546,527,182)
2024	(2,546,527,182)
Thereafter	(6,233,858,733)
	\$ (18,966,494,643)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (“PPO”) medical benefits, for the years ending June 30, 2020 and 2019, this amount initially is 5.7% and 5.8%, respectively, and decreases to 5.0% long-term trend rate after nine and eight years, respectively. For self-insured post-65 PPO medical benefits, the trend rate for the years ending June 30, 2020 and 2019, is 4.5%. For prescription drug benefits, the initial trend rate for the years ending June 30, 2020 and 2018, is 7.5% and 8.0%, respectively decreasing to 5.0% long-term trend rate after seven and eight years, respectively. For the years ending June 30, 2020 and 2019, the Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for measurement date as of June 30, 2019 and June 30, 2018, was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the Division. 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.

Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College’s proportionate share of the net OPEB liability, as well as what the College’s share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	June 30, 2020		
	1.0% Decrease	Current	1.0% Increase
	2.50%	Discount Rate	4.50%
	<u> </u>	<u> </u>	<u> </u>
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 122,108,531	\$ 103,150,363	\$ 88,287,387
State of New Jersey's Total Nonemployer OPEB liability	\$ 49,298,534,898	\$ 41,729,081,045	\$ 35,716,321,820
	June 30, 2019		
	1.0% Decrease	Current	1.0% Increase
	2.87%	Discount Rate	4.87%
	<u> </u>	<u> </u>	<u> </u>
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 124,558,038	\$ 105,360,905	\$ 90,101,167
State of New Jersey's Total Nonemployer OPEB liability	\$ 54,512,391,175	\$ 46,110,832,982	\$ 39,432,461,816

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (continued)

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share if the net OPEB liability would be if were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	June 20, 2019		
	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 87,948,885	\$ 105,360,905	\$ 129,914,394
State of New Jersey's Total Nonemployer OPEB liability	\$ 38,113,289,045	\$ 46,110,832,982	\$ 56,697,891,003
	June 20, 2018		
	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 103,625,179	\$ 125,369,482	\$ 154,154,344
State of New Jersey's Total Nonemployer OPEB liability	\$ 38,113,289,045	\$ 46,110,832,982	\$ 56,697,891,003

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(10) Other Post-Employment Benefits (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (continued)

Changes in the State of New Jersey's Total OPEB Liability

The changes in the State of New Jersey's Total OPEB liability and the College's portion for the fiscal year ended June 30, 2020, (measurement date June 30, 2019) is as follows:

	<u>State OPEB Liability</u>	<u>College Portion of OPEB Liability</u>
Balance at June 30, 2017	\$ 53,639,841,858	\$ 125,369,482
Changes for Year:		
Service cost	1,984,642,729	6,423,813
Interest on the total OPEB liability	1,970,236,232	4,669,942
Difference between expected and actual experiences	(5,002,065,740)	(16,291,698)
Changes of assumptions	(5,291,448,855)	(12,090,691)
Contributions from members	42,614,005	97,370
Gross benefit payments by the state	(1,232,987,247)	(2,817,313)
Net changes	<u>(7,529,008,876)</u>	<u>(20,008,577)</u>
Balance at June 30, 2018	\$ 46,110,832,982	\$ 105,360,905
Changes for Year:		
Service cost	1,734,404,850	3,569,788
Interest on the total OPEB liability	1,827,787,206	4,156,729
Difference between expected and actual experiences	(7,323,140,818)	(8,402,492)
Changes of assumptions	622,184,027	1,537,981
Contributions from members	37,971,171	93,861
Gross benefit payments by the state	(1,280,958,373)	(3,166,409)
Net changes	<u>(4,381,751,937)</u>	<u>(2,210,542)</u>
Balance at June 30, 2019	<u>\$ 41,729,081,045</u>	<u>\$ 103,150,363</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(11) Operating Expenses

The College's operating expenses on a natural classification basis, are comprised of the following at June 30,:

	2020	2019
Compensation and benefits	\$ 60,187,993	\$ 60,627,769
Supplies and services	19,962,143	18,016,586
Depreciation and amortization	6,382,847	6,459,147
Scholarships and fellowships	8,516,957	8,932,412
	\$ 95,049,940	\$ 94,035,914

(12) Commitments and Contingencies

Commitments

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$240,000 and \$240,000 in 2020 and 2019, respectively. Future minimum annual rental commitments, net of sublease rentals, will approximate \$145,000 for the year ending June 30, 2021.

Contingencies

The College is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The College has insurance to cover all buildings, contents or related risks in case of loss, and insures its vehicles and equipment for claims and assessments arising from bodily injury, property damages and other perils. Unfavorable judgments, claims or losses incurred by the College are covered by these policies.

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College.

(13) Compensated Absences

The College has recorded a liability for compensated absences in the amount of \$2,265,261 and \$2,125,483 as of June 30, 2020 and 2019, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is based upon employees' accrued vacation leave as of fiscal year-end. No amounts are recorded for accrued sick leave as the College does not make payments for accrued sick leave to employees upon termination.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(14) Other Postretirement Benefits

Plan Description - The College contributes to the New Jersey State Health Benefits Program (“SHBP”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey, Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the N.J.S.A., Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey, Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP.

Funding Policy - P.L. 1987, c.384 and P.L. 1990, c.6 required the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State’s contribution rate is based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a school district or county college with 25 years of service. Employees who attained 20 years of service on June 28, 2011 and continue to work for a total of 25 years will be eligible for State-paid health benefits. Employees who did not have 20 years of service on June 28, 2011, pay the full premium for retiree health benefits.

(15) Related Party Transactions

The Foundation utilized office space and received certain administrative assistance from the College at no charge during the years ended June 30, 2020 and 2019. The fair value of this space and these services is estimated at \$166,712 and \$165,289 and is included in the Foundation’s statements of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, respectively.

During the fiscal years 2020 and 2019, certain services and expenses are received and paid between the Foundation and the College. All such expenses are put on account and settled periodically between the two parties. As of June 30, 2020 and 2019, the Foundation was indebted to the College in the amount of \$54,504 and \$35,995, respectively, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is noninterest-bearing and is currently payable.

(16) Litigation

The College is also a party to various legal actions arising in the ordinary course of business. Although it is not possible to predict the outcome of these actions, it is the opinion of management that there is no exposure to such matters that, if decided adversely, would be material to the College’s financial position or are not adequately covered by insurance.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

(17) Subsequent Event

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability
Public Employee's Retirement System ("PERS")
(Unaudited)

	Plan Measurement Date Ending June 30,					
	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.07%	0.07%	0.07%	0.09%	0.09%	0.10%
College's proportionate share of the net pension liability	\$ 28,008,498	\$ 30,922,123	\$ 36,509,491	\$ 51,541,272	\$ 42,539,037	\$ 39,460,262
College's covered payroll	\$ 10,592,756	\$ 10,777,437	\$ 10,960,631	\$ 10,660,882	\$ 11,066,065	\$ 12,617,839
College's proportionate share of the net pension liability as a percentage of its covered payroll	264.41%	286.92%	333.10%	483.46%	384.41%	312.73%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

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Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability
Police and Firemen's Retirement System ("PFRS")
(Unaudited)

	Plan Measurement Date Ending June 30,					
	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.02%	0.02%	0.02%	0.03%	0.02%	0.03%
College's proportionate share of the net pension liability	\$ 3,814,135	\$ 4,608,040	\$ 5,351,455	\$ 6,888,643	\$ 5,487,577	\$ 4,569,789
College's covered payroll	\$ 705,077	\$ 722,813	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered payroll	540.95%	637.51%	759.89%	942.60%	771.97%	675.45%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	62.48%	58.60%	51.01%	56.31%	62.14%

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Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Contributions - Pension
Public Employee's Retirement System ("PERS")
(Unaudited)

	Plan Measurement Date Ending June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,621,648	\$ 1,515,273	\$ 1,565,765	\$ 1,459,999	\$ 1,546,015	\$ 1,629,195
Contributions in relation to the contractually required contribution	<u>(1,621,648)</u>	<u>(1,515,273)</u>	<u>(1,565,765)</u>	<u>(1,459,999)</u>	<u>(1,546,015)</u>	<u>(1,629,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 10,592,756	\$ 10,777,437	\$ 10,960,631	\$ 10,660,882	\$ 11,066,065	\$ 12,617,839
Contributions as a percentage of covered payroll	15.31%	14.06%	14.29%	13.69%	13.97%	12.91%

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Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Contributions - Pension
Police and Firemen's Retirement System ("PFRS")
(Unaudited)

	Plan Measurement Date Ending June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 342,878	\$ 314,819	\$ 332,926	\$ 306,783	\$ 294,023	\$ 267,798
Contributions in relation to the contractually required contribution	<u>(342,878)</u>	<u>(314,819)</u>	<u>(332,926)</u>	<u>(306,783)</u>	<u>(294,023)</u>	<u>(267,798)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 705,077	\$ 722,813	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
Contributions as a percentage of covered payroll	48.63%	43.55%	47.27%	41.98%	41.36%	39.58%

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Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedule of Changes in the College's Proportionate
Share of Total OPEB Liability
(Unaudited)

	Measurment Date Ending June 30, 2019	Measurment Date Ending June 30, 2018	Measurment Date Ending June 30, 2017
Total OPEB Liability			
Service cost	\$ 3,569,788	\$ 6,423,813	\$ 7,653,957
Interest on the total OPEB liability	4,156,729	4,669,942	3,969,249
Difference between expected and actual experiences	(8,402,492)	(16,291,698)	-
Changes of assumptions	1,537,981	(12,090,691)	(16,463,392)
Contributions from members	93,861	97,370	106,925
Gross benefit payments by the state	(3,166,409)	(2,817,313)	(2,903,823)
Net Change in Total OPEB Liability	(2,210,542)	(20,008,577)	(7,637,084)
Total OPEB Liability - Beginning	<u>105,360,905</u>	<u>125,369,482</u>	<u>133,006,566</u>
Total OPEB Liability - Ending	<u>\$ 103,150,363</u>	<u>\$ 105,360,905</u>	<u>\$ 125,369,482</u>
College's proportionate share	\$ -	\$ -	\$ -
State's proportionate share	<u>\$ 103,150,363</u>	<u>\$ 105,360,905</u>	<u>\$ 125,369,482</u>
Total OPEB Liability - Ending	<u>\$ 103,150,363</u>	<u>\$ 105,360,905</u>	<u>\$ 125,369,482</u>
Covered Payroll	\$ 11,161,802	\$ 11,315,288	\$ 11,462,224
Total OPEB Liability as a Percentage of Covered Payroll:	924.14%	931.14%	1093.76%

Notes:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to the Required Supplementary Information
(Unaudited)
June 30, 2020 and 2019

(1) **State of New Jersey Public Employees' Retirement System (PERS) - Pension**

Change in Benefit Terms

None

Change in Assumptions

The discount rate was 6.28%, 5.66%, 5.00%, 3.98%, 4.90% and 5.39% for the measurement dates June 30, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

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

Change in Benefit Terms

None

Change in Assumptions

The discount rate was 6.85%, 6.51%, 6.14%, 5.55%, 5.79% and 6.32% for the measurement dates June 30, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

(3) **State Health Benefit Local Education Retired Employees Plan - OPEB**

Change in Benefit Terms

None

Changes in Assumptions

The discount rate was 3.50%, 3.87%, 3.58% and 2.58% for the measurement dates June 30, 2019, 2018, 2017 and 2016, respectively.

SINGLE AUDIT SECTION

DRAFT

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

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College
Lincroft, 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 financial statements of Brookdale Community College (a Component Unit of the County of Monmouth) (the "College") which comprise the statement of net position as of June 30, 2020 and 2019, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated **DATE**. We also performed the audit of the Brookdale Community College's Foundation's financial statements, as of and for the years ended June 30, 2020 and 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

**Certified Public Accountants
Braintree, Massachusetts**

DATE

DRAFT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE OF NEW JERSEY PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND STATE OF NEW JERSEY OMB CIRCULAR 15-08

To the Honorable President and Members of the Board of Trustees of
Brookdale Community College
Report on Compliance for Each Major Federal and State of New Jersey Program

We have audited Brookdale Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and State of New Jersey *State Grant Compliance Supplement* that could have a direct and material effect on each of Brookdale Community College's major Federal and State of New Jersey programs for the year ended June 30, 2020. Brookdale Community College's major Federal and State of New Jersey programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Brookdale Community College's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal and State of New Jersey programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal and State of New Jersey program. However, our audit does not provide a legal determination of Brookdale Community College's compliance.

Opinion on Compliance on Each Major Federal and State of New Jersey Program

In our opinion, Brookdale Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Brookdale Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered Brookdale Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program and to test and report on internal control over compliance in accordance with Federal Uniform Guidance and State of New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brookdale Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal or State of New Jersey program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal or State of New Jersey program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State New Jersey Awards

We have audited the financial statements of the College, as of and for the years ended June 30, 2020 and 2019. We issued our report thereon dated **DATE** which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of State of New Jersey Awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of New Jersey. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of New Jersey Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Certified Public Accountants
Braintree, Massachusetts**

DATE

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2020

Federal grantor/ pass-through grantor/ program or cluster title	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Identifier	Current year expenditures	Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards					
Federal Direct Student Loan	84.268	N/A	N/A	\$ 7,618,934	\$ —
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$24,467)	84.007	N/A	N/A	391,478	—
Federal Pell Grant Program	84.063	N/A	N/A	13,187,338	—
Federal Work-Study Program (including administrative cost allowance of \$5,490)	84.033	N/A	N/A	115,235	—
Federal Work-Study Program (Job Location and Development)	84.033	N/A	N/A	30,972	—
Total Student Financial Assistance Cluster				<u>21,343,957</u>	<u>—</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards					
Education and Human Resources	47.076	N/A	N/A	248,986	—
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards					
Federal Title III Program Grant	84.031	N/A	N/A	414,350	—
CARES ACT Higher Education Emergency Relief Fund - Students	84.425E	N/A	N/A	1,267,000	—
CARES ACT Higher Education Emergency Relief Fund - Institutional	84.425F	N/A	N/A	178,912	—
Subtotal - Direct awards				<u>1,445,912</u>	<u>—</u>
National Security Agency:					
Direct Awards					
GenCyber Grants Program	12.903	N/A	N/A	53,571	—
U.S. Dept of Labor:					
Pass Through Awards					
Trade Adjustment Assistance Community College and Career Training Grants	17.282	Bergen Community College	PO6828	39,449	—
National Aeronautics and Space Administration:					
Pass Through Awards					
Education	43.008	Rutgers University	5515	11,410	—
U.S. Small Business Administration:					
Direct Awards					
Small Business Administration and Seminars	59.000	N/A	N/A	17,411	—
Pass Through Awards					
Small Business Development Centers	59.037	Rutgers University	5591	105,573	—
Small Business Development Centers	59.037	Rutgers University	5865	93,683	—
Small Business Development Centers	59.037	Rutgers University	5825	13,850	—
Subtotal - Passthrough awards				<u>213,106</u>	<u>—</u>
Department of Education Office of Career, Technical and Adult Education					
Pass Through Awards					
Adult Education- Basic Grants to States	84.002	New Jersey Department of Labor & Workforce Development	None	719,044	216,250
Career & Technical Education - Basic Grants to the States	84.048	New Jersey Department of Education	25 7111	597,545	—
Career & Technical Education - Basic Grants to the States	84.048A	New Jersey Department of Education	17-BE53-G06	162,000	—
NSF Virtual Lab	84.116R	US Department of Education		13,258	—
Subtotal - Passthrough awards				<u>772,803</u>	<u>—</u>
Total expenditures of federal awards				<u>\$ 25,279,999</u>	<u>\$ 216,250</u>

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2020

State of New Jersey grantor/program or cluster title	Grant number/ State of New Jersey account number	Award amount	Grant period	Current year expenditures	Total Grant Expenditures To Date
Student Financial Assistance Cluster:					
N.J. Commission of Higher Education:					
Educational Opportunity Fund Article III - FY 20	100-074-2401-001	\$ 418,800	06/01/19-07/31/20	\$ 352,676	\$ 352,676
Educational Opportunity Fund Article III - Summer	100-074-2401-001	18,645	06/01/19-08/31/20	13,827	13,827
Tuition Aid Grant	100-074-2405-007	2,721,478	07/01/19-06/30/20	2,721,478	2,721,478
NJ Stars	100-074-2405-313	344,625	07/01/19-06/30/20	344,625	344,625
Total Student Financial Assistance Cluster				<u>3,432,606</u>	<u>3,432,606</u>
NON-CLUSTER:					
N.J. Commission of Higher Education:					
Educational Opportunity Fund – Article IV:					
Educational Opportunity Fund Summer	100-074-2401-002	31,705	07/01/19-08/31/20	31,116	31,116
Educational Opportunity Fund Regular	100-074-2401-002	266,988	06/01/19-08/31/20	192,974	192,974
				<u>224,090</u>	<u>224,090</u>
N.J. Department of Children and Families					
Displaced Homemaker	2011-15863028-01	150,000	07/01/19-06/30/20	144,498	144,498
N.J. Educational Facilities Authority:					
Higher Education Equipment Leasing Fund	100-082-2155-036	2,724,303	01/01/14 - Completion	440,504	2,220,180
N.J. Office of the Secretary of Higher Education:					
N.J. Council of County Colleges					
College Readiness IV	Unavailable	—	07/01/19-06/30/20	12,496	12,496
College Readiness V	Unavailable	69,651	07/01/19-06/30/20	30,343	30,343
Community College Opportunity Grant	Unavailable	265,000	09/15/19-08/01/20	250,222	250,222
				<u>293,061</u>	<u>293,061</u>
N.J. Department of Treasury Higher Education Administration:					
Operational Costs – County Colleges	100-082-2155-015	8,954,612	07/01/19-06/30/20	8,954,612	8,954,612
Alternate Benefit Program	100-082-2155-017	2,066,580	07/01/19-06/30/20	2,095,925	2,095,925
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016	2,601,746	07/01/19-06/30/20	7,435,177	7,435,177
				<u>18,485,714</u>	<u>18,485,714</u>
Total expenditures of State of New Jersey awards				<u>\$ 23,020,473</u>	<u>\$ 24,800,149</u>

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

BROOKDALE COMMUNITY COLLEGE

(A Component Unit of the County of Monmouth)

Notes to Schedules of Expenditures of Federal and State of New Jersey Awards
June 30, 2020

(1) General

The accompanying Schedules of Expenditures of Federal and State of New Jersey Awards includes the Federal award activity of Brookdale Community College (the "College") under programs of the Federal Government for the year ended June 30, 2020. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

(3) Indirect Cost Rate

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Federal Student Loan Programs

The College disbursed \$7,618,934 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the College under the program as of June 30, 2020. The College is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the College's financial statements.

BROOKDALE COMMUNITY COLLEGE
 (A Component Unit of the County of Monmouth)
 Findings and Questioned Costs – Continued
 For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes x no

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 4)	84.268
Non-Cluster	
Education and Human Resources	47.076
Higher Education Emergency Relief Funds - Students	84.425E
Higher Education Emergency Relief Funds - Institutional	84.425F

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Findings and Questioned Costs – Continued
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results – Continued

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

Auditee qualified as a low-risk auditee? yes no

State of New Jersey

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Any audit findings disclosed that are required to be reported in accordance with State of New Jersey OMB Circular 15-08 and listed in Section V of this schedule? yes no

Identification of Major Programs:

Name of State Program or Cluster	State of New Jersey Account or Grant Number
Student Financial Assistance Cluster	
Educational Opportunity Fund Article III - FY 20	100-074-2401-001
Educational Opportunity Fund Article III - Summer	100-074-2401-001
Tuition Aid Grant	100-074-2405-007
NJ Starts	100-074-2405-313
Non-Cluster	
Higher Education Equipment Leasing Fund	100-082-2155-036
Alternate Benefit Program	100-082-2155-017
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Findings and Questioned Costs – Continued
For the Year Ended June 30, 2020

Section II – Financial Statement Findings:

None

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Findings and Questioned Costs – Continued
For the Year Ended June 30, 2020

Section III – Financial Statement Findings:

None

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Findings and Questioned Costs – Continued
For the Year Ended June 30, 2020

Section IV – State of New Jersey Award Findings and Questioned Costs:

None

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Management's Summary of Prior Year Audit Findings
For the Year Ended June 30, 2020

Section V – Management's Summary of Prior Year Federal Audit Findings

Finding number: 2019-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #: Multiple
Award year: 2019

Condition

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. Once a recipient's withdrawal date is determined, an institution needs to calculate the percentage of the payment period or period of enrollment completed to establish the amount of Title IV funds earned by the recipient. For the Spring 2019 semester, the College did not properly calculate the number of scheduled break days to be excluded from the return of Title IV funds calculation.

Award Year 2019:

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, twelve students, or 30% of our sample, had refunds that were calculated using an incorrect number of scheduled break days in the payment period.

Current Year Status:

Corrective action was taken in the current year.

Management's Summary of Prior Year Audit Findings - Continued
For the Year Ended June 30, 2020

Finding number: 2019-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #: Multiple
Award year: 2019

Condition

The Federal Government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days. During our testing, we noted one student, out of a sample of 40, were not reported to NSLDS within a timely manner.

Award Year 2019:

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, one student, or 2.5% of our sample, had status changes that were not reported to NSLDS in a timely manner.

Current Year Status:

Corrective action was taken in the current year.

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Management's Summary of Prior Year Audit Findings - Continued
For the Year Ended June 30, 2020

Section VI – Management's Summary of Prior Year State of New Jersey Audit Findings

None

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Management's Corrective Action Plan
For the Year Ended June 30, 2020

Section VII – Management's Corrective Action Plan - Federal Awards

None

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