

# NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM

New Jersey Department of Treasury, Division of Investment  
Managed Investment Options

June 30, 2022



FRANKLIN  
TEMPLETON



# Combined Financial Statements and Supplemental Information

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## Report of Independent Auditors

To the Trustees of

New Jersey Better Educational Savings Trust Program - New Jersey Department of Treasury, Division of Investment Managed Investment Options

We have audited the accompanying combined financial statements, which comprise the combined statement of fiduciary net position of the New Jersey Better Educational Savings Trust Program - New Jersey Department of Treasury, Division of Investment Managed Investment Options (the "Trust") as of June 30, 2022, and the related combined statement of changes in fiduciary net position for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust at June 30, 2022, and the results of its operations and changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Supplemental Information including the statement of investments – NJBEST Pooled Equity Fund, the schedules of each portfolio's fiduciary net position as of June 30, 2022, and the schedule of changes in each portfolio's fiduciary net position indicated therein are presented for purposes of additional analysis and are not a required part of the combined financial statements. 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

*Ernst & Young LLP*

September 14, 2022

## Management's Discussion and Analysis

The New Jersey Better Educational Savings Trust Program ("Program") includes investment portfolios managed by the New Jersey Department of Treasury, Division of Investment ("Division of Investment") for accounts open prior to March 17, 2003 and portfolios managed by Franklin Templeton for accounts opened after March 17, 2003. The financial data for the Program for the year ended June 30, 2022 is contained in two separate audited financial reports: 1) the New Jersey Department of Treasury, Division of Investment Managed Investment Options (the "Division of Investment Options") and 2) the Franklin Templeton Managed Investments Options.

These financial statements pertain solely to the Division of Investment Options and offer readers of the financial statements this discussion and analysis of the financial performance for the year ended June 30, 2022. Readers should consider the information presented in this section in conjunction with the combined financial statements and notes to combined financial statements. The Division of Investment Options consist of six (6) investment portfolios (the "Portfolios") in which account owners ("Account Owners") may invest.

### Financial Highlights

During the year ended June 30, 2022, the Portfolios within the Division of Investment Options posted returns below. The expense ratio for all Portfolios within the Division of Investment Options is 0.40% per annum based on the average daily net assets of each portfolio.

	<b>Single Class</b>
NJ Best Trust A	(2.91)%
NJ Best Trust B	(2.20)%
NJ Best Trust C	(3.31)%
NJ Best Trust D	(3.41)%
NJ Best Trust E	(4.42)%
NJ Best Better Educational Saving Trust	(4.52)%

### Overview of the Combined Financial Statements

The Division of Investment Options combined financial statements are prepared in accordance with the Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended.

The Combined Statement of Fiduciary Net Position presents information on the Division of Investment Options' assets and liabilities, with the difference between the two reported as net position as of June 30, 2022. This statement, along with all of the Division of Investment Options combined financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Division of Investment Options is finalized; all subsequent subscriptions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided regardless of when cash is disbursed.

The Combined Statement of Changes in Fiduciary Net Position presents information showing how the Division of Investment Options' assets changed during the year ended June 30, 2022. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in a future period.

The Notes to the Combined Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic combined financial statements.

## Financial Analysis

The following are condensed Combined Statements of Fiduciary Net Position as of June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Investments	\$ 133,509,588	\$ 183,321,153
Receivables	279,060	248,515
Total assets	<u>133,788,648</u>	<u>183,569,668</u>
Payables	139,081	135,956
Total liabilities	<u>139,081</u>	<u>135,956</u>
Fiduciary Net Position held in trust for Account Owners in the Program	<u>\$ 133,649,567</u>	<u>\$ 183,433,712</u>

Fiduciary Net Position represents total contributions from Account Owners since the Program's inception, plus the net increases (decreases) from operations, less withdrawals and expenses.

The investments in the six (6) Portfolios of the Division of Investment Options comprise 99.8% of total assets. Other assets consist of receivables for shares sold and accrued income. Liabilities consist of payables for shares redeemed and accrued expenses.

The following are condensed Combined Statements of Changes in Fiduciary Net Position for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Additions:		
Subscriptions	\$ 8,629,160	\$ 10,137,724
Net increase (decrease) in Fiduciary Net Positions resulting from operations	(5,119,236)	21,243,655
Total additions	<u>3,509,924</u>	<u>31,381,379</u>
Deductions:		
Redemptions	53,294,069	57,741,648
Total deductions	<u>53,294,069</u>	<u>57,741,648</u>
Changes in Fiduciary Net Position held in trust for Account Owners in the Program	(49,784,145)	(26,360,269)
Fiduciary Net Position - beginning of year	<u>183,433,712</u>	<u>209,793,981</u>
Fiduciary Net Position - end of year	<u>\$ 133,649,567</u>	<u>\$ 183,433,712</u>

The Division of Investment Options paid \$44.7 million in net redemptions to Account Owners during the year ended June 30, 2022.

The Division of Investment Options lost \$4.5 million of investment income and incurred \$0.6 million of Program management fees during the year ended June 30, 2022.



# Combined Financial Statements

## Combined Statement of Fiduciary Net Position

June 30, 2022

Assets:

Investments, at fair value (Cost: \$101,079,330)	\$	133,509,588
Interest receivable		260,384
Receivable from Plan shares sold		18,676
Total Assets		<u>133,788,648</u>

Liabilities:

Accrued expenses		47,005
Payable for Plan shares redeemed		92,076
Total liabilities		<u>139,081</u>

Fiduciary net position held in trust for Account Owners in the Program	\$	<u><u>133,649,567</u></u>
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*The accompanying notes are an integral part of these combined financial statements.*

**Combined Statement of Changes in Fiduciary Net Position**

for the year ended June 30, 2022

Additions:	
Subscriptions	\$ 8,629,160
Investment earnings:	
Dividend income	176,259
Interest income	1,671,517
Net realized gain (loss) from sales of investments	10,585,693
Net change in unrealized appreciation (depreciation) on investments	(16,926,023)
Total investment earnings (losses)	<u>(4,492,554)</u>
Investment costs:	
Program management fees (Note 2)	(626,682)
Total investment costs	<u>(626,682)</u>
Net investment earnings (losses)	<u>(5,119,236)</u>
Total additions	<u>3,509,924</u>
Deductions:	
Redemptions	53,294,069
Total deductions	<u>53,294,069</u>
Changes in fiduciary net position held in trust for Account Owners in the Program	(49,784,145)
Fiduciary net position - beginning of year	183,433,712
Fiduciary net position - end of year	<u>\$ 133,649,567</u>

*The accompanying notes are an integral part of these combined financial statements.*

# Notes to Combined Financial Statements

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The State of New Jersey (the “State”) established the New Jersey Better Educational Savings Trust Program (the “Program”) to allow Account Owners and beneficiaries under the Program to qualify for federal tax benefits as participants in a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. The New Jersey Higher Education Student Assistance Authority (“HESAA”) is responsible for establishing and maintaining the Program on behalf of the State. HESAA serves as trustee of the Program, administers the Program and is authorized to establish investment policies, select investment managers and the Program Manager, and adopt regulations and provide for the performance of other functions necessary for the operation of the Program and the various plans included in the Program.

Pursuant to a service agreement, Franklin Distributors, LLC (FD, LLC) (formerly Franklin Templeton Distributors, Inc.), a wholly-owned subsidiary of Franklin Resources, Inc. serves as the Program Manager. FD, LLC provides, directly, or through affiliates, certain administrative services relating to the Program.

Effective July 7, 2021, Franklin Templeton Distributors, Inc. serving as the Program Manager was merged into Legg Mason Investor Services, LLC and the surviving entity was renamed FD, LLC.

The Program is a private-purpose trust fund, which is a type of fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support a government's own programs. Revenues are mainly derived from investment income. Because the Program is a fiduciary fund, the Program's combined financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

These combined financial statements provide the combined financial results of the Portfolios, as defined below, managed by the New Jersey Department of the Treasury, Division of Investment (“Division of Investment”) which serves as investment manager for the investment options (“Division of Investment Options”) that are part of the NJBEST 529 College Savings Plan (“NJBEST” or “Plan”) but are no longer available to new shareholders. The Division of Investment Options consists of six portfolios (“Portfolios”). The NJ Better Educational Savings Portfolio, the original portfolio, is available only to accounts opened prior to July 1, 2000 and is open to all birth years. For accounts opened after July 1, 2000 and prior to March 17, 2003, there are the NJBEST Portfolios A – E. These are age-based portfolios where contributions are allocated based on the birth year of the Beneficiary as follows:

Portfolio	Birth Year
NJBEST Portfolio A	1985 and prior
NJBEST Portfolio B	1986 - 1989
NJBEST Portfolio C	1990 - 1993
NJBEST Portfolio D	1994 - 1997
NJBEST Portfolio E	1998 - 2003

All common stocks and certain other investments held by the Program and managed by the Division of Investment are maintained in a managed equity Portfolio called the NJBEST Pooled Equity Fund. Each of the six portfolios owns a portion of the NJBEST Pooled Equity Fund. The net assets and related dividend and interest income of the NJBEST Pooled Equity Fund have been allocated among the portfolios. This allows for a high level of diversification and reduces the costs of managing the Plan.

For information regarding the Franklin Templeton Managed Investment Options, including those within the Franklin Templeton 529 College Savings Plan, please see the combined financial statements entitled “New Jersey Better Educational Savings Trust Program – Franklin Templeton Managed Investment Options” or refer to the Investor Handbook for either the Franklin Templeton 529 College Savings Plan (for investors who invest through a financial advisor) or the NJBEST 529 College Savings Plan (for New Jersey residents investing without a financial advisor).

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Following summarizes the Program's significant accounting policies.

### a. Financial Instrument Valuation

The Portfolios' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Portfolios calculate the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE). Under compliance policies and procedures approved by HESAA, the Program's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Program may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in non-registered money market funds and managed equity accounts are valued at the closing NAV.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Program's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Program has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Portfolios primarily employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

### b. Income Taxes

The Program is established to be a qualified tuition program under Section 529 of the Internal Revenue Code, which is exempt from federal and state income tax, and does not expect to have any unrelated business income subject to tax. Accordingly, no provision has been made for income taxes.

The Portfolios may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2022, the Portfolios have determined that no tax liability is required in its combined financial statements related to uncertain tax positions for any open tax years, (or expected to be taken in future tax returns). Open tax years are those that remain subject to examination and are based on the statute of limitation in each jurisdiction which the fund invests.

### c. Security Transactions, Investment Income and Expenses

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on an average cost basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date.

## **1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **c. Security Transactions, Investment Income and Expenses** (continued)

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income on the Combined Statement of Changes in Fiduciary Net Position.

### **d. Accounting Estimates**

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### **e. Guarantees and Indemnifications**

Under the Program's organizational documents, its trustee is indemnified by the Program against certain liabilities arising out of the performance of their duties to the Program. Additionally, in the normal course of business, the Program, on behalf of the Portfolios, enters into contracts with service providers that contain general indemnification clauses. The Program's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Program that have not yet occurred. Currently, the Program expects the risk of loss to be remote.

## **2. MANAGEMENT AGREEMENTS**

The Portfolios pay a total program management fee of 0.40% per annum based on the average daily net assets of each portfolio.

Franklin Templeton Services, LLC ("FTS") an affiliate of FD, LLC, provides administrative services for the Program. Franklin Templeton Investor Services, LLC ("FTIS"), an affiliate of FD, LLC and FTS, performs transfer agency services for the Program. No fees are paid by the Division of Investment Options for administrative or transfer agency services.

## **3. INVESTMENTS**

At June 30, 2022, net unrealized appreciation of portfolio investments was \$32,430,258 consisting of gross unrealized appreciation of \$32,654,185 and gross unrealized depreciation of \$223,927.

Purchases and sales of Portfolio securities (excluding short term securities) for the year ended June 30, 2022, aggregated \$0 and \$13,252,010, respectively.

For a list of each Portfolio's investments at June 30, 2022, please see the Schedule of Fiduciary Net Position for each Portfolio in the Supplemental Information.

### 3. INVESTMENTS (continued)

As of June 30, 2022, the investments held by the Portfolios consisted of the following:

	<u>Shares</u>	<u>Cost</u>	<u>Value</u>
Equity			
NJBEST Pooled Equity Fund	1,147,673	\$9,905,681	\$41,731,678
	<u>Principal Amount</u>		
Fixed Income			
AT&T Inc., senior bond, 6.50%, 11/15/36	\$3,000,000	3,624,837	3,400,911
U.S. Treasury Bonds, 7.25%, 8/15/22	1,235,000	1,237,812	1,243,850
U.S. Treasury Bonds, 6.25%, 8/15/23	1,100,000	1,115,073	1,142,239
U.S. Treasury Bonds, 6.00%, 2/15/26	1,000,000	1,000,244	1,100,820
U.S. Treasury Notes, Index Linked, 2.375%, 1/15/25	9,000,000	13,936,171	14,630,578
	<u>Shares</u>		
Short Term Investment			
<sup>a</sup> State of New Jersey Cash Management Fund, 1.15%	70,259,512	70,259,512	70,259,512
		<u>\$101,079,330</u>	<u>\$133,509,588</u>

<sup>a</sup>The rate shown is the average annualized monthly rate of return at year end.

### 4. INVESTMENT RISKS

Certain investments are subject to a variety of investment risks. GASB requires that entities disclose certain essential risk information about deposits and investments.

#### a. Interest Rate and Credit Risk

Interest rate risk is the risk that the value of bond investments will decrease as a result of a rise in interest rates. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The following instruments were held by the Portfolios at June 30, 2022, were exposed to interest rate and credit risk:

<u>Investment</u>	<u>Value</u>	<u>Credit Rating</u>
Fixed Income		
AT&T Inc., senior bond, 6.50%, 11/15/36	\$3,400,911	BBB
U.S. Treasury Bonds, 7.25%, 8/15/22	1,243,850	AA+
U.S. Treasury Bonds, 6.25%, 8/15/23	1,142,239	AA+
U.S. Treasury Bonds, 6.00%, 2/15/26	1,100,820	AA+
U.S. Treasury Notes, Index Linked, 2.375%, 1/15/25	14,630,578	AA+
		<u>Average Maturity</u>
Short Term Investment		
<sup>a</sup> State of New Jersey Cash Management Fund, 1.15%	\$70,259,512	0.12 years

<sup>a</sup>The rate shown is the average annualized monthly rate of return at year end.

#### **4. INVESTMENT RISKS** (continued)

##### **b. Custodial Credit Risk**

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, the Division of Investment Options will not be able to recover the value of investments that are in the possession of the custodian. The Division of Investment Options' investment securities are not exposed to custodial credit risk as they are held in a segregated trust account with the custodian.

##### **c. Geopolitical Risk**

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. The current political and financial uncertainty surrounding Russia and Ukraine may increase market volatility and the economic risk of investing in securities in these countries and may also cause uncertainty for the global economy and broader financial markets. The ultimate fallout and long-term impact from these events are not known. The Program will continue to assess the impact on valuations and liquidity and will take any potential actions needed in accordance with procedures approved by the Trustee.

#### **5. NOVEL CORONAVIRUS PANDEMIC**

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Portfolios, their ability to buy and sell fund investments at appropriate valuations and their ability to achieve their investment objectives.

#### **6. FAIR VALUE MEASUREMENTS**

The Program follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Program's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Program's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Program's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Program has adopted a policy of recognizing the transfers as the date of the underlying event which caused the movement.

At June 30, 2022, the Portfolios' investments in the NJBEST Pooled Equity Fund is fair valued at its closing NAV each trading day and is not considered part of the fair value hierarchy. The Portfolios' remaining investments in financial instruments carried at fair value were valued using Level 2 inputs.

#### **7. SUBSEQUENT EVENTS**

The Program has evaluated subsequent events through September 14, 2022, the date the financial statements were available to be issued, and determined that no events have occurred that require disclosure.

### **SUPPLEMENTAL INFORMATION**

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the New Jersey Better Educational Savings Trust Program, New Jersey Department of Treasury, Division of Investment Managed Investment Options. It shows financial information relating to the investment Portfolios, which were included in the Program during the year ended June 30, 2022.



## Supplemental Information

### Schedules of Fiduciary Net Position June 30, 2022

	NJ Best Trust A	NJ Best Trust B	NJ Best Trust C	NJ Best Trust D
<b>Assets:</b>				
Investments, at fair value:				
Equity				
NJBEST Pooled Equity Fund . . . . .	\$ 212,451	\$ 459,700	\$ 2,215,597	\$ 3,991,065
Fixed Income				
AT&T Inc., senior bond, 6.50%, 11/15/36 . . . . .	—	—	1,133,637	1,133,637
U.S. Treasury Bonds, 7.25%, 8/15/22 . . . . .	—	—	—	503,583
U.S. Treasury Bonds, 6.25%, 8/15/23 . . . . .	—	—	—	623,040
U.S. Treasury Bonds, 6.00%, 2/15/26 . . . . .	—	—	—	—
U.S. Treasury Notes, Index Linked, 2.375%, 1/15/25 . . . . .	—	—	—	—
Total fixed income . . . . .	—	—	1,133,637	2,260,260
Short term investment				
<sup>a</sup> State of New Jersey Cash Management Fund, 1.15% . . . . .	819,147	2,005,927	8,732,613	12,386,541
Total Investments . . . . .	1,031,598	2,465,627	12,081,847	18,637,866
Interest receivable . . . . .	26	63	8,581	36,404
Receivable from Plan shares sold . . . . .	—	—	—	8,719
Total assets . . . . .	1,031,624	2,465,690	12,090,428	18,682,989
<b>Liabilities:</b>				
Accrued expenses . . . . .	353	856	4,133	6,417
Payable for Plan shares redeemed . . . . .	—	—	11,948	8,584
Total liabilities . . . . .	353	856	16,081	15,001
Fiduciary net position held in trust for Account Owners in the Program . . . . .	<u>\$ 1,031,271</u>	<u>\$ 2,464,834</u>	<u>\$ 12,074,347</u>	<u>\$ 18,667,988</u>
Shares outstanding . . . . .	58,367	120,525	523,164	749,772
Net asset value per share . . . . .	<u>\$ 17.67</u>	<u>\$ 20.45</u>	<u>\$ 23.08</u>	<u>\$ 24.90</u>
Investments at cost . . . . .	\$ 868,321	\$ 2,093,172	\$ 10,480,324	\$ 15,594,650

<sup>a</sup>The rate shown is the average annualized monthly rate of return at year end.

**Schedules of Fiduciary Net Position** (continued)  
 June 30, 2022

	NJ Best Trust E	NJ Better Educational Saving Trust	Total
<b>Assets:</b>			
Investments, at fair value:			
Equity			
NJBEST Pooled Equity Fund . . . . .	\$ 34,287,975	\$ 564,890	\$ 41,731,678
Fixed Income			
AT&T Inc., senior bond, 6.50%, 11/15/36 . . . . .	1,133,637	—	3,400,911
U.S. Treasury Bonds, 7.25%, 8/15/22 . . . . .	740,267	—	1,243,850
U.S. Treasury Bonds, 6.25%, 8/15/23 . . . . .	519,199	—	1,142,239
U.S. Treasury Bonds, 6.00%, 2/15/26 . . . . .	1,100,820	—	1,100,820
U.S. Treasury Notes, Index Linked, 2.375%, 1/15/25 . . . . .	<u>14,630,578</u>	<u>—</u>	<u>14,630,578</u>
Total fixed income . . . . .	18,124,501	—	21,518,398
Short term investment			
<sup>a</sup> State of New Jersey Cash Management Fund, 1.15% . . . . .	\$ 45,427,697	\$ 887,587	\$ 70,259,512
Total Investments . . . . .	97,840,173	1,452,477	133,509,588
Interest receivable . . . . .	215,282	28	260,384
Receivable from Plan shares sold . . . . .	9,957	—	18,676
Total assets . . . . .	<u>98,065,412</u>	<u>1,452,505</u>	<u>133,788,648</u>
<b>Liabilities:</b>			
Accrued expenses . . . . .	34,732	514	47,005
Payable for Plan shares redeemed . . . . .	71,544	—	92,076
Total liabilities . . . . .	<u>106,276</u>	<u>514</u>	<u>139,081</u>
Fiduciary net position held in trust for Account Owners in the Program . . . . .	<u>\$ 97,959,136</u>	<u>\$ 1,451,991</u>	<u>\$ 133,649,567</u>
Shares outstanding . . . . .	3,655,726	57,820	
Net asset value per share . . . . .	<u>\$ 26.80</u>	<u>\$ 25.11</u>	
Investments at cost . . . . .	\$ 71,014,251	\$ 1,028,612	\$ 101,079,330

<sup>a</sup>The rate shown is the average annualized monthly rate of return at year end.

## Supplemental Information

### Schedules of Changes in Fiduciary Net Position

For the year ended June 30, 2022

	NJ Best Trust A	NJ Best Trust B	NJ Best Trust C
Additions:			
Subscriptions . . . . .	\$ 114,162	\$ 255,186	\$ 631,368
Investment earnings:			
Dividend income . . . . .	1,948	4,886	20,891
Interest income . . . . .	—	—	54,890
Net realized gain (loss) from sales of investments . . . . .	24,800	75,248	493,142
Net change in unrealized appreciation (depreciation) on investments . . . . .	(48,203)	(124,695)	(920,307)
Total investment earnings (losses) . . . . .	(21,455)	(44,561)	(351,384)
Investment costs:			
Program management fees (Note 2) . . . . .	(4,557)	(10,631)	(52,356)
Total investment costs . . . . .	(4,557)	(10,631)	(52,356)
Net investment earnings (losses)	(26,012)	(55,192)	(403,740)
Total additions . . . . .	88,150	199,994	227,628
Deductions:			
Redemptions . . . . .	304,174	450,535	2,099,269
Total deductions . . . . .	304,174	450,535	2,099,269
Changes in fiduciary net position held in trust for Account Owners in the Program . . . . .	\$ (216,024)	\$ (250,541)	\$ (1,871,641)
Fiduciary net position - beginning of year . . . . .	1,247,295	2,715,375	13,945,988
Fiduciary net position - end of year . . . . .	<u>\$ 1,031,271</u>	<u>\$ 2,464,834</u>	<u>\$ 12,074,347</u>

**Schedules of Changes in Fiduciary Net Position** (continued)

For the year ended June 30, 2022

	NJ Best Trust D	NJ Best Trust E	NJ Better Educational Saving Trust
<b>Additions:</b>			
Subscriptions . . . . .	\$ 993,526	\$ 6,554,945	\$ 79,973
<b>Investment earnings:</b>			
Dividend income . . . . .	29,992	116,423	2,119
Interest income . . . . .	113,462	1,503,165	—
Net realized gain (loss) from sales of investments . . . . .	925,786	8,980,550	86,167
Net change in unrealized appreciation (depreciation) on investments . . . . .	(1,629,224)	(14,056,621)	(146,973)
Total investment earnings (losses) . . . . .	(559,984)	(3,456,483)	(58,687)
<b>Investment costs:</b>			
Program management fees (Note 2) . . . . .	(82,663)	(470,041)	(6,434)
Total investment costs . . . . .	(82,663)	(470,041)	(6,434)
Net investment earnings (losses)	(642,647)	(3,926,524)	(65,121)
Total additions . . . . .	350,879	2,628,421	14,852
<b>Deductions:</b>			
Redemptions . . . . .	4,339,359	45,845,768	254,964
Total deductions . . . . .	4,339,359	45,845,768	254,964
Changes in fiduciary net position held in trust for Account Owners in the Program . . . . .	\$ (3,988,480)	\$ (43,217,347)	\$ (240,112)
Fiduciary net position - beginning of year . . . . .	22,656,468	141,176,483	1,692,103
Fiduciary net position - end of year . . . . .	<u>\$ 18,667,988</u>	<u>\$ 97,959,136</u>	<u>\$ 1,451,991</u>

**Schedules of Changes in Fiduciary Net Position** (continued)

For the year ended June 30, 2022

	Total
Additions:	
Subscriptions . . . . .	\$ 8,629,160
Investment earnings:	
Dividend income . . . . .	176,259
Interest income . . . . .	1,671,517
Net realized gain (loss) from sales of investments . . . . .	10,585,693
Net change in unrealized appreciation (depreciation) on investments . . . . .	(16,926,023)
Total investment earnings (losses) . . . . .	(4,492,554)
Investment costs:	
Program management fees (Note 2) . . . . .	(626,682)
Total investment costs . . . . .	(626,682)
Net investment earnings (losses)	(5,119,236)
Total additions . . . . .	3,509,924
Deductions:	
Redemptions . . . . .	53,294,069
Total deductions . . . . .	53,294,069
Changes in fiduciary net position held in trust for Account Owners in the Program . . . . .	\$ (49,784,145)
Fiduciary net position - beginning of year . . . . .	183,433,712
Fiduciary net position - end of year . . . . .	\$ 133,649,567

## Supplemental Information

### NJBest Pooled Equity Fund

Statement of Investments, June 30, 2022

	Shares	Value
<b>Common Stocks 98.4%</b>		
<b>Aerospace &amp; Defense 1.9%</b>		
Boeing Co. (The) .....	1,100	\$150,392
Lockheed Martin Corp. ....	250	107,490
Raytheon Technologies Corp. ....	3,648	350,609
Textron, Inc. ....	2,510	153,286
		761,777
<b>Air Freight &amp; Logistics 1.0%</b>		
FedEx Corp. ....	1,100	249,381
United Parcel Service, Inc., B .....	1,000	182,540
		431,921
<b>Airlines 0.3%</b>		
Southwest Airlines Co. ....	2,900	104,748
<b>Auto Components 0.4%</b>		
Patrick Industries, Inc. ....	3,120	161,741
<b>Automobiles 1.6%</b>		
Tesla, Inc. ....	725	488,230
Thor Industries, Inc. ....	2,439	182,266
		670,496
<b>Banks 5.2%</b>		
Bank of America Corp. ....	13,753	428,131
Citigroup, Inc. ....	3,211	147,674
JPMorgan Chase & Co. ....	6,461	727,573
SVB Financial Group. ....	395	156,021
Truist Financial Corp. ....	5,292	251,000
Wells Fargo & Co. ....	7,401	289,897
Zions Bancorp NA. ....	4,400	223,960
		2,224,256
<b>Beverages 1.1%</b>		
Coca-Cola Co. (The) .....	3,666	230,628
PepsiCo, Inc. ....	1,282	213,658
		444,286
<b>Biotechnology 1.7%</b>		
AbbVie, Inc. ....	2,790	427,317
Biogen, Inc. ....	411	83,819
Vertex Pharmaceuticals, Inc. ....	700	197,253
		708,389
<b>Capital Markets 0.9%</b>		
Goldman Sachs Group, Inc. (The) .....	800	237,616
Intercontinental Exchange, Inc. ....	1,300	122,252
		359,868
<b>Chemicals 2.0%</b>		
Air Products and Chemicals, Inc. ....	220	52,906
Albemarle Corp. ....	1,600	334,368
Corteva, Inc. ....	2,200	119,108
DuPont de Nemours, Inc. ....	813	45,187
Ecolab, Inc. ....	240	36,902
International Flavors & Fragrances, Inc. ....	370	44,074
Linde plc. ....	490	140,890

	Shares	Value
<b>Common Stocks</b> (continued)		
<b>Chemicals</b> (continued)		
Sherwin-Williams Co. (The) . . . . .	260	\$58,217
		<u>831,652</u>
<b>Commercial Services &amp; Supplies 1.2%</b>		
Pitney Bowes, Inc. . . . .	16,200	58,644
Republic Services, Inc. . . . .	1,400	183,218
Waste Management, Inc. . . . .	1,440	220,291
		<u>462,153</u>
<b>Communications Equipment 0.8%</b>		
Cisco Systems, Inc. . . . .	8,160	347,942
<b>Construction &amp; Engineering 0.4%</b>		
Limbach Holdings, Inc. . . . .	33,900	181,026
<b>Construction Materials 0.6%</b>		
Martin Marietta Materials, Inc. . . . .	800	239,392
<b>Consumer Finance 0.2%</b>		
American Express Co. . . . .	600	83,172
<b>Diversified Financial Services 1.7%</b>		
Berkshire Hathaway, Inc., B. . . . .	2,571	701,934
<b>Diversified Telecommunication Services 1.0%</b>		
AT&T, Inc. . . . .	10,100	211,696
Verizon Communications, Inc. . . . .	4,216	213,962
		<u>425,658</u>
<b>Electric Utilities 2.0%</b>		
Constellation Energy Corp. . . . .	1,199	68,655
Exelon Corp. . . . .	3,600	163,152
NextEra Energy, Inc. . . . .	5,128	397,215
PPL Corp. . . . .	2,000	54,260
Xcel Energy, Inc. . . . .	2,100	148,596
		<u>831,878</u>
<b>Electrical Equipment 0.6%</b>		
Rockwell Automation, Inc. . . . .	1,330	265,082
<b>Electronic Equipment, Instruments &amp; Components 0.3%</b>		
Keysight Technologies, Inc. . . . .	1,000	137,850
<b>Entertainment 1.1%</b>		
Netflix, Inc. . . . .	470	82,189
Walt Disney Co. (The) . . . . .	3,706	349,846
Warner Bros Discovery, Inc. . . . .	2,443	32,785
		<u>464,820</u>
<b>Equity Real Estate Investment Trusts (REITs) 2.3%</b>		
Alexandria Real Estate Equities, Inc. . . . .	700	101,521
American Tower Corp. . . . .	1,267	323,832
AvalonBay Communities, Inc. . . . .	285	55,361
Crown Castle International Corp. . . . .	600	101,028
Duke Realty Corp. . . . .	120	6,594
Equinix, Inc. . . . .	250	164,255
Prologis, Inc. . . . .	1,830	215,300
		<u>967,891</u>
<b>Food &amp; Staples Retailing 2.1%</b>		
Costco Wholesale Corp. . . . .	1,076	515,706

	Shares	Value
<b>Common Stocks</b> (continued)		
<b>Food &amp; Staples Retailing</b> (continued)		
Walmart, Inc. . . . .	3,071	\$373,372
		889,078
<b>Food Products 0.5%</b>		
Freshpet, Inc. . . . .	383	19,874
Mondelez International, Inc., A. . . . .	3,014	187,139
		207,013
<b>Health Care Equipment &amp; Supplies 2.4%</b>		
Abbott Laboratories. . . . .	2,085	226,535
Baxter International, Inc. . . . .	1,300	83,499
Becton Dickinson and Co. . . . .	767	189,089
Boston Scientific Corp. . . . .	2,600	96,902
Embeceta Corp. . . . .	153	3,874
Medtronic plc . . . . .	4,510	404,772
		1,004,671
<b>Health Care Providers &amp; Services 3.7%</b>		
AmerisourceBergen Corp. . . . .	1,220	172,606
Cigna Corp. . . . .	591	155,740
CVS Health Corp. . . . .	2,700	250,182
Humana, Inc. . . . .	895	418,923
UnitedHealth Group, Inc. . . . .	1,063	545,988
		1,543,439
<b>Health Care Technology 0.0%†</b>		
Teladoc Health, Inc. . . . .	365	12,122
<b>Hotels, Restaurants &amp; Leisure 2.0%</b>		
Booking Holdings, Inc. . . . .	100	174,899
Hilton Worldwide Holdings, Inc. . . . .	580	64,635
McDonald's Corp. . . . .	1,428	352,545
Starbucks Corp. . . . .	2,111	161,259
Wynn Resorts Ltd. . . . .	1,310	74,644
		827,982
<b>Household Products 1.8%</b>		
Church & Dwight Co., Inc. . . . .	40	3,706
Colgate-Palmolive Co. . . . .	530	42,474
Procter & Gamble Co. (The) . . . . .	4,807	691,199
		737,379
<b>Industrial Conglomerates 0.8%</b>		
General Electric Co. . . . .	1,962	124,921
Honeywell International, Inc. . . . .	1,300	225,953
		350,874
<b>Insurance 2.3%</b>		
Chubb Ltd. . . . .	1,100	216,238
Marsh & McLennan Cos., Inc. . . . .	1,200	186,300
Progressive Corp. (The) . . . . .	1,500	174,405
Prudential Financial, Inc. . . . .	3,100	296,608
Trupanion, Inc. . . . .	1,260	75,928
		949,479
<b>Interactive Media &amp; Services 5.7%</b>		
Alphabet, Inc., A . . . . .	410	893,497
Alphabet, Inc., C . . . . .	436	953,728



	Shares	Value
<b>Common Stocks</b> (continued)		
<b>Interactive Media &amp; Services</b> (continued)		
Meta Platforms, Inc., A .....	3,065	\$494,231
		<u>2,341,456</u>
<b>Internet &amp; Direct Marketing Retail 3.2%</b>		
Amazon.com, Inc. ....	11,920	1,266,022
eBay, Inc. ....	1,800	75,006
		<u>1,341,028</u>
<b>IT Services 4.3%</b>		
Accenture plc, A .....	865	240,167
Automatic Data Processing, Inc. ....	1,109	232,934
Fidelity National Information Services, Inc. ....	900	82,503
Fiserv, Inc. ....	770	68,507
International Business Machines Corp. ....	1,030	145,426
Kyndryl Holdings, Inc. ....	206	2,015
Mastercard, Inc., A .....	1,409	444,512
PayPal Holdings, Inc. ....	1,930	134,791
Visa, Inc., A. ....	2,241	441,230
		<u>1,792,085</u>
<b>Life Sciences Tools &amp; Services 1.3%</b>		
Danaher Corp. ....	870	220,562
Illumina, Inc. ....	245	45,168
Thermo Fisher Scientific, Inc. ....	480	260,775
		<u>526,505</u>
<b>Machinery 1.0%</b>		
Caterpillar, Inc. ....	1,400	250,264
Deere & Co. ....	600	179,682
		<u>429,946</u>
<b>Media 0.9%</b>		
Comcast Corp., A .....	9,800	384,552
<b>Metals &amp; Mining 0.0%†</b>		
Hecla Mining Co. ....	270	1,058
<b>Multiline Retail 0.6%</b>		
Dollar General Corp. ....	510	125,174
Target Corp. ....	931	131,486
		<u>256,660</u>
<b>Multi-Utilities 0.5%</b>		
Dominion Energy, Inc. ....	2,400	191,544
<b>Oil, Gas &amp; Consumable Fuels 4.4%</b>		
Chevron Corp. ....	3,861	558,996
ConocoPhillips .....	4,300	386,183
Exxon Mobil Corp. ....	7,883	675,100
ONEOK, Inc. ....	1,540	85,470
Williams Cos., Inc. (The) .....	3,600	112,356
		<u>1,818,105</u>
<b>Pharmaceuticals 7.9%</b>		
AstraZeneca plc, ADR. ....	3,100	204,817
Bristol-Myers Squibb Co. ....	5,074	390,698
Eli Lilly & Co. ....	1,908	618,631
Johnson & Johnson .....	5,030	892,874
Merck & Co., Inc. ....	8,078	736,471

	Shares	Value
<b>Common Stocks (continued)</b>		
<b>Pharmaceuticals (continued)</b>		
Novo Nordisk A/S, ADR .....	585	\$65,187
Pfizer, Inc. ....	7,462	391,233
Teligent, Inc. ....	8,370	2
Viatis, Inc. ....	1,422	14,888
		3,314,801
<b>Road &amp; Rail 0.5%</b>		
Knight-Swift Transportation Holdings, Inc. ....	1,210	56,011
Union Pacific Corp. ....	800	170,624
		226,635
<b>Semiconductors &amp; Semiconductor Equipment 5.0%</b>		
Broadcom, Inc. ....	1,225	595,117
Intel Corp. ....	4,121	154,167
Lam Research Corp. ....	270	115,061
Microchip Technology, Inc. ....	1,854	107,680
NVIDIA Corp. ....	3,220	488,120
QUALCOMM, Inc. ....	2,335	298,273
Skyworks Solutions, Inc. ....	1,380	127,843
Texas Instruments, Inc. ....	1,405	215,878
		2,102,139
<b>Software 8.7%</b>		
Adobe, Inc. ....	540	197,672
Autodesk, Inc. ....	511	87,872
Intuit, Inc. ....	380	146,467
Microsoft Corp. ....	10,124	2,600,147
Oracle Corp. ....	2,500	174,675
Salesforce, Inc. ....	1,656	273,306
ServiceNow, Inc. ....	295	140,278
		3,620,417
<b>Specialty Retail 2.1%</b>		
AutoZone, Inc. ....	50	107,456
Home Depot, Inc. (The) ....	1,393	382,058
Lowe's Cos., Inc. ....	950	165,937
Ross Stores, Inc. ....	820	57,589
TJX Cos., Inc. (The) ....	2,977	166,265
		879,305
<b>Technology Hardware, Storage &amp; Peripherals 7.5%</b>		
Apple, Inc. ....	22,926	3,134,443
<b>Textiles, Apparel &amp; Luxury Goods 0.5%</b>		
NIKE, Inc., B. ....	2,001	204,502
<b>Trading Companies &amp; Distributors 0.4%</b>		
United Rentals, Inc. ....	670	162,750
<b>Total Common Stocks (Cost \$28,707,709) .....</b>		<b>41,057,900</b>
<b>Investments In Underlying Funds 1.5%</b>		
<b>Money Market Funds 1.5%</b>		
<sup>a</sup> State of New Jersey Cash Management Fund, 1.15% .....	627,028	627,028
<b>Total Investments In Underlying Funds (Cost \$627,028) .....</b>		<b>627,028</b>

	<b>Warrants</b>	<b>Value</b>
<b>Warrants 0.0%<sup>†</sup></b>		
<b>Health Care Providers &amp; Services 0.0%<sup>†</sup></b>		
Option Care Health, Inc., 6/30/25 .....	2,850	\$6,565
		6,565
<b>Oil, Gas &amp; Consumable Fuels 0.0%<sup>†</sup></b>		
Denbury, Inc., 9/18/23 .....	335	9,380
		9,380
<b>Total Warrants (Cost \$294,867) .....</b>		<b>15,945</b>
<b>Total Long Term Investments (Cost \$29,629,604) .....</b>		<b>41,700,873</b>
<b>Total Investments (Cost \$29,629,604) 99.9% .....</b>		<b>\$41,700,873</b>
<b>Other Assets, less Liabilities 0.1% .....</b>		<b>30,805</b>
<b>Net Assets 100.0% .....</b>		<b>\$41,731,678</b>

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>§</sup>The rate shown is the average annualized monthly rate of return at year end.