RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Financial Report
2015-2016

RUTGERS
THE STATE UNIVERSITY
OF NEW JERSEY

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RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

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and University Treasurer
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November 28, 2016

President Robert L. Barchi
The Board of Governors
The Board of Trustees
of Rutgers, The State University of New Jersey

I am pleased to submit the Annual Financial Report of Rutgers, The State University of New Jersey for the year ended June 30, 2016, the third year following the consolidation with units formerly part of the University of Medicine and Dentistry of New Jersey. The report contains the KPMG LLP Independent Auditors' Report on the university's financial statements. The financial information presented in this report is designed to assist the reader in comprehending the scope of the university's use of resources in meeting its primary missions of instruction, research, public service, and healthcare.

The report sets forth the complete and permanent record of the financial status of the university for the year.

Respectfully submitted,

J. Michael Gower
Executive Vice President for Finance
and Administration, and University Treasurer

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

Independent Auditors' Report

The Board of Governors
The Board of Trustees
Rutgers, The State University of New Jersey:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rutgers, The State University of New Jersey (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University'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 U.S. generally accepted accounting principles; 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 did not audit the financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate (UPA), which represent approximately 35%, 17%, and 48%, as of June 30, 2016, and 29%, 11% and 46%, as of June 30, 2015, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UPA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

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

Summary of Opinions

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The amount by which this departure would affect the assets, net position, and revenues of the aggregate discretely presented component units has not been determined.

Qualified Opinion

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matter described in the Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University, as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the University as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in note 2 to the basic financial statements, as of July 1, 2014, the University adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application.* Our opinions are not modified with respect to this matter.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of employer contributions and schedules of proportionate share of the net pension liability, 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 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.

KPMG LLP

Short Hills, New Jersey
November 28, 2016

Management's Discussion and Analysis (unaudited)
June 30, 2016

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Rutgers, The State University of New Jersey (the university) at June 30, 2016 and 2015, and its changes in financial position for the fiscal year then ended with fiscal year 2014 data presented for comparative purposes. Management has prepared the basic financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for public colleges and universities. This MD&A should be read in conjunction with the audited financial statements and related footnotes of the university, which directly follow the MD&A.

In fiscal 2016, the financial reporting entity of Rutgers included 34 degree granting schools, of which 25 offered graduate programs of study with over 67,000 students enrolled in these programs. These schools are located at Rutgers University–New Brunswick, Rutgers University–Newark, and Rutgers University–Camden. Rutgers Biomedical and Health Sciences, a division within Rutgers, is closely aligned with Rutgers University–New Brunswick**.** The university also maintains educational services in many other communities throughout the State of New Jersey. The university operates research and institutional facilities on 6,088 acres in all 21 counties and 78 municipalities.

The university's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements focus on the financial condition of the university, the changes in financial position, and cash flows of the university's business type activities as a whole rather than the accountability of funds.

The financial statements also include the financial activity of the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, RUN Investments, LLC, and One Washington Park Holdings, LLC. The One Washington Park units provide financing services to the university classifying it as a component unit blended with those of the university. The financial statements for the Rutgers University Foundation (the foundation) and University Physicians Associates of New Jersey, Inc. and Affiliate (UPA) are presented discretely. The foundation was formed to aid the university in obtaining private funds and other resources to meet the needs and achieve the goals of the university. UPA supports Rutgers Biomedical and Health Sciences through administrative assistance to clinical faculty of the New Jersey Medical School.

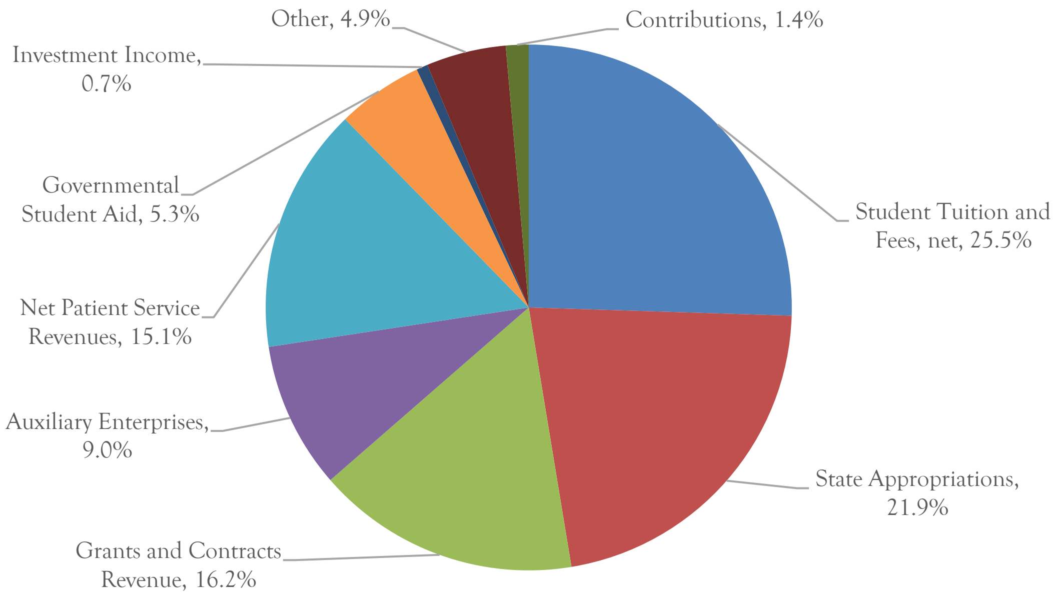
Financial Highlights

The university's financial condition at June 30, 2016 improved modestly with an increase in net position of $101.0 million. Total operating revenues increased by $93.3 million, or 3.9%, with increases of 5.0% in net student tuition and fees, 3.7% in auxiliary net revenues, 3.1% in net patient service revenues, 25.5% in other operating revenues, and a decrease of 1.7% in grant and contract revenue. Operating expense increased by $102.4 million, or 3.0%, while net non-operating revenues decreased by $42.2 million, or 4.2%, primarily as a result of a decrease in fair value of investments.

The university was required to reduce its beginning balance in net position by $1,280.5 million to reflect the cumulative effect of the pension liability through 2014. Total net position was therefore restated as of July 1, 2014, to $1,787.9 million. As a result, the university's net position increased through fiscal 2015 by $126.6 million to $1,914.5 million as of June 30, 2015. The university's total operating revenues amounted to $2,402.6 million in fiscal 2015. The major components of operating revenues are student tuition and fees (net of scholarship allowances) of $863.1 million, grant and contracts revenues of $584.9 million, and net patient service revenues of $518.0 million.

As the State University of New Jersey, the appropriation from the State represents a vital part of the university's funding. In fiscal 2016, the State appropriations, including fringe benefits paid directly by the state, decreased slightly. In fiscal 2015, the state maintained the base appropriation as constant. Tuition revenue is another significant source of funding for the university. In fiscal 2016, in addition to an increase in tuition rates averaging 3.6% (3.0% in 2015), enrollment was at its highest with 67,556 students (66,013 students in 2015). State appropriations, as well as contributions, investment income, and governmental student aid, are shown as non-operating revenue.

As presented in the chart below, net student tuition and fees, state appropriations, grants and contracts revenue and net patient service revenues are the primary sources of revenue for the university.



Statement of Net Position

The Statement of Net Position presents the financial position of the university at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources) of the university. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the statement of net position. Net position is one indicator of the financial condition of the university, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 is as follows (dollars in thousands):

	2016	GASB 68 Adjustment	2016 Net of GASB 68	2015	GASB 68 Adjustment	2015 Net of GASB 68	2014
Assets							
Current assets	$1,191,125	$ –	$1,191,125	$1,240,318	$ –	$1,240,318	$1,274,310
Noncurrent assets							
Endowment, restricted and other noncurrent cash and investments	1,319,456	–	1,319,456	1,350,224	–	1,350,224	1,415,327
Capital assets, net	3,439,243	–	3,439,243	3,235,141	–	3,235,141	3,051,175
Other assets	117,161	–	117,161	126,989	–	126,989	128,957
Total Assets	6,066,985	–	6,066,985	5,952,672	–	5,952,672	5,869,769
Deferred Outflows of Resources	379,367	(245,778)	133,589	171,594	(73,845)	97,749	97,582
Total Assets and Deferred Outflows of Resources	6,446,352	(245,778)	6,200,574	6,124,266	(73,845)	6,050,421	5,967,351
Liabilities							
Current liabilities	633,296	–	633,296	598,164	–	598,164	653,819
Noncurrent liabilities	3,752,206	(1,644,741)	2,107,465	3,543,956	(1,354,656)	2,189,300	2,245,178
Total Liabilities	4,385,502	(1,644,741)	2,740,761	4,142,120	(1,354,656)	2,787,464	2,898,997
Deferred Inflows of Resources	45,342	(45,342)	–	67,660	(67,660)	–	–
Net Position							
Net investment in capital assets	1,601,474	–	1,601,474	1,457,539	–	1,457,539	1,351,416
Restricted - nonexpendable	582,007	–	582,007	563,890	–	563,890	548,115
Restricted - expendable	471,944	–	471,944	470,931	–	470,931	460,048
Unrestricted	(639,917)	1,444,305	804,388	(577,874)	1,348,471	770,597	708,775
Total Net Position (Deficit)	$2,015,508	$1,444,305	$3,459,813	$1,914,486	$1,348,471	$3,262,957	$3,068,354

Current Assets and Current Liabilities

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than a year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Receivables deemed to be collectible in more than a year are also included as noncurrent. Current assets decreased $49.2 million in 2016 and $34.0 million in 2015, primarily as a result of investments held by trustees decreasing in both years.

Deferred outflows of resources are the consumption of net position that is applicable to a future reporting period. In 2016 and 2015, deferred outflows of resources increased $207.8 million and $74.0 million, respectively, primarily as a result of the adjustment for GASB 68. Without this adjustment, deferred outflows of resources decreased $38.0 million in 2016 and only $0.2 million in 2015.

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs and grant revenue received in advance, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities.

Current liabilities, in fiscal 2016, increased $35.1 million primarily as a result of an increase in year-end payables to the State of New Jersey for employee benefits due to an increase in the fringe benefit rate, an increase in salaries payable year end accrual due to an additional two days of salary expense accrued at year end, and finally, an increase in outstanding payments due to contractors for capital related projects. Current liabilities decreased $55.7 million in fiscal 2015 primarily as a result of a reduction in the current portion of university debt issues. The university's current assets cover current liabilities by a factor of 1.9 times in 2016 and 2.1 times in 2015, an indicator of good liquidity and the ability to bear short term demands on working capital. The university's current assets also cover over four months of its total operating expenses, excluding depreciation in 2016 and 2015.

Endowment and Other Investments

The primary financial objective of the investment management of the endowment is to preserve and enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings for current use. The long term investment goal of the endowment is to attain a total return of at least 4.0% plus inflation, fees, and costs. The investment objectives of the endowment are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. A major portion of the university's endowment is maintained in the long term investment pool managed by the university's Joint Investment Committee. The total annual return for the long-term investment pool was 0.9% and 2.9% in fiscal years 2016 and 2015, respectively. The average annual return over the 5 year period ending June 30, 2016 and 2015, was 5.6% and 9.4%, respectively.

The university distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is based on total return, not just cash earnings. The total distribution for the endowment was $38.1 million in fiscal 2016 and $33.2 million in 2015.

The university's endowments consist of permanent (true), term and quasi endowments. Permanent or true endowments are funds received from donors stipulating that the principal gift remain inviolate and be invested in perpetuity with the income generated from the investment to be expended for a specific purpose as designated by the donor. These permanent endowments increased $19.4 million to $582.0 million for fiscal 2016 and increased $14.8 million to $562.6 million for fiscal 2015. Term endowments are those funds received from donors that function as endowments until a specified event occurs. The university's term endowments decreased by $2.4 million to $47.5 million in fiscal 2016 and increased $1.2 million to $49.9 million in fiscal 2015. Quasi endowments consist of restricted expendable gifts and unrestricted funds that have been designated by the university for long-term investment purposes, and therefore, act as endowments. The university's quasi endowments increased by $67.6 million in fiscal 2016 to $370.0 million and increased $22.1 million in fiscal 2015 to $302.4 million.

From a net position perspective, earnings from the endowment, while expendable, are mostly restricted in use by the donors. It is important to note that of the university's endowment funds, only $230.7 million, or 23.1%, can be classified as unrestricted net position in 2016 and $152.2 million, or 16.6% in 2015. From this unrestricted endowment, a significant portion of the income is internally designated by the university for scholarships, fellowships, professorships, and research efforts.

Capital Assets and Debt Activities

The University Physical Master Plan, Rutgers 2030, envisions development at Rutgers over a 15 year time frame and is comprehensive in its scope taking into account buildings, the natural and constructed landscape, transportation and infrastructure. While our physical master plan provides guidance and vision for capital projects over the next 15 years, many projects are now under way that will dramatically improve the student experience on our campuses, support our strengths in arts and sciences, and grow critical disciplines. These projects have been made possible by the generosity of our private donors, by creative partnerships with the public sector, and by funds made available through the historic Building Our Future Bond Act approved by New Jersey voters in November 2012, as well as other state bond programs.

The Building Our Future Bond Act authorized the state to issue bonds totaling $750.0 million to help increase academic capacity at New Jersey institutions of higher education. In May 2013, the state issued general obligation bonds totaling $350.0 million of which $100.0 million was for the Building Our Future Program. The university will receive a total of $173.9 million from this program. The university recorded $45.7 million in revenue from this program in 2016 and $54.4 million in revenue in 2015.

In addition to the Building Our Future Bond Act, the state has also authorized the issuance of bonds to fund several higher education initiatives. In September of 2014, the New Jersey Educational Facilities Authority (NJEFA) issued series 2014A bonds pursuant to the Higher Education Facilities Trust Fund Act (HEFT) in the amount of $199.9 million. This program authorizes the state to issue bonds for institutions of higher education in New Jersey for the purpose of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The university will receive $69.0 million from this program. In 2016, the university recorded $23.6 million in revenue from the HEFT program. In 2015, the university recorded $23.3 million from this program.

NJEFA also issued $203.3 million in Series 2014A-D bonds under the Higher Education Capital Improvement Fund Act (HECIF) in April 2014. HECIF provides funds to certain public and private institutions of higher education in the State for the purpose of paying the costs, or a portion of the costs, of certain capital improvements authorized in accordance with the Capital Improvement Fund Act. The university has been awarded $97.3 million from this program. In 2016, the university recorded $32.5 million, and $8.4 million in revenue from these bonds in 2016 and 2015, respectively.

The university will also receive funds under the Technology Infrastructure Fund Act which created the Higher Education Technology Infrastructure Fund (HETI). HETI funds are required to be used to develop technology infrastructure within and among New Jersey's institutions of higher education in order to provide access effectively and efficiently to information, educational opportunities and workforce training, and to enhance the connectivity of higher education institutions to libraries and elementary and secondary schools. NJEFA issued Series 2014 in the amount of $38.1 million in January 2014. Rutgers will receive a total of $3.3 million for several technology projects. The university recorded $0.5 million, and $2.4 million in revenue from this program in 2016 and 2015, respectively.

Finally, the state authorized NJEFA to issue Series 2014 Higher Education Equipment Leasing Fund bonds in the amount of $89.3 million under the Higher Education Equipment Leasing Fund Act (ELF). This act authorizes NJEFA to issue bonds to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease to public and private institutions of higher education in the State. The university has been awarded $43.8 million from this bond issue for the purchase of this type of equipment. The university recorded $10.6 million, and $17.3 million in revenue from this program in 2016 and 2015, respectively.

On June 15, 2006, the Board of Governors and Board of Trustees of the university approved a comprehensive debt policy for the university to provide an internal strategic framework for capital planning and overall debt management. In 2008, the Board of Governors and the Board of Trustees of the university approved a commercial paper program. The commercial paper program is being used for the interim financing of capital projects and temporary funding of outstanding debt issues.

In 2016, the university issued 2016 Series M in the amount of $164.6 million and commercial paper in the amount of $3.0 million to refund Series 2003D and Series 2004 Certificates of Participation (COP). In 2015, the university issued commercial paper in the amount of $30.7 million to refund Series 2003D and 2004 COP.

The funds received from these state programs, university bonds and other funds received by the university have resulted in the $204.1 million increase in fiscal 2016 ($184.0 million in 2015) in capital assets, net. Capital additions primarily comprise replacement, renovation and new construction of academic and research facilities as well as significant investments in equipment, including information technology. Several major projects completed during fiscal 2016 include:

- Construction of an approximately 500 bed residence hall in New Brunswick for honors students including programming space, office space, common space and other amenities to enhance undergraduate honors research work. The Honors College will create an environment for our brightest students to share space with faculty and deans in order to foster mentorships, cultural exchanges and academic engagement.

- Construction of a 78,000 square foot facility for the Institute of Food, Nutrition and Health on the Cook Campus that will contain state-of-the-art laboratories, community clinics, a children's nutrition center and preschool as well as a dining facility offering health food options
- Renovation of 305 Cooper Street, the Genet Taylor House, includes renovation of the existing 6,685 square feet as well as an addition to the building that will include stairs, elevator and offices for the Department of English on the Camden Campus.
- Construction of a new Nursing and Science Building in Camden which will include state-of-the-art teaching spaces consistent with the current pedagogical trends in Nursing and Science education.
- Expansion of the Life Sciences Center in Newark that will physically link existing facilities and provide opportunities for synergy among all life sciences departments by creating shared core functions, flexible research space for both existing and potential future programs and academic support spaces for all disciplines.

Several major projects completed during fiscal 2015 include:

- Conversion of 15 Washington Street Newark into a mixed use 260,000 sq. ft. residence to house 175 graduate and 185 undergraduate students on the Newark Campus.
- Upgrades of Wessels, Leupp, Pell, Hegeman Halls on the College Avenue Campus to meet current buildings codes and address function efficiencies.

In addition, at June 30, 2016 and 2015, the university had various projects under construction or in the design stage. Significant projects include:

- Construction of a new facility for the Department of Chemistry and Chemical Biology on the Busch Campus that will feature 145,000 square feet of flexible research space and classrooms designed to facilitate collaborative research and learning, providing a state-of-the-art facility to train the next generation of globally engaged scientists and support the needs of the chemical industry in New Jersey and beyond.
- Construction of the first new academic building on College Avenue in more than 50 years. The Rutgers Academic Building is an approximately 175,000 square foot academic building for the Rutgers University School of Arts and Sciences consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls as well as departmental office space.

At June 30, 2015, the university had additional projects under construction or in the design stage. These significant projects included:

- Construction of an approximately 500 bed residence hall in New Brunswick for honors students including programming space, office space, common space and other amenities to enhance undergraduate honors research work. The Honors College will create an environment for our brightest students to share space with faculty and deans in order to foster mentorships, cultural exchanges and academic engagement.
- Construction of a 78,000 square foot facility for the Institute for Food, Nutrition and Health on the Cook Campus that will contain state-of-the-art laboratories, community clinics, a children's nutrition center and preschool as well as a dining facility offering health food options.
- Renovation of 305 Cooper Street, the Genet Taylor House, includes renovation of the existing 6,685 sq. ft. as well as an addition to the building that will include stairs, elevator and offices for the Department of English on the Camden Campus.

Net Pension Liability

In June 2012, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The university participates in the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), both defined benefit cost-sharing multiple-employer pension plans. GASB 68 requires that the proportionate share of the net pension liability be recognized by each participating employer in the plan. The net pension liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service net of the pension plan's fiduciary net position. A cost-sharing employer is also required to recognize its proportionate share of pension expense and report deferred outflows and deferred inflows of resources for its proportionate share. The changes in net pension liability adjusted for the deferred inflows and deferred outflows of resources result in pension expense. Prior to 2015, the university only recognized pension expense for these plans up to the amount contributed to the plan by the state as indicated within the fringe benefit rate provided by the state. In 2016, this contribution amounted to $22.9 million, and in 2015, this contribution amounted to $16.2 million. Under GASB 68, the pension expense recorded was $122.3 million and $80.6 million in 2016 and 2015, respectively. Historically, the state has directly covered pension contributions on behalf of the university and has no current plans to change that. GASB 68 also required the recording of the deferred outflow of resources of $245.8 million and $73.8 million, a net pension liability of $1,644.7 million and $1,354.7 million and a deferred inflow of resources of $45.3 million and $67.7 million in 2016 and 2015, respectively. The university was also required to adjust the beginning net unrestricted position by ($1,280.5) million in 2015 to reflect the cumulative effect of implementation from prior years.

In order to provide a comparison of 2016 and 2015 to 2014, the amounts recorded as a result of GASB 68 have been shown separately.

Net Position

Net Position represents the residual interest in the university's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. Net position consists of four major categories; net investment in capital assets, restricted net position (nonexpendable and expendable), and unrestricted net position. Prior to the pension adjustment required by GASB 68, the university's net position increased by $196.9 million in 2016 ($194.6 million in 2015). As a result of the amounts recorded for pension expense under GASB 68, the July 1, 2014 net position was restated by $1,280.5 million. The fiscal year 2016 activity recorded was $37.4 million ($68.0 million in 2015).

The first category, net investment in capital assets, represents the university's capital assets of land, buildings and equipment net of accumulated depreciation and net of outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The increase of $143.9 million in fiscal 2016, and $106.1 million in fiscal 2015, resulted primarily from the various construction projects listed above.

The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position are those resources that have been set aside and invested as required by the provider of the resources. These funds are not available for expenditures, but rather must be invested in perpetuity with the earnings on those investments to be used as specified by the external donor at the time the resources are received. The nonexpendable net position includes the permanent and term endowments mentioned previously under the Endowment and Other Investments section. The restricted nonexpendable net position increased by $18.1 million and $15.8 million in fiscal 2016 and 2015, respectively.

Expendable restricted net position is available for expenditure by the university but must be spent for purposes as specified by external donors. This category includes contributions received from donors and unspent income from endowed funds. There was an increase of $1.0 million and $10.9 million in fiscal 2016 and 2015, respectively.

The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose. Substantially all of the university's unrestricted net position has been designated by the governing boards or management to support specific programs such as student activities, research projects, continuing education and summer programs, agricultural experiment station activities, junior year abroad programs, auxiliary enterprises and other self-supporting organized activities relating to educational departments as well as capital projects. Many of these designations result from the funds being earned through special purpose fees charged for the specific purposes. The university, therefore, has an obligation to its students to maintain these funds for the purposes that they were received. Prior to the adjustments for GASB 68, there was an increase of $33.7 million and $61.8 million in unrestricted net assets for 2016 and 2015, respectively. The pension expense increased $95.1 million in fiscal 2016 resulting in a deficit unrestricted net position of ($639.9) million. The unrestricted net position beginning balance was adjusted by $1,280.5 million at July 1, 2014 with the implementation of GASB 68 and the pension expense was increased by $68.0 million in 2015 resulting in a deficit unrestricted net position of ($577.9) million. This deficit, in both years, is due to recording the university's full pension expense under GASB 68. The state is expected to cover this cost.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, non-operating, or other. Revenues received and expenses incurred as a result of the university providing goods and services to its customers are considered operating. Non-operating revenues are those received for which goods and services are not directly provided. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The operating deficit demonstrates the university's dependency on state support and gifts. In addition, appropriations, grants and gifts received by the university, specifically for capital expenditures as well as gifts received from donors as endowments, are reported as other revenues.

A summary of the university's revenues, expenses, and changes in net position for the years ended June 30, 2016, 2015, and 2014 is as follows (dollars in thousands).

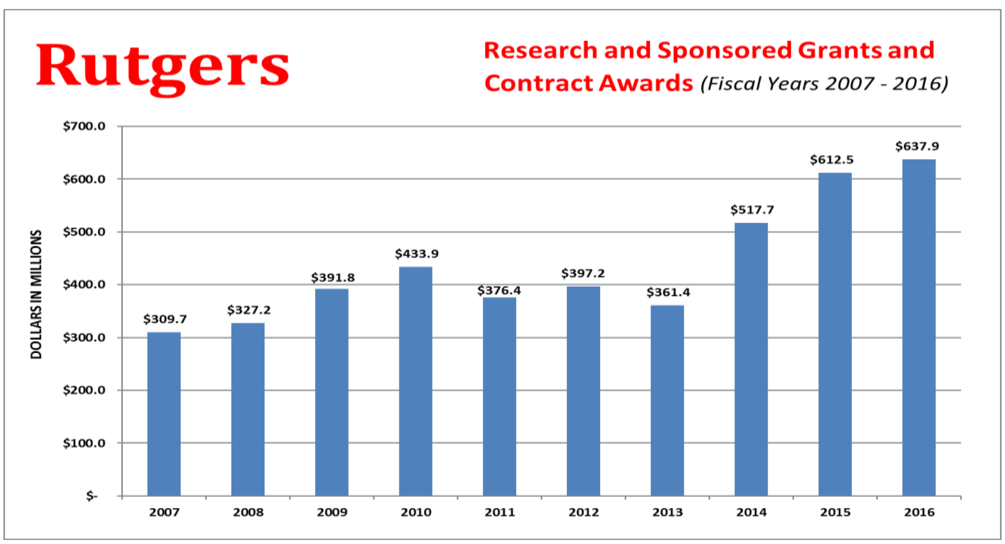
	2016	GASB 68 Adjustment	2016 net of GASB 68 Adjustment	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Operating revenues							
Student tuition and fees (net of scholarship allowances)	$905,762	$ –	$905,762	$863,051	$ –	$863,051	$820,229
Grants and contracts	575,198	–	575,198	584,867	–	584,867	579,695
Auxiliary enterprises (net of scholarship allowances)	317,429	–	317,429	306,260	–	306,260	291,460
Net patient service revenues	533,932	–	533,932	518,019	–	518,019	487,578
Other operating revenues	163,661	–	163,661	130,439	–	130,439	126,880
Total operating revenues	2,495,982	–	2,495,982	2,402,636	–	2,402,636	2,305,842
Operating expenses	3,514,152	(95,834)	3,418,318	3,411,728	(67,973)	3,343,755	3,324,016
Operating loss	(1,018,170)	95,834	(922,336)	(1,009,092)	67,973	(941,119)	(1,018,174)
Non-operating revenues (expenses)							
State appropriations (including fringe benefits paid directly by the state)	775,666	–	775,666	781,884	–	781,884	777,393
Contributions	51,367	–	51,367	52,416	–	52,416	40,625
Endowment and investment income	23,539	–	23,539	23,287	–	23,287	15,678
Net increase/(decrease) in fair value of investments	(4,159)	–	(4,159)	24,212	–	24,212	102,931
Governmental Student Aid	188,625	–	188,625	188,707	–	188,707	174,104
Interest on capital asset related debt	(83,866)	–	(83,866)	(80,214)	–	(80,214)	(83,053)
Net other non-operating revenues	8,609	–	8,609	11,715	–	11,715	17,760
Net non-operating revenues	959,781	–	959,781	1,002,007	–	1,002,007	1,045,438
(Loss)/Income before other revenues	(58,389)	95,834	37,445	(7,085)	67,973	60,888	27,264
Other revenues	159,411	–	159,411	133,715	–	133,715	40,977
Increase in net position	101,022	95,834	196,856	126,630	67,973	194,603	68,241
Net position at beginning of year	1,914,486	1,348,471	3,262,957	1,787,856	1,280,498	3,068,354	3,000,113
Net position at end of year	$2,015,508	$1,444,305	$3,459,813	$1,914,486	$1,348,471	$3,262,957	$3,068,354

Operating revenues represent 70.4% and 68.9% of total revenues in 2016 and 2015, respectively. Significant components of operating revenues include the following:

Student tuition and fees, net of scholarship allowances are the largest component of operating revenues. Tuition and fees are reflected net of scholarship allowances, which represent scholarships and fellowships applied to student accounts for tuition and residence fees. These scholarships and fellowships are funded through federal and state grant programs and gifts raised by the university. The university provided $261.3 million of a total $319.9 million of student aid directly to student accounts. The remaining $58.6 million was paid to students and is reflected as scholarships and fellowships expense. Scholarship allowances allocated to tuition and fees amounted to $215.2 million. Another $46.1 million was allocated to residence fees, which are included in auxiliary revenues. Tuition and fees, net of scholarship allowances, increased $42.7 million in 2016. The increase resulted primarily from an average increase in tuition rates of 3.6% for undergraduate students, an increase of 2.3% in student fees and an enrollment peak of 67,556 for 2016. In 2015, tuition and fees, net of scholarship allowances increased $42.9 million. Tuition rates were increased in fiscal 2015 by an average of 3.0%, while student fees increased an average of 2.8% in New Brunswick and 3.8% in Camden. Enrollment reached a peak of 66,013 in 2015. In 2015, the university also changed its procedures for recognizing tuition revenue from its summer session programs. The university now recognizes the revenue earned from summer programs run prior to June 30 in the current year and defers revenue for courses held after June 30. In the past, all summer session revenue was deferred to the following year. This change has resulted in an increase in revenue of approximately $20.0 million in 2015.

Grants and Contracts includes revenues for sponsored programs from federal, state and nongovernmental grants and contracts that normally provide for the recovery of direct and indirect costs, or expenses. While the university experienced significant challenges in novating awards after the merger and additional delays in awards as a result of sequestration in 2014, all awards from the former UMDNJ were novated in 2015. Renewals and new awards continue to be received. In 2016, new research grants and sponsored programs totaled $637.9 million, an increase of 4.1%. In 2015, the university succeeded in obtaining new grants with over 2,800 new awards totaling over $612.5 million representing an 18.3% increase in awards. Federal awards for research reached $335.5 million and $303.2 million in 2016 and 2015, respectively, a 10.7% increase. Awards from the National Science Foundation (NSF) accounted for $55.3 million and $55.5 million in 2016 and 2015, respectively, or a 0.4% decrease from this agency. Awards received from the State of New Jersey for research and sponsored programs decreased by 16.3% in 2016, but increased by 36.8% in 2015 to a total of $148.9 million and $177.8 million, respectively. Awards from nongovernmental sources amounted to $153.5 million and $131.7 million in 2016 and 2015, respectively.

The following table summarizes the research awards received by the university over the last 10 years.



In fiscal 2016, *Federal Grants and Contracts* revenue amounted to $301.7 million or 52.4% of total grants and contracts revenue. This year the university was awarded grants from various federal agencies including:

- The National Institute of Neurological Disorders and Stroke (NINDS) awarded to Jay Tischfield, founding director of Rutgers University Cell and DNA Repository, RUCDR Infinite Biologics, $1.2 million to manage the NINDS stem cell repository and provide a comprehensive range of stem cell related services to researches worldwide investigating diseases such as Parkinson's and ALS.

- The National Institute for Health (NIH) awarded David Perlin, professor in the Rutgers New Jersey Medical School, $5.3 million to support the Center for Excellence in Translational Research program to develop therapeutic countermeasures to high-threat bacterial agents.

- The NIH also awarded Joachim Kohn $1.2 million to support his project on an investigational new drug application (IND) for intravenous cP12 and pre-IND studies of intravenous topical cNP5 for limiting burn injury progression.

- Elisa Bandera at the Rutgers Cancer Institute of New Jersey for research into obesity, related comorbidities, and breast cancer outcomes in African Americans was awarded $1.1 million from NIH.

In fiscal 2015, *Federal Grants and Contracts* revenue amounted to $302.5 million or 51.7% of total grants and contracts revenue. In 2015, the university was awarded grants from various federal agencies including:

- Under the Defense Advanced Research Projects Agency's Pathogen Predators program, Daniel Kadouri, associate professor in the Rutgers School of Dental Medicine, Rutgers Biomedical and Health Sciences, is the principal investigator of an award with an anticipated total funding of $7.0 million over a three year period. The university received the first $2.1 million in 2015. This project will examine the therapeutic potential of two types of predatory bacteria that kill germs that have developed a resistance to antibiotics.

- The National Institute of Biomedical Imaging and Bioengineering awarded a grant to Prabhas Moghe, distinguished professor of Biomedical Engineering and Chemical and Biochemical Engineering, and Richard Riman, distinguished professor of Materials Science and Engineering, both in the School of Engineering, Rutgers–New Brunswick, for their project "Earth Nanocrystals and Infrared Light Reveal Cancerous Tumors and Cardiovascular Lesions." This is a four year grant with total anticipated funding of $2.0 million, of which $0.5 million was awarded in 2015.

In fiscal 2016, *State and Municipal Grants and Contracts* revenue amounted to $153.8 million or 26.7% of total grants and contracts revenue. The following are some of the grants received this year from various state agencies:

- The New Jersey Department of Children and Families awarded Judy Postmus, associate professor and director, Center on Violence Against Women and Children; Sara Munson, executive director, Institute for Families; and Cassandra Simmel, associate professor, School of Social Work, an award totaling $1.0 million. The project is titled, "Adoption Certification Program".

- The New Jersey Department of Transportation awarded Charles Brown, adjunct professor, Edward J. Bloustein School of Planning and Public Policy, and senior research specialist, Alan M. Voorhees Transportation Center, an award totaling $0.6 million. The project is titled "New Jersey Bicycle and Pedestrian Resource Center" and is to motivate, educate and empower citizens to create safer and more accessible walking and bicycling environments through cutting edge research, education, and sharing of resources.

In fiscal 2015, *State and Municipal Grants and Contracts* was $165.2 million or 28.2% of total grants and contracts revenue. The following are some of the grants received in 2015 from various state agencies.

- The State of New Jersey Department of Transportation awarded Ali Maher, professor in the Department of Civil and Environmental Engineering and director of the Center for Advanced Infrastructure and Transportation, Rutgers–New Brunswick, a $4.5 million grant from for "Utilization of Pneumatic Flow Tube Mixing Technique."

- The New Jersey Department of Education awarded Cynthia Blitz, executive director of the Center for Effective School Practices and associate research professor in the Graduate School of Education, Rutgers–New Brunswick, a $7.4 million grant for her project, "New Jersey Early Learning Training Academy."

- Distinguished professor of public policy and director of the Center for State Health Policy, Rutgers–New Brunswick, Joel Cantor, is the principal investigator of a $3 million award from the Centers for Medicare and Medicaid Services for work on "New Jersey State Healthcare Innovation Project."

Finally, in fiscal 2016, *Nongovernmental Grants and Contracts* revenue amounted to $119.7 million or 20.8% of total grants and contracts revenue. Some of the awards received this year included the following:

- The Surdna Foundation awarded $0.5 million to principal investigator, Christopher Obropta, associate professor, Department of Environmental and Biological Services, and extension specialist in water resources, Rutgers Cooperative Extension, for a project titled, "New Technical Assistance Program for Combined Sewer Overflow Communities". The purpose of this project is to expand the statewide program that assists New Jersey communities in implementing green infrastrucure solutions to stormwater challenges, targeting communities with combined sewer overflow systems.

- The Robert Wood Johnson Foundation awarded $0.8 million to principal investigator, Joel Cantor, distinguished professor, Department of Public Policy, and director, Center for State Health Policy, for a project titled "New Jersey Perspectives on Health and Well-Being Project". This funding will support development and implementation of polling under the New Jersey Perspectives on Health and Well-Being project.

Finally, in fiscal 2015, *Nongovernmental Grants and Contracts* was $117.2 million or 20.0% of total grants and contracts revenue. Some of the awards received in 2015 include the following:

- The Foundation for Newark's Future awarded Roland Anglin, director of the Joseph Cornwall Center for Metropolitan Studies, Rutgers–Newark, $1.5 million for his project "New City of Learning Collaborative."

- The Bill and Melinda Gates Foundation awarded Anushua Sinha, associate professor of preventive medicine and community health, Rutgers New Jersey Medical School, a $750,000 grant to support "Maternal Pertussis Immunization Cost Effectiveness Analysis."

- The Hunt Alternatives Fund awarded a grant of $400,000 to Kelly Dittmar, assistant professor in the Department of Political Science, Faculty of Arts and Sciences, Rutgers–Camden, and scholar at the Center for American Women and Politics at the Eagleton Institute of Politics, Rutgers–New Brunswick, for her project "Women Representing in an Era of Party Polarization."

Auxiliary enterprise revenues include revenues from the university's housing, dining facilities and other student related services, as well as other business type activities such as the bookstore and the golf course that provide support to the university's primary missions of education, research and public service. Auxiliary revenues of $363.5 million were offset by scholarship allowances of $46.1 million in 2016. Housing and dining revenues totaled $226.8 million, or 62.4%, of total gross auxiliary revenues. Housing rates increased 2.8% while dining rate increased ranged from 2.1% to 2.4% in 2016. Auxiliary expenses totaled $288.7 million in 2016, a decrease of $0.2 million compared to 2015. Housing and dining expenditures totaled $141.0 million or 48.8% of total auxiliary expenditures in 2016. In 2015, auxiliary revenues, net of scholarship allowances, increased by $14.8 million, while expenditures decreased by $4.1 million.

Net patient services revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, faculty practice operations, community healthcare centers, cancer and contract activities, under contractual arrangements with governmental payers and private insurers. In fiscal 2016, this revenue was $533.9 million, an increase of $15.9 million or 3.1% over fiscal 2015 revenue of $518.0 million, and $487.6 million in fiscal 2014. The increases in 2016 and 2015 were primarily due to increases in patient service revenues at the Cancer Institute of New Jersey and University Behavioral Health Care.

Operating expenses are reported by functional classification in the Statements of Revenue, Expenses, and Changes in Net Position and by natural classification in the notes to the financial statements (See Note 13). The following tables summarize the university's operating expenses by functional and natural classification.

Operating Expenses by Functional Classification
(dollars in thousands)

	2016	GASB 68 Adjustment	2016 net of GASB 68 Adjustment	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Instruction	$914,508	($43,016)	$871,492	$883,213	($29,334)	$853,879	$849,438
Sponsored Research	348,052	–	348,052	355,769	–	355,769	358,231
Other Separately Budgeted Research	105,169	(3,511)	101,658	98,331	(2,550)	95,781	76,467
Other Sponsored Programs	196,682	–	196,682	206,779	–	206,779	87,977
Extension and Public Service	51,595	(3,429)	48,166	50,395	(1,450)	48,945	146,128
Academic Support	129,483	(4,684)	124,799	125,477	(3,079)	122,398	123,342
Student Services	105,216	(3,382)	101,834	93,050	(2,333)	90,717	107,332
Operation and Maintenance of Plant	216,132	(6,485)	209,647	205,281	(4,674)	200,607	207,167
General Administration and Institutional	264,165	(10,113)	254,052	243,608	(7,314)	236,294	260,811
Scholarships and Fellowships	58,596	(280)	58,316	54,201	(215)	53,986	52,517
Depreciation	151,254	–	151,254	152,525	–	152,525	147,629
Patient Care Services	684,222	(14,955)	669,267	653,446	(12,504)	640,942	613,492
Auxiliary Enterprises	288,680	(5,979)	282,701	288,869	(4,520)	284,349	292,991
Other Operating Expenses	398	–	398	784	–	784	494
Total Operating Expenses	$3,514,152	($95,834)	$3,418,318	$3,411,728	($67,973)	$3,343,755	$3,324,016

Operating Expenses by Natural Classification
(dollars in thousands)

	2016	GASB 68 Adjustment	2016 net of GASB 68 Adjustment	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Salaries and Wages	$1,824,819	$ –	$1,824,819	$1,775,349	$ –	$1,775,349	$1,752,152
Fringe Benefits	632,569	(95,834)	536,735	582,430	(67,973)	514,457	543,132
Supplies and Services	838,059	–	838,059	838,553	–	838,553	815,680
Scholarships and Fellowships	67,451	–	67,451	62,871	–	62,871	65,423
Depreciation	151,254	–	151,254	152,525	–	152,525	147,629
Total Operating Expenses	$3,514,152	($95,834)	$3,418,318	$3,411,728	($67,973)	$3,343,755	$3,324,016

The natural classification of expenses demonstrates that the major expenditure of the university in 2016 is salaries and wages accounting for more than 51.9% of total operating expenses with the GASB 68 adjustment (52.0% in 2015) and 53.4% without the adjustment in 2016 (53.1% in 2015). Negotiated salary increases were implemented this year resulting in an average increase in salaries of 2.0% (a 2.0% increase in 2015). Fringe benefits also increased significantly this year primarily resulting from the changes required under GASB 68. In 2016, prior to GASB 68, the university's pension expense amounted to $22.9 million ($16.2 million in 2015). Pension expense under GASB 68 amounted to $95.1 million in 2016 ($80.6 million in 2015) resulting in an increase in pension expense of $72.2 million ($68.0 million in 2015).

State appropriations, including fringe benefits paid directly by the State, decreased $6.2 million in fiscal 2016. The university's base appropriations decreased by $15.3 million as a result of reductions in New Jersey Department of State (DOS) funding. Fringe benefits paid directly by the State increased $9.0 million in 2016, primarily the result of increasing pension and healthcare costs. The university received an appropriation from the New Jersey Department of State (DOS) totaling $394.0 million in 2016 and $409.2 million in 2015 for the New Brunswick (including RBHS and the Agricultural Experiment Station), Newark and Camden Campuses. In addition, the university received an appropriation from the New Jersey Department of Health in the amount of $28.0 million in 2016 and 2015 for the Rutgers Cancer Institute of New Jersey (CINJ). The university also received an appropriation from the New Jersey Department of Human Services (DHS) totaling $18.0 million in 2016 and 2015 for the Rutgers University Behavioral Health Care Centers (UBHC). Total appropriations for the year amounted to $439.9 million and $455.2 million in 2016 and 2015, respectively. Fringe benefits are also paid directly by the State and totaled $335.7 million and $326.7 million in fiscal 2016 and 2015, respectively.

Governmental Student Aid is also a significant component of non-operating revenues. The university's students benefit from various federal programs, such as, Pell Grants and the Federal Supplemental Educational Opportunity Grants. In addition, the State provides aid through the Tuition Aid Grant (TAG) program and the Educational Opportunity Fund (EOF). The university received a total of $83.0 million in 2016 from federal programs or a 1.5% increase over the $81.8 million received in 2015. The university also received $105.6 million from the state this year or a decrease of 1.3% from the $106.9 million received in 2015.

Other revenues and expenses consist of grants and gifts received by the university for capital projects, as well as additions to permanent endowments. The university received a total of $124.7 million in 2016 for capital grants and gifts. The increase from fiscal 2015 was due to $4.5 million in gifts received for the Global Village Learning Center project and an increase of $5.4 million received from the State of New Jersey. The university received $34.7 million in fiscal 2016 and $20.7 million in 2015 to add to our endowment as a result of the foundation's campaign. The increase was due to a greater number of gifts received which were $1.0 million or greater.

Economic Factors that will affect the future

The university continues to maintain a strong financial position. After a decrease in direct state support of $15.3 million in fiscal year 2016, direct state support for fiscal year 2017 increased by $1.0 million, as a result of a capital appropriation for the planning of a new School of Business facility on the Camden Campus. In addition, the university increased tuition rates by only 1.7% for in-state students and out-of-state students in 2017, the lowest increase in five years. We will continue to meet our funding challenges through savings from increased efficiency and reduced administrative costs, revenue from nontraditional education programs, public-private partnerships, clinical care enterprises, increased grants and contracts, greater philanthropy and other sources.

During the past year, the university embarked on a new plan to update the institution's Enterprise Resource Planning (ERP) systems. With the implementation in October 2016, the major areas of focus include: creating a new university chart of accounts, implementing a more responsive suite of online tools for financial reporting, budgeting and planning, expanding the use of a streamlined, paperless system for procurement, and finally, to support faculty research, a new implementation of products for sponsored projects, pre-award function, integrated financial management and general research administration.

The university continues to attract a high quality, diverse population of students. Growth in the size of the first-year classes has led to an overall enrollment increase of more than 1,700 students in the fall 2016 semester. The university maintains a state, national, and global reach by attracting competitive applicants from all 50 states and over 140 countries.

As a result of the various state bond programs and other financing sources, the university has numerous construction and renovation projects underway. New capital construction in progress includes the renovation of buildings in Newark to support the Express Newark Initiative and upgraded space for the Newark Biology, Chemistry and Neuroscience departments, a new Nursing and Science Building in Camden, additions to William Levine Hall at the Ernest Mario School of Pharmacy and construction of a Chemistry and Chemical Biology facility, which will be a new academic building on the Busch Campus slated to be completed in the fall of 2017. These projects will provide additional space and resources for our growing institution.

STATEMENTS OF NET POSITION
June 30, 2016 and 2015
(dollars in thousands

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc. and Affiliates	
	2016	2015	2016	2015	2016	2015
ASSETS:						
Current Assets						
Cash and Cash Equivalents	$100,885	$167,663	$527	$1,649	$25,723	$17,235
Cash and Cash Equivalents - Restricted	183,544	131,782	18,205	22,299	4,587	5,603
Short-Term Investments	523,583	439,925	–	–	28,099	27,726
Short-Term Investments - Restricted	86	27,061	5,097	10,919	–	–
Investments Held by Trustees - Restricted	–	69,153	–	–	–	–
Accounts Receivable, net	370,687	387,589	3,951	3,605	–	–
Contributions Receivable, net – Current Portion	–	–	32,115	43,324	–	–
Inventories	4,131	3,909	–	–	–	–
Prepaid Expenses and Other Assets	8,209	13,236	311	658	44	647
Total Current Assets	1,191,125	1,240,318	60,206	82,454	58,453	51,211
Noncurrent Assets						
Cash and Cash Equivalents	60,347	87,957	–	–	–	–
Cash and Cash Equivalents - Restricted	256,206	318,483	–	–	–	–
Long-Term Investments	3	13,045	2,058	8,656	–	–
Long-Term Investments - Restricted	978,094	849,519	6,391	8,835	–	–
Investments Held by Trustees - Restricted	24,806	81,220	–	–	–	–
Accounts Receivable, net	115,786	124,604	–	–	–	–
Contributions Receivable, net – Noncurrent Portion	–	–	39,133	27,549	–	–
Cash Surrender Value of Whole Life Insurance Policies	–	–	699	687	–	–
Other Noncurrent Assets	1,375	2,385	–	–	–	–
Capital Assets, net	3,439,243	3,235,141	–	–	75	112
Total Noncurrent Assets	4,875,860	4,712,354	48,281	45,727	75	112
TOTAL ASSETS	6,066,985	5,952,672	108,487	128,181	58,528	51,323
DEFERRED OUTFLOWS OF RESOURCES:						
Loss on Refunding	85,156	71,832	–	–	–	–
Pension Related	245,778	73,845	–	–	–	–
Interest Rate Swaps	48,433	25,917	–	–	–	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	379,367	171,594	–	–	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,446,352	6,124,266	108,487	128,181	58,528	51,323

STATEMENTS OF NET POSITION
June 30, 2016 and 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit Rutgers University Foundation		Component Unit University Physician Associates of New Jersey, Inc. and Affiliates	
	2016	2015	2016	2015	2016	2015
LIABILITIES:						
Current Liabilities						
Accounts Payable and Accrued Expenses	392,587	354,505	2,819	4,065	23,735	11,183
Payable to Rutgers, The State University of New Jersey	–	–	–	220	14,746	10,874
Unearned Revenue	93,019	92,912	25	–	–	–
Payroll Withholdings	21,834	22,797	–	–	–	–
Other Payables	2,305	2,235	–	–	–	–
Annuities Payable – Current Portion	–	–	800	854	–	–
Short-Term Liabilities	65,608	65,833	–	–	–	–
Long-Term Liabilities - Current Portion	57,943	59,882	–	–	–	–
Total Current Liabilities	633,296	598,164	3,644	5,139	38,481	22,057
Noncurrent Liabilities						
Accounts Payable and Accrued Expenses	47,201	44,590	412	425	–	14,254
Unearned Revenue	100,447	169,700	–	–	–	–
Derivative Instruments	48,433	25,917	–		–	–
Annuities Payable – Noncurrent Portion	–	–	6,186	6,493	–	–
Net Pension Liability	1,644,741	1,354,656	–	–	–	–
Long-Term Liabilities – Noncurrent Portion	1,911,384	1,949,093	–	–	–	–
Total Noncurrent Liabilities	3,752,206	3,543,956	6,598	6,918	–	14,254
TOTAL LIABILITIES	4,385,502	4,142,120	10,242	12,057	38,481	36,311
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	45,342	67,660	–	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,430,844	4,209,780	10,242	12,057	38,481	36,311
NET POSITION (DEFICIT):						
Net Investment in Capital Assets	1,601,474	1,457,539	–	–	–	–
Restricted for						
Nonexpendable						
Instruction	240,519	231,291	654	1,615	–	–
Scholarships and Fellowships	249,718	249,401	3,938	6,514	–	–
Libraries	9,420	9,833	229	–	–	–
Other	82,350	73,365	437	333	–	–
Expendable						
Instruction	152,825	151,702	11,972	15,699	–	–
Research	65,296	65,924	20,377	28,588	–	–
Scholarships and Fellowships	83,999	83,834	8,998	9,651	–	–
Libraries	12,001	13,179	570	719	–	–
Loans	77,183	76,607	1	1	–	–
Capital Projects	24,986	23,958	25,960	27,547	–	–
Debt Service Reserve	9,009	15,639	–	–	–	–
Healthcare and Professional Services	9,841	9,676	–	–	–	–
Other	36,804	30,412	21,554	14,650	–	–
Unrestricted	(639,917)	(577,874)	3,555	10,807	20,047	15,012
TOTAL NET POSITION (DEFICIT)	$2,015,508	$1,914,486	$98,245	$116,124	$20,047	$15,012

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc. and Affiliates	
	2016	2015	2016	2015	2016	2015
OPERATING REVENUES:						
Student Tuition and Fees (net of scholarship allowances of $215,188 in 2016 and $205,331 in 2015)	$905,762	$863,051	$ –	$ –	$ –	$ –
Federal Grants & Contracts	301,680	302,504	–	–	–	–
State & Municipal Grants & Contracts	153,793	165,153	–	–	–	–
Nongovernmental Grants & Contracts	119,725	117,210	42,299	57,758	–	–
Auxiliary Enterprises (net of scholarship allowances of $46,110 in 2016 and $43,307 in 2015)	317,429	306,260	–	–	–	–
Net Patient Service Revenues	533,932	518,019	–	–	120,469	112,707
Other Operating Revenues	163,661	130,439	6,274	5,891	2,593	91
Total Operating Revenues	2,495,982	2,402,636	48,573	63,649	123,062	112,798
OPERATING EXPENSES:						
Educational and General						
Instruction	914,508	883,213	–	–	–	–
Sponsored Research	348,052	355,769	–	–	–	–
Other Separately Budgeted Research	105,169	98,331	–	–	–	–
Other Sponsored Programs	196,682	206,779	–	–	–	–
Extension and Public Service	51,595	50,395	–	–	–	–
Academic Support	129,483	125,477	–	–	–	–
Student Services	105,216	93,050	–	–	–	–
Operations and Maintenance of Plant	216,132	205,281	–	–	–	–
General Administration and Institutional	264,165	243,608	30,873	27,347	20,217	20,585
Scholarships and Fellowships	58,596	54,201	–	–	–	–
Depreciation	151,254	152,525	–	–	–	–
Patient Care Services	684,222	653,446	–	–	49,070	45,392
Auxiliary Enterprises	288,680	288,869	–	–	–	–
Distributions to Rutgers, The State University of New Jersey	–	–	119,917	103,877	–	–
Distributions to Douglass Associate Alumnae	–	–	55	85	–	–
Other Operating Expenses	398	784	–	–	49,227	45,220
Total Operating Expenses	3,514,152	3,411,728	150,845	131,309	118,514	111,197
Operating (Loss)/Income	(1,018,170)	(1,009,092)	(102,272)	(67,660)	4,548	1,601

(Continued)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit Rutgers University Foundation		Component Unit University Physician Associate of New Jersey, Inc. and Affiliates	
	2016	2015	2016	2015	2016	2015
NON-OPERATING REVENUES (EXPENSES):						
State Appropriations	439,930	455,194	–	–	–	–
State Paid Fringe Benefits	335,736	326,690	–	–	–	–
Administrative Fees and Support from Rutgers, The State University of New Jersey	–	–	14,576	14,560	–	–
Noncash Support from Rutgers, The State University of New Jersey	–	–	1,840	1,457	–	–
Federal Appropriations	7,429	7,346	–	–	–	–
Federal Student Aid	83,038	81,774	–	–	–	–
State Student Aid	105,587	106,933	–	–	–	–
Contributions	51,367	52,416	10,887	13,854	–	–
Endowment and Investment Income (net of investment management fees for the university of $6,041 in 2016 and $5,353 in 2015)	23,539	23,287	349	479	514	446
Net (Decrease)/Increase in Fair Value of Investments	(4,159)	24,212	(224)	(270)	(27)	455
Interest on Capital Asset Related Debt	(83,866)	(80,214)	–	–	–	–
Loss on Disposal of Capital Assets	(206)	(928)	–	–	–	–
Other Non-operating Revenues/(Expenses)	1,386	5,297	359	(1,086)	–	–
Total Net Non-operating Revenues	959,781	1,002,007	27,787	28,994	487	901
(Loss)/Income before Other Revenues (Expenses)	(58,389)	(7,085)	(74,485)	(38,666)	5,035	2,502
Capital Grants and Gifts	124,702	112,994	19,221	14,426	–	–
Additions to Permanent Endowments	34,709	20,721	37,385	27,809	–	–
Increase in Net Position	101,022	126,630	(17,879)	3,569	5,035	2,502
Net Position – Beginning of the Year	1,914,486	1,787,856	116,124	112,555	15,012	12,510
Net Position - End of the Year	$2,015,508	$1,914,486	$98,245	$116,124	$20,047	$15,012

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey	
	2016	**2015**
Cash Flows from Operating Activities:		
Student Tuition and Fees	$899,208	$929,895
Research Grants and Contracts	574,508	637,397
Services to Patients	68,960	59,030
Professional Services and Contracts	461,945	464,011
Payments to Employees and for Benefits	(2,011,387)	(1,974,537)
Payments to Suppliers	(750,469)	(742,001)
Payments for Utilities	(82,456)	(98,673)
Payments for Scholarships and Fellowships	(67,451)	(108,383)
Collection of Loans to Students and Employees	1,107	1,331
Auxiliary Enterprises Receipts	317,794	276,280
Other Receipts	184,069	96,286
Net Cash Used by Operating Activities	(404,172)	(459,364)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	432,464	448,607
Federal Appropriations	5,059	11,718
Contributions for other than Capital Purposes	51,367	56,618
Federal and State Student Aid	204,683	186,255
Contributions for Endowment Purposes	34,709	25,038
Other Receipts (Payments)	3,410	(6,027)
Net Cash Provided by Noncapital Financing Activities	731,692	722,209
Cash Flows from Financing Activities:		
Proceeds from Capital Debt and Leases	190,333	30,713
Capital Grants and Gifts Received	78,202	110,708
Purchases of Capital Assets and Construction in Progress	(324,548)	(299,956)
Principal Paid on Capital Debt and Leases	(59,564)	(56,392)
Interest Paid on Capital Debt and Leases	(91,690)	(97,974)
Debt Defeasance	(189,118)	(31,160)
Bond Issuance Costs	(1,188)	(149)
Other Payments (Receipts)	(7,581)	9,157
Net Cash Used by Financing Activities	(405,154)	(335,053)
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	1,285,024	843,538
Investment Income	23,539	21,726
Purchase of Investments	(1,335,832)	(869,263)
Net Cash Used by Investing Activities	(27,269)	(3,999)
Net Decrease in Cash and Cash Equivalents	(104,903)	(76,207)
Cash and Cash Equivalents - Beginning of the year	705,885	782,092
Cash and Cash Equivalents - End of the year	$600,982	$705,885

(Continued)

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	**2016**	**2015**
Operating Loss	($1,018,170)	($1,009,092)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
State Paid Fringe Benefits	335,736	326,690
Depreciation	151,254	152,525
Amortization	810	810
Provision for Bad Debts	20,084	30,862
Changes in Assets and Liabilities:		
Receivables	(11,022)	(36,562)
Inventories	(222)	624
Prepaid Expenses and Other Assets	5,226	8,983
Accounts Payable and Accrued Expenses	17,626	11,497
Unearned Revenue	107	(13,671)
Payroll Withholdings	(963)	3,729
Other Payables	(472)	(3,732)
Net Pension Liability	95,834	67,973
Net Cash Used by Operating Activities	($404,172)	($459,364)

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

Rutgers, The State University of New Jersey (the university), one of the nation's nine colonial colleges, consists of 34 schools and colleges located at campuses in New Brunswick and adjacent areas, Newark and Camden, and maintains educational services in many other communities throughout the State of New Jersey (the State). The university is the State University of New Jersey and the Land Grant College of the State of New Jersey. The university was created as a body corporate and politic with the title "The Trustees of Queens College in New Jersey" by royal charter granted by King George III, on November 10, 1766. In 1945, an act of the State Legislature designated Rutgers as the State University of New Jersey to be utilized as an instrumentality of the State for providing public higher education and thereby increasing the efficiency of its public school system. The university's title was changed to "Rutgers, The State University" and its charter was amended and supplemented by an act of the Legislature of the State in 1956 (the Rutgers Law).

Effective July 1, 2013, the New Jersey Medical and Health Sciences Education Restructuring Act (the Act), (Chapter 45, P.L. 2012), went into effect. The Act integrated the Cancer Institute of New Jersey and all units of the University of Medicine and Dentistry of New Jersey (UMDNJ), except University Hospital (UH) in Newark and the School of Osteopathic Medicine (SOM) in Stratford, into Rutgers. The UMDNJ schools and units transferred to Rutgers and joined the existing Rutgers School of Nursing, Rutgers Ernest Mario School of Pharmacy and the Rutgers Institute of Health, Health Care Policy and Aging Research to form the Rutgers Biomedical and Health Sciences (RBHS) division.

Basis of Accounting

The basic financial statements of the university have been prepared on the accrual basis of accounting, using the economic resources measurement focus, and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The university reports as a special purpose government engaged only in business type activities as defined in GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities.* Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

GASB Statement No. 34 requires that the financial statements be presented on a comprehensive entity-wide basis, reporting the university as an economic unit.

Reporting Entity

The university's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the foundation), the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, Parkside RUN Investments, LLC, One Washington Park Holdings, LLC, and Washington Park Fund, LLC, and the University Physician Association of New Jersey, Inc. and Affiliate (UPA).

The foundation is a legally separate, not-for-profit organization, which exists solely for the benefit of the university and was formed to aid the university to obtain private funds and other resources to meet the needs and achieve the goals of the university for which adequate funds may not be available from other sources. To fulfill this mission, the foundation solicits and receives gifts and pledges from private sources including individuals, corporations, and foundations. All of the financial data for the foundation is from their audited financial statements, reported in accordance with generally accepted accounting principles promulgated by GASB. The foundation is discretely presented in the university's financial report as it would be misleading to exclude them and they exist for the direct benefit of the university, its students, and faculty. Copies of the foundation's financial statements can be obtained by writing to the foundation at Rutgers University Foundation, Winants Hall, 7 College Avenue, New Brunswick, NJ 08901.

The governing body of the One Washington Park entities is primarily the same as that of the university, and they provide financing services to the university classifying them as blended component units. Copies of the financial statements for One Washington Park may be obtained by writing to the Executive Director of Business and Financial Services, 249 University Avenue, Room 306, Newark, NJ 07102-1896.

UPA, a not-for-profit organization, was incorporated on August 16, 1984. Located in Newark, New Jersey, its primary purpose was to support the UMDNJ through administrative assistance to clinical faculty of the New Jersey Medical School (NJMS). An agreement between UPA and UMDNJ (the Affiliation Agreement) established activities to be performed by UPA in support of UMDNJ. During 1992, UPA established the Doctors' Center Management Corporation (DCMC) to manage the Doctors Office Center. DCMC is considered an affiliate of UPA and is included in the UPA financial statements.

Pursuant to the Act, UMDNJ ceased to exist and NJMS was incorporated within the university. Also effective July 1, 2013, the Affiliation Agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Affiliation Agreement are Rutgers and UPA, the effect of which is that Rutgers succeeds to UMDNJ's obligations under the agreement (which expires on October 31, 2018).

The UPA became a component unit of the university due to the integration under the Act and meets the criteria to be reported as a discretely presented component unit of the university since there is a financial benefit and as it would be misleading to exclude the UPA as a result of the nature and significance of their relationship. UPA's combined financial statements were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Separate financial statements for the UPA can be obtained by writing to the Executive Director/ Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ASMC 12, Room 1205, Newark, New Jersey 07107.

Under GASB Statement No. 61, *The Financial Reporting Omnibus*, an amendment of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, the university is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the university's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

Cash and Cash Equivalents

Current cash and cash equivalents, which are both unrestricted and restricted in nature, consist of cash on hand, and all highly liquid investments with an original maturity of three months or less except for those managed as a component of the university's investment portfolio. Noncurrent unrestricted cash and cash equivalents consist of funds that are not externally restricted and are to be used to purchase plant related items not related to capital construction. Noncurrent restricted cash and cash equivalents are externally restricted to maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or are related to endowed funds.

Investments

Investments are recorded in the statements of net position at fair value, amortized cost and net asset value depending on asset type. Investments measured at fair value are based upon quoted market prices for identical or similar assets, sometimes using observable and unobservable inputs such as exchange rates, options, etc.; while investment assets such as money market funds and commercial paper are held at amortized cost., Investments in alternative investment funds are generally reported as a practical expedient to fair value as provided by external investment managers which are reviewed and evaluated by the university's management for reasonableness. Investments with a maturity greater than one year and investments externally restricted for endowment purposes, to maintain sinking or reserve funds, and to purchase or construct capital or other noncurrent assets, including investments held by trustees, are classified as noncurrent assets in the statements of net position. The year-to-year change in the fair value of investments is reported in the statements of revenues, expenses, and changes in net position as net increase in fair value of investments.

Funds Held in Trust

Funds held in trust by others or not in the possession of, nor under the control of, the university are not included in the university's accompanying financial statements because they do not meet eligibility requirements for recognition. The market value of such funds aggregated approximately $60.0 million at June 30, 2016 ($63.7 million in 2015). Income derived from such irrevocable trust funds held by others, aggregating approximately $2.2 million in 2016 ($2.2 million in 2015), is reported in the accompanying financial statements as non-operating revenue.

Prior to July 1, 2013, the New Jersey Health Foundation (NJHF) operated to support medical, dental and other healthcare education and research of UMDNJ and for other scientific, charitable, literary and educational purposes. As a result of the integration of UMDNJ, except for UH and SOM, into the university, the fundraising function for the resulting RBHS division was assumed by the foundation on July 1, 2013. The NJHF is not considered a component unit within the university. However, the NJHF holds permanently restricted net assets for RBHS that consist of endowment contributions from donors with income to be used for specific or general purposes, as well as temporarily restricted net assets for RBHS subject to donor imposed stipulations that will be met by actions of NJHF or by the passage of time.

Inventories

Inventories are stated at lower of cost or market. Cost is determined principally on a first-in, first-out basis.

Capital Assets

Capital assets consist of land, buildings, land improvements and infrastructure, equipment, construction in progress and art collections. Capital assets are recorded at cost at the date of acquisition, or fair market value on the date of gift if donated, and are shown net of accumulated depreciation. Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books totaling approximately 6.1 million volumes in 2016 (6.0 million volumes in 2015) have not been capitalized. The capitalization threshold is $5,000 and above. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized at the acquisition value of the item at the time of acquisition.

Unearned Revenue

Unearned revenue includes summer session activity for July and August which will be recognized as revenue and expense in the following fiscal year. In addition, capital State grants, including the Capital Improvement Fund (CIF), Equipment Leasing Fund (ELF), the Higher Education Technology Infrastructure (HETI), and the Higher Education Facilities Trust (HEFT), for which all eligibility requirements for revenue recognition have not been met, are included as noncurrent unearned revenue.

Net Position (Deficit)

Net position is the difference between the university's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. These resources are classified for accounting and reporting purposes into four categories as follows:

Net investment in capital assets represents the university's investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position – nonexpendable consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing income, which may either be expended or added to principal.

Restricted net position – expendable includes all resources for which the university is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties as well as Perkins loans and U.S. government grants refundable.

Unrestricted net position (deficit) represents resources available to the university for educational and general operations and spendable endowment income. These resources are derived from student tuition and fees, state appropriations, net patient service revenue, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises and several academic programs, such as summer session and continuing education, are substantially self-supporting activities that provide services for students, faculty and staff.

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarship allowances applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred.

Grants and contracts revenue is comprised mainly of funds received from grants from federal, State of New Jersey and municipal and other nongovernmental sources and is recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which the related expenses are incurred.

Net patient services revenues are generated from patient care services and include the university's behavioral healthcare, cancer and contract activities and the operations of faculty practice plans. Net patient service revenues are recorded in the period in which the services are provided and are reported at estimated net realizable amounts from patients, third party payors and others. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third faculty practice party payors. Reimbursement from third party payors varies, depending upon the type and level of care provided. Certain net revenues received are subject to audit and retroactive adjustments for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue from State appropriations is recognized in the fiscal year for which the State of New Jersey appropriates the funds to the university. The university is fiscally dependent upon these appropriations.

Contributions are recognized as revenues when all eligibility requirements are met, which is generally in the period donated. Additions to permanent endowments are recognized upon receipt. Endowment and investment income is recognized in the period earned.

Classification of Revenue

The university's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the university's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, net of scholarship allowances, (3) most federal, state and municipal and other nongovernmental grants and contracts, and (4) net patient services. Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, student aid, endowment and investment income and contributions. Interest on capital asset related debt is reported as non-operating expenses.

Scholarships and Fellowships

Scholarships, fellowships or stipends include payments made directly to students in the form of student aid. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and is deducted from the university's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as non-operating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

The university received $76.3 million during the year ended June 30, 2016 ($74.9 million in 2015), from the Federal Pell Grant program, and $93.9 million during the year ended June 30, 2016 ($92.7 million in 2015), from Tuition Aid Grants, from the State of New Jersey, the largest state student aid program.

The university distributes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans, through schools, directly to students. During the year ended June 30, 2016, the university disbursed $420.3 million ($409.6 million in 2015) under the Federal Direct Student Loan Program. Direct student loans receivable are not included in the university's statements of net position since they are repayable directly to the U.S. Department of Education.

Income Taxes

The university is exempt from income taxes on related income pursuant to federal and state tax laws as an instrumentality of the State of New Jersey.

Use of Estimates

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

Accounting Pronouncements Applicable to the System, Issued but Not Yet Effective

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. The university is evaluating the impact of this new statement.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* (GASB 80). This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB 39. GASB 80 will be effective for reporting periods beginning after June 30, 2016. The university is evaluating the impact of this new statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government recognizes revenue when the resources become applicable to the reporting period. GASB 81 will be effective for reporting periods beginning after December 15, 2016, and should be applied retroactively. The university is evaluating the impact of this new statement.

NOTE 2 – ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The university adopted GASB Statement No, 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. It provides additional fair value application guidance and requires enhanced disclosures about fair value measurements. The impact on the financial statements is disclosures only.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The university's cash and cash equivalents are measured at amortized cost and consist of the following at June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Money Market Funds	$216,634	$329,515
Repurchase Agreements	55,445	31,948
Cash and Deposits	328,903	344,422
Total Cash and Cash Equivalents	$600,982	$705,885

The university's net cash and cash equivalents balance at June 30, 2016 includes a cash book balance of $165.5 million ($172.0 million in 2015). The actual amount of cash on deposit in the university's bank accounts at June 30, 2016 was $148.4 million ($174.2 million in 2015). Of this amount, $1.9 million was insured by the Federal Deposit Insurance Corporation at June 30, 2016 ($2.3 million in 2015). At June 30, 2016, $138.7 million ($117.7 million in 2015) was collateralized, and cash and cash equivalents in excess of these balances are uncollateralized at June 30, 2016 and 2015.

Investments

The Board of Governors and the Board of Trustees, through the Joint Committee on Investments, exercise authority over the investment of the university's Long-Term Investment Pool. Professional investment managers manage the investment of funds in accordance with the Investment Policy as established by the Joint Committee on Investments, approved by the Board of Governors with the consent of the Board of Trustees. Additionally, a professional investment consultant monitors and reports on the Long-Term Investment Pool and the individual investment managers. Under the terms of the university's bond indentures, bond proceeds and debt service funds may be invested and reinvested only in obligations which will by their terms mature on or before the date funds are needed for expenditure or withdrawal.

The primary financial objective of the investment management of the university's Long-Term Investment Pool is to preserve and enhance the Long-Term Investment Pool's real purchasing power while providing a relatively constant stream of earnings for current use. The long-term investment objective for the Long-Term Investment Pool is to attain an average annual total return of at least 4.5%, net of inflation, fees, and costs in 2016 and 2015. In 2016 and 2015, the university's annual spending policy is to spend an amount not to exceed 4.2750% of a trailing 13-quarter average of the Long-Term Investment Pool's market values. Current earned income will be used for ongoing spending requirements.

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

The university's investments consist of the following at June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Commercial Paper	$40,035	$114,696
Common Stock	121,592	102,310
Government Agencies	26,815	144,283
Government Bonds	126,311	27,406
Corporate Bonds	3,545	2,858
Mutual Funds – Common Stock	469,502	415,032
Mutual Funds – Corporate Bonds	16,383	15,220
Mutual Funds – Government Agencies	195,846	160,571
Mutual Funds – Other Fixed Income	126,256	102,931
Fixed Income Fund	26,350	24,760
Hedge Fund	199,310	209,730
Private Equity/Venture Capital	82,214	81,336
Real Estate	57,051	49,607
Real Assets	30,794	24,617
Other	4,568	4,566
Total	$1,526,572	$1,479,923

The hedge fund description includes: Credit, Long/Short Equity, Global Macro and Multi-Strategy and Other Hedge Funds.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the university 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 estimate of fair value at the reporting date.

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

All or a portion of the following categories were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets: Common Stock, Mutual Funds – Common Stock, Mutual Funds – Government Agencies, Mutual Funds – Other Fixed Income.

All or a portion of the following categories were classified in Level 2 of the hierarchy as they are valued using prices based on bid evaluations or quoted prices on an inactive market: Mutual Funds – Common Stock, Corporate Bonds, Mutual Funds – Corporate Bonds, Mutual Funds – Government Agencies, Mutual Funds – Other Fixed Income, Government Agencies, and Government Bonds. Included in the Fixed Income Fund category is a fund invested in senior loans, which was redeemed shortly after June 30, 2016 at a market value that was minimally different than the fiscal year end valuation and was deemed to have a readily determinable fair value.

Level 3 assets within the Real Asset category include real asset limited partnership interests where the investments are valued based on unobservable inputs such as analysis on current oil & gas reserves, future production estimates and NYMEX futures prices. Included in the Other category is a captive, pooled insurance vehicle for which the university has a long-term commitment and whose shares are not readily available, and valued based upon the university's paid-in capital to the vehicle as well as its share of retained earnings from underwriting profits.

The university's interests in alternative investment funds are generally reported at the net asset value or its equivalent (NAV) reported by the fund managers and assessed as reasonable by the university, which is used as a practical expedient to estimate the fair value of the university's interest therein.

The following tables summarize the university's investments by strategy type as of June 30, 2016 and 2015 (dollars in thousands):

	2016			
		Investments Measured at Fair Value		
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Common Stock	$121,592	$121,592	$ –	$ –
Government Agencies	26,815	–	26,815	–
Government Bonds	126,311	–	126,311	–
Corporate Bonds	3,545	–	3,545	–
Mutual Funds – Common Stock	469,502	214,308	255,194	–
Mutual Funds – Corporate Bonds	16,383	–	16,383	–
Mutual Funds – Government Agencies	195,846	36,305	159,541	–
Mutual Funds – Other Fixed Income	126,256	34,617	91,639	–
Fixed Income Fund	26,350	–	26,350	–
Real Assets	7,891	–	–	7,891
Other	4,568	–	–	4,568
Subtotal	$1,125,059	$406,822	$705,778	$12,459

Investment Type	**Net Asset Value**
Private Equity	$48,675
Real Estate	57,051
Real Assets	22,903
Venture Capital	33,539
Credit Hedge Funds	44,624
Long/Short Equity Hedge Funds	47,887
Global Macro Hedge Funds	12,823
Multi-Strategy Hedge Funds	93,647
Other Hedge Funds	329
Subtotal	361,478
Total	$1,486,537

	2015			
		Investments Measured at Fair Value		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Common Stock	$102,310	$102,310	$ –	$ –
Government Agencies	144,283	–	144,283	–
Government Bonds	27,406	–	27,406	–
Corporate Bonds	2,858	–	2,858	–
Mutual Funds – Common Stock	415,032	129,110	285,922	–
Mutual Funds – Corporate Bonds	15,220	–	15,220	–
Mutual Funds – Government Agencies	160,571	24,100	136,471	–
Mutual Funds – Other Fixed Income	102,931	31,501	71,430	–
Real Assets	3,056	–	–	3,056
Other	4,566	–	–	4,566
Subtotal	$978,233	$287,021	$683,590	$7,622

Investment Type	Net Asset Value
Fixed Income Fund	$24,760
Private Equity	47,609
Real Estate	49,607
Real Assets	21,561
Venture Capital	33,727
Credit Hedge Funds	41,124
Long/Short Equity Hedge Funds	45,945
Global Macro Hedge Funds	27,826
Multi-Strategy Hedge Funds	94,410
Other Hedge Funds	425
Subtotal	386,994
Total	$1,365,227

Investments Measured at Net Asset Value

In addition to traditional stocks and fixed-income securities, the university also holds alternative investment funds including hedge fund, private equity, venture capital, real estate and real asset strategies. Alternative investments are typically subject to restrictions that limit the university's ability to withdraw capital after such investment and, most often in hedge funds, limit the amount that may be withdrawn as of a given redemption date. The redemption terms of the university's investments in hedge fund strategies funds vary greatly (as described below). Generally, the university has no discretion to withdraw its investments in private equity, venture capital, real estate and real asset funds; distributions are made when sales of assets are made within the funds.

The university is obligated in most alternative strategies to fund investment opportunities as they arise up to specified commitment levels over a period of several years. These commitments have fixed expiration dates and other termination clauses. The following table represents the unfunded commitments, redemption frequency and redemption notice period for investments measured at NAV as of June 30, 2016 and 2015 (dollars in thousands):

Investment Type	2016 Unfunded Commitments	2015 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity	$73,951	$45,498	Illiquid	N/A
Real Estate	21,070	19,795	Illiquid	N/A
Real Assets	18,496	30,234	Illiquid	N/A
Venture Capital	21,450	6,389	Illiquid	N/A
Credit Hedge Funds	N/A	N/A	Quarterly, Annually	45 - 90 days
Long/Short Equity Hedge Funds	N/A	N/A	Monthly, Quarterly, Annually	45 - 60 days
Global Macro Hedge Funds	N/A	N/A	Quarterly	90 days
Multi-Strategy Hedge Funds	N/A	N/A	Quarterly, Semi-Annually, Annually, Rolling Two-years	60 - 90 days
Total	$134,967	$101,916		

Because of the inherent uncertainties of valuation, these net asset values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

Management's estimate of the lives of the funds could vary significantly depending on the investment decisions of the external fund managers, changes in the university's portfolio, and other circumstances. Furthermore, the university's obligation to fund the commitments noted above may be waived by the fund manager for a variety of reasons including market conditions and/or changes in investment strategy.

The university does have various sources of internal liquidity at its disposal, including cash and cash equivalents, which are available to fund the required commitments.

Strategy Descriptions

Private Equity – Funds that typically invest in private companies or engage in buyouts of public companies with the intent of improving their portfolio companies by investing in their growth as well as implementing operational and financial best practices. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Estate – This strategy includes funds that invest in the equity or debt of real estate assets or businesses related to the real estate industry. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Assets – This strategy includes funds that invest in businesses or physical commodities in a wide variety of asset classes including but not limited to - energy, infrastructure, metals and mining, and other commodity-related industries. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Venture Capital – Funds that invest in early, mid and late stage high growth companies, which are typically at the cutting edge of innovation in their specific fields. These are typically higher risk/reward opportunities in the fields of technology and medicine of which the companies will generally have negative cash flow at the start. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Credit Hedge Funds – Strategies that typically invest both long and short in high yield and high grade bonds, structured products, and distressed debt strategies that take advantage of corporate securities in default, under bankruptcy protection, in distress, or in liquidation. Two of the current investments within the portfolio have redemption restriction mechanisms whereas once a redemption is submitted the investor can only receive 25% of its capital per quarter.

Long/Short Equity Hedge Funds – Strategies that typically invest in long and short positions primarily in publicly traded equities. Within this portfolio there is one position that currently has a redemption restriction until April 1, 2018 and will revert back to quarterly liquidity once that restriction has passed.

Global Macro Hedge Funds – Strategies which base its exposures on economic and political views and outcomes from around the world and in many markets. Funds of this nature can invest in a wide variety of securities such as equity, fixed income, currencies, commodities and futures markets.

Multi-Strategy Hedge Funds – Multi-strategy hedge funds consist of variety of investment strategies such as equity long/short, convertible bond arbitrage, credit, merger and statistical arbitrage, event driven, etc. in order to lower and diversify risk as well as reduce volatility.

Other Hedge Funds – Legacy hedge fund positions which have been redeemed from but continue to be liquidated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The operating funds of the university are managed against the expected cash requirements of these funds. The university projects its cash requirements and arranges investment maturities accordingly. Special attention is given to the interest rate environment in times of economic growth or downturns. The table below reflects the operation of this process. Endowment funds have a much longer outlook and are invested by professional managers against an index as provided in the university's investment guidelines. For the university, the following table summarizes the maturities of investments that are subject to interest rate risk at June 30, 2016 and 2015 (dollars in thousands):

	2016				
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Bonds	$126,311	$123,584	$ –	$1,086	$1,641
U.S. Government Agencies	26,815	26,808	–	7	–
Corporate Bonds	3,545	–	544	2,344	657
Mutual Funds – Corporate Bonds, Government Agencies, and Other Fixed Income	338,485	338,485	–	–	–
Total	$495,156	$488,877	$544	$3,437	$2,298

	2015				
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Bonds	$27,406	$24,950	$ –	$1,055	$1,401
U.S. Government Agencies	144,283	110,319	33,931	33	–
Corporate Bonds	2,858	145	546	1,544	623
Mutual Funds – Corporate Bonds, Government Agencies, and Other Fixed Income	278,722	278,722	–	–	–
Total	$453,269	$414,136	$34,477	$2,632	$2,024

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's Investment Policy states that individual bonds shall be rated with an investment grade by at least two of the three rating agencies (Moody's, Fitch, and Standard & Poor's (S&P)). The average credit quality of the Core Fixed Income Fund shall be maintained at AA (by S&P or equivalent rating by Moody's or Fitch) or higher. The prospect of credit risk or risk of permanent loss shall be avoided in the Core Fixed Income Fund. Issues of state or municipal agencies shall not be purchased except in unusual circumstances. A fixed income manager may invest in foreign securities up to a limit of 20% of the portfolio. At June 30, 2016 and 2015, the university's cash and cash equivalent and investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2016	2015
Commercial Paper	A-1+	$17,298	$78,512
Commercial Paper	A-1	17,737	36,184
Commercial Paper	Not Rated	5,000	–
U.S. Government Agencies and Bonds	AA+	153,126	171,689
Corporate Bonds	AAA	544	546
Corporate Bonds	AA	–	64
Corporate Bonds	AA–	657	623
Corporate Bonds	A+	–	551
Corporate Bonds	A	1,348	–
Corporate Bonds	A–	996	993
Corporate Bonds	BBB	–	81
Mutual Funds – Corporate Bonds, Government Agencies, and Other Fixed Income	Not Rated	338,485	278,722
Money Market Funds	AAA	216,634	329,515
Total		$751,825	$897,480

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the university will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The university's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the university's name. Money market funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2016 and 2015, the university's investment securities were not subject to custodial credit risk.

Investments - Endowment Funds

The majority of endowment funds assets are in the Long-Term Investment Pool. Each individual fund subscribes to or disposes of units in the pools on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. At June 30, 2016, the fair value of the Long-Term Investment Pool was $953.7 million ($879.4 million in 2015). In addition, the aggregate endowment market value of funds separately invested was $45.8 million at June 30, 2016 ($36.8 million in 2015). The investment appreciation was $125.1 million at June 30, 2016 ($161.3 million in 2015). These amounts are included in restricted nonexpendable, restricted expendable and unrestricted net position.

The university employs a spending policy which provides for annual spending at a stated rate determined by the Joint Investment Committee of the Board of Governors and the Board of Trustees. Income earned above the stated rate is reinvested and added to the endowment principal, while any shortfall is covered by capital appreciation. The university complies with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) P.L. 2009, Chapter 64, adopted by New Jersey. This law speaks to the management and use of funds held by charitable institutions.

NOTE 4 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts and are comprised of the following at June 30, 2016 and 2015 (dollars in thousands):

	Accounts Receivable	Allowance	Net 2016
Government Grants and Other Sponsored Programs Receivable	$127,399	$1,690	$125,709
Plant Receivable	90,303	–	90,303
Student Notes Receivable	75,133	6,256	68,877
Patient Accounts Receivable	62,665	13,089	49,576
Federal and State Governments Receivable	39,748	–	39,748
Student Accounts Receivable	38,755	8,833	29,922
Affiliate Receivable	66,601	8,385	58,216
Other Receivable	25,494	1,372	24,122
Total	$526,098	$39,625	$486,473

	Accounts Receivable	Allowance	Net 2015
Government Grants and Other Sponsored Programs Receivable	$130,879	$1,714	$129,165
Plant Receivable	88,069	–	88,069
Student Notes Receivable	75,596	6,089	69,507
Patient Accounts Receivable	59,912	12,574	47,338
Federal and State Governments Receivable	40,297	–	40,297
Student Accounts Receivable	29,412	8,211	21,201
Affiliate Receivable	84,250	6,063	78,187
Other Receivable	39,826	1,397	38,429
Total	$548,241	$36,048	$512,193

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2016 and 2015, considering type, age, collection history and other appropriate factors.

NOTE 5 – NET PATIENT SERVICE REVENUES

Net patient service revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, community healthcare centers, cancer and contract activities and the operations of faculty practice plans. Net revenues generated from faculty practice plans totaled $239.0 million in 2016 ($233.7 million in 2015), while revenues from a contract with the State of New Jersey Department of Corrections totaled $149.4 million in 2016 ($145.9 million in 2015), and revenues from other professional contracts and agreements totaled $77.8 million in 2016 ($80.0 million in 2015).

University Behavioral Health Care (UBHC) provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services and the Department of Human Services without charge or at amounts less than their established rates. UBHC and other units maintain records to identify and monitor the level of charity care they provide, which includes the amount of gross charges foregone for services and supplies furnished. Patient care revenues from these units totaled $67.7 million in 2016 ($58.4 million in 2015).

Net patient service revenues are comprised of the following at June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Gross Charges	$848,760	$820,281
Deductions from Gross Charges		
Contractual and Other Allowances	(294,744)	(271,400)
Provision for Bad Debts	(20,084)	(30,862)
Net Patient Service Revenues	$533,932	$518,019

NOTE 6 – CAPITAL ASSETS

The detail of capital assets activity for the years ended June 30, 2016 and 2015 is as follows (dollars in thousands):

	July 1, 2015	Additions	Retirements/ Capitalization	June 30, 2016
Capital Assets Not Being Depreciated:				
Land	$77,223	$703	$ –	$77,926
Capitalized Art Collections	60,360	246	–	60,606
Construction in Progress	370,852	319,282	288,975	401,159
Total	508,435	320,231	288,975	539,691
Capital Assets Being Depreciated:				
Land Improvements	331,636	26,358	–	357,994
Buildings	4,058,454	297,248	37,251	4,318,451
Equipment	917,973	39,047	6,877	950,143
Total	5,308,063	362,653	44,128	5,626,588
Less Accumulated Depreciation:				
Land Improvements	255,546	12,893	–	268,439
Buildings	1,593,708	93,268	615	1,686,361
Equipment	732,103	45,093	4,960	772,236
Total	2,581,357	151,254	5,575	2,727,036
Net Capital Assets Being Depreciated	2,726,706	211,399	38,553	2,899,552
Total Capital Assets, net	$3,235,141	$531,630	$327,528	$3,439,243

During 2016, the university capitalized interest expense of $13.2 million in construction in progress in the accompanying statements of net position.

	July 1, 2014	Additions	Retirements/ Capitalization	June 30, 2015
Capital Assets Not Being Depreciated:				
Land	$74,088	$3,135	$ –	$77,223
Capitalized Art Collections	59,795	565	–	60,360
Construction in Progress	222,478	260,806	112,432	370,852
Total	356,361	264,506	112,432	508,435
Capital Assets Being Depreciated:				
Land Improvements	321,423	10,213	–	331,636
Buildings	3,935,639	122,954	139	4,058,454
Equipment	876,268	54,209	12,504	917,973
Total	5,133,330	187,376	12,643	5,308,063
Less Accumulated Depreciation:				
Land Improvements	242,516	13,030	–	255,546
Buildings	1,499,076	94,737	105	1,593,708
Equipment	696,924	44,758	9,579	732,103
Total	2,438,516	152,525	9,684	2,581,357
Net Capital Assets Being Depreciated	2,694,814	34,851	2,959	2,726,706
Total Capital Assets, net	$3,051,175	$299,357	$115,391	$3,235,141

During 2015, the university capitalized interest expense of $13.9 million in construction in progress in the accompanying statements of net position.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Vendors	$125,100	$130,560
Accrued Salaries and Benefits	131,475	101,203
Compensated Absences	88,436	89,169
Workers Compensation	32,839	35,653
Interest Payable	12,879	10,155
Retainage	11,075	8,989
Other Accrued Expenses	37,984	23,366
Total Accounts Payable and Accrued Expenses	$439,788	$399,095

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended June 30, 2016 and 2015 is as follows (dollars in thousands):

	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
Accounts Payable and Accrued Expenses	$399,095	$58,921	$18,228	$439,788	$392,587
Net Pension Liabilities	1,354,656	412,822	122,737	1,644,741	–
Unearned Revenue	262,612	–	69,146	193,466	93,019
Long-Term Liabilities	2,008,975	192,328	231,976	1,969,327	57,943
Total Noncurrent Liabilities	$4,025,338	$664,071	$442,087	$4,247,322	$543,549

	July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
Accounts Payable and Accrued Expenses	$393,872	$35,669	$30,446	$399,095	$354,505
Net Pension Liabilities	1,292,754	79,778	17,876	1,354,656	–
Unearned Revenue	276,348	657	14,393	262,612	92,912
Long-Term Liabilities	2,138,182	–	129,207	2,008,975	59,882
Total Noncurrent Liabilities	$4,101,156	$116,104	$191,922	$4,025,338	$507,299

At July 1, 2014, net pension liabilities were restated due to GASB 68.

NOTE 9 – COMMERCIAL PAPER

The university has a combined taxable and tax-exempt commercial paper program that provides for interim or short-term financing of various capital projects, equipment, refundings and for other lawful purposes. The Board approved a maximum outstanding at any time of $500.0 million, provided the maximum principal amount will not exceed the amount secured by a Liquidity Facility. The current Liquidity Facility is provided by Wells Fargo Bank, N.A. (the Liquidity Provider) up to $200.0 million, through a Standby Commercial Paper Purchase Agreement, that terminates on April 10, 2018. The university has covenanted with the Liquidity Provider to maintain a Liquidity Ratio of 0.45 to 1.00 in fiscal year 2016 and 0.40 to 1.00 in fiscal year 2015. The university was in compliance with the covenant at June 30, 2016 and June 30, 2015.

Commercial paper activity as of June 30, 2016 is as follows (dollars in thousands):

	July 1, 2015	Additions	Retirements	June 30, 2016
Taxable	$35,120	$2,965	$2,090	$35,995
Tax-exempt	30,713	–	1,100	29,613
Total Short-Term Liabilities	$65,833	$2,965	$3,190	$65,608

Commercial paper activity as of June 30, 2015 is as follows (dollars in thousands):

	July 1, 2014	Additions	Retirements	June 30, 2015
Taxable	$48,475	$ –	$13,355	$35,120
Tax-exempt	–	30,713	–	30,713
Total Short-Term Liabilities	$48,475	$30, 713	$13,355	$65,833

NOTE 10 – LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 is as follows (dollars in thousands):

	Maturity Date	Interest Rates	July 1, 2015	Additions	Retirements and Payments	June 30, 2016	Current Portion
Notes:							
U.S. Department of Education	2021	5.50%	$663	$ –	$106	$557	$112
City of Camden	2023	1.00%	348	–	52	296	53
New Jersey Department of Human Services	2018	0.00%	311	–	–	311	–
RWJ University Hospital	2016	Variable Rate	333	–	333	–	–
Bonds Payable:							
General Obligation Bonds:							
2002 Series A	2018	Variable Rate	33,000	–	10,600	22,400	11,000
2009 Series F	2039	2.00% - 5.00%	194,735	–	172,840	21,895	7,000
2009 Series G	2039	Variable Rate	70,490	–	1,810	68,680	1,880
2010 Series H	2040	3.776% - 5.665%	390,990	–	–	390,990	–
2010 Series I	2029	2.00% - 5.00%	30,875	–	5,145	25,730	1,310
2013 Series J	2036	1.00% - 5.00%	328,840	–	5,490	323,350	5,695
2013 Series K	2033	0.40% - 4.712%	122,370	–	5,560	116,810	5,585
2013 Series L	2043	1.00% - 5.00%	339,195	–	6,735	332,460	3,815
2016 Series M	2039	3.00% - 5.00%	–	164,610	–	164,610	–
Other Long-Term Obligations:							
New Jersey Educational Facilities Authority:							
Higher Education Capital Improvement Fund, Series 2002 A	2022	3.00% - 5.25%	264	–	–	264	–
Higher Education Capital Improvement Fund, Series 2005 A	2019	3.00% - 5.00%	21,790	–	4,545	17,245	4,780
Higher Education Capital Improvement Fund, Series 2006 A	2022	4.00% - 4.50%	21,125	–	96	21,029	101
Higher Education Capital Improvement Fund, Series 2014 A	2033	3.50% - 5.00%	30,179	–	1,018	29,161	1,059
Dormitory Safety Trust Fund, Series 2001 A	2016	0.00%	2,040	–	2,040	–	–
Dormitory Safety Trust Fund, Series 2001 B	2016	0.00%	32	–	32	–	–
Higher Education Equipment Leasing Fund, Series 2014 A	2023	5.00%	8,362	–	1,522	6,840	1,599
Capital Lease Obligations:							
Housing Authority of the City of New Brunswick	2020	3.00% - 5.00%	17,535	–	3,175	14,360	3,330
Robert Wood Johnson University Hospital Sublease	2020	3.00% - 5.00%	(3,091)	–	(559)	(2,532)	(587)
New Jersey Economic Development Authority:							
College Avenue Redevelopment Project	2046	4.00% - 5.00%	237,055	–	–	237,055	3,615
15 Washington Street Housing Project	2031	3.10%	58,330	–	1,755	56,575	2,500
University Hospital Space Leases:							
Ambulatory Care Center, 140 Bergen St.	2089	4.16%[1]	17,566	1,492	41	19,017	42
New Jersey Medical School, 150 Bergen St.	2089	4.16%[1]	14,921	1,268	35	16,154	36
Equipment Leases		Various	639	–	523	116	78
Loan Payable:							
New Brunswick Development Corporation:							
15 Washington Street Housing Project	2025	3.46%[1]	–	2,200	188	2,012	194
			1,938,897	169,570	223,082	1,885,385	53,197
Unamortized Bond Discounts			–	(1,080)	(11)	(1,069)	(45)
Unamortized Bond Premiums			70,078	23,838	8,905	85,011	4,791
Total Long-Term Liabilities			$2,008,975	$192,328	$231,976	$1,969,327	$57,943

[1] Effective interest rate.

Long-term liability activity for the year ended June 30, 2015 is as follows (dollars in thousands):

	Maturity Date	Interest Rates	July 1, 2014	Additions	Retirements and Payments	June 30, 2015	Current Portion
Notes:							
U.S. Department of Education	2021	5.50%	$763	$ –	$100	$663	$106
City of Camden	2023	1.00%	399	–	51	348	52
New Jersey Department of Human Services	2018	0.00%	414	–	103	311	–
RWJ University Hospital	2016	Variable Rate	700	–	367	333	333
Bonds Payable:							
General Obligation Bonds:							
2002 Series A	2018	Variable Rate	43,200	–	10,200	33,000	10,600
2003 Series D	2019	3.00% - 4.125%	5,415	–	5,415	–	–
2009 Series F	2039	2.00% - 5.00%	201,140	–	6,405	194,735	6,655
2009 Series G	2039	Variable Rate	72,235	–	1,745	70,490	1,810
2010 Series H	2040	3.776% - 5.665%	390,990	–	–	390,990	–
2010 Series I	2029	2.00% - 5.00%	36,090	–	5,215	30,875	5,145
2013 Series J	2036	1.00% - 5.00%	334,185	–	5,345	328,840	5,490
2013 Series K	2033	0.40% - 4.712%	127,725	–	5,355	122,370	5,560
2013 Series L	2043	1.00% - 5.00%	346,165	–	6,970	339,195	6,735
Other Long-Term Obligations:							
New Jersey Educational Facilities Authority:							
Higher Education Capital Improvement Fund, Series 2002 A	2022	3.00% - 5.25%	506	–	242	264	–
Higher Education Capital Improvement Fund, Series 2005 A	2019	3.00% - 5.00%	25,873	–	4,083	21,790	4,545
Higher Education Capital Improvement Fund, Series 2006 A	2022	4.00% - 4.50%	21,218	–	93	21,125	96
Higher Education Capital Improvement Fund, Series 2014 A	2033	3.50% - 5.00%	30,179	–	–	30,179	1,018
Dormitory Safety Trust Fund, Series 2001 A	2016	0.00%	4,080	–	2,040	2,040	2,040
Dormitory Safety Trust Fund, Series 2001 B	2016	0.00%	65	–	33	32	32
Higher Education Equipment Leasing Fund, Series 2014 A	2023	5.00%	9,657	–	1,295	8,362	1,522
Capital Lease Obligations:							
Housing Authority of the City of New Brunswick	2020	3.00% - 5.00%	20,560	–	3,025	17,535	3,175
Robert Wood Johnson University Hospital Sublease	2020	3.00% - 5.00%	(3,624)	–	(533)	(3,091)	(559)
Certificates of Participation, Series 2004	2038	3.50% - 5.00	26,115	–	26,115	–	–
New Jersey Economic Development Authority:							
College Avenue Redevelopment Project	2046	4.00% - 5.00%	237,055	–	–	237,055	–
15 Washington Street Housing Project	2031	3.10%	58,330	–	–	58,330	–
University Hospital Space Leases:							
Ambulatory Care Center, 140 Bergen St.	2089	4.16%[1]	18,334	–	768	17,566	738
New Jersey Medical School, 150 Bergen St.	2089	4.16%[1]	15,574	–	653	14,921	627
Equipment Leases		Various	1,491	–	852	639	523
Loan Payable:							
New Jersey Community Capital CDE I, LLC		2.33%[1]	36,355	–	36,355	–	–
New Jersey Community Capital CDE II, LLC		1.45%[1]	2,588	–	2,588	–	–
			2,063,777	–	124,880	1,938,897	56,243
Unamortized Bond Premiums			74,405	–	4,327	70,078	3,639
Total Long-Term Liabilities			$2,138,182	$ –	$129,207	$2,008,975	$59,882

[1] Effective interest rate.

Bonds Payable

The university issues general obligation bonds to (i) provide financing of various capital projects, (ii) provide for the refinancing of certain outstanding commercial paper and (iii) provide for the current and/or advance refunding of all or a portion of certain outstanding bonds of the university. These bonds are payable from revenues and other legally available funds. The bonds are secured under the provisions of an Indenture of Trust dated February 1, 2002 by and between the university and U.S. Bank, N.A.

All bonds bear interest at fixed rates with the exception of 2002 Series A and 2009 Series G, which bear interest at variable rates. These bonds are secured by a Liquidity Facility through a Standby Bond Purchase Agreement. The current Liquidity Facility for the 2002 Series A and the 2009 Series G bonds are provided by TD Bank, N.A. until May 1, 2018 and by U.S. Bank, N.A. until May 4, 2018, respectively. As of June 30, 2016 and 2015, no funds have been drawn against these agreements.

Debt service to maturity for all General Obligation Bonds, using variable rates as of June 30, 2016 and using the net interest rate swap payments as of June 30, 2016 (See NOTE 11 for additional information about derivatives), are as follows (dollars in thousands):

	Fixed Rate Bonds		Variable Rate Bonds		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swaps, Net	Total
2017	$23,405	$67,552	$12,880	$346	$3,211	$107,394
2018	24,535	66,662	13,350	366	2,682	107,595
2019	41,900	65,707	2,030	324	2,210	112,171
2020	37,570	63,938	2,110	314	2,141	106,073
2021	38,760	62,282	2,195	304	2,069	105,610
2022-2026	226,620	282,018	12,335	1,344	9,162	531,479
2027-2031	294,620	219,033	14,995	1,011	6,886	536,545
2032-2036	281,190	142,303	18,310	604	4,114	446,521
2037-2041	273,475	77,685	12,875	130	889	365,054
2042-2043	133,770	10,115	–	–	–	143,885
Total	$1,375,845	$1,057,295	$91,080	$4,743	$33,364	$2,562,327

Refunding Activity

During fiscal year 2016, the university issued General Obligation Refunding Bonds, 2016 Series M for $164.6 million and $3.0 million of taxable commercial paper to refund a portion of General Obligation Bonds, 2009 Series F. As part of the refunding, the university reduced its total debt service over the next 24 years by $21.9 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $17.0 million. The difference between the reacquisition price and the net carrying amount of the old debt of $18.7 million is being deferred and amortized as a reduction to interest expense through the year 2039 using the effective interest method.

During fiscal year 2015, the university issued $30.7 million of tax-exempt commercial paper to refund in whole General Obligation Bonds 2003 Series D and Certificates of Participation Series 2004. The difference between the reacquisition price and the net carrying amount of the old debt of $0.4 million is being deferred and amortized as a reduction to interest expense through the year 2038 using the effective interest method.

Other Long-Term Obligations

Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (CIF), the Higher Education Equipment Leasing Fund Act (ELF), and the Dormitory Safety Trust Fund Act (DSTF), the university has been allocated funds from bonds issued by the New Jersey Educational Facilities Authority to finance various capital expenditures. The university is obligated to pay amounts equal to one-third and 25% of the amount necessary to pay the principal and interest on the portion of the CIF and ELF bonds, respectively.

Principal and interest payments for other long-term obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2017	$7,539	$3,323	$10,862
2018	7,908	2,950	10,858
2019	8,292	2,566	10,858
2020	7,263	2,163	9,426
2021	7,608	1,817	9,425
2022-2026	19,895	5,039	24,934
2027-2031	9,249	2,542	11,791
2032-2034	6,785	515	7,300
Total	$74,539	$20,915	$95,454

Capital Lease Obligations

Housing Authority of the City of New Brunswick

Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the university and the Housing Authority of the City of New Brunswick (the Housing Authority), the Housing Authority issued bonds for the purpose of providing long-term financing for the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. The bonds will mature on July 1, 2020. Upon retirement of the bonds, title to the student apartment complex, parking deck, health club facility and the related common space will be transferred to the university. As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

Robert Wood Johnson University Hospital Sublease

In conjunction with the Housing Authority capital lease and agreement, the university simultaneously entered into a sublease and agreement with the Robert Wood Johnson University Hospital, Inc. (the Hospital), dated July 1, 1992, whereby the Hospital agreed to lease a portion of the parking facility from the university. At the end of the term, title to the Hospital's portion of the parking deck will be transferred to the Hospital.

Certificates of Participation, Series 2004

Pursuant to the terms of the master lease agreement dated April 1, 2004 between the university and Lower George Street University Redevelopment Associates, LLC, the university issued the 2004 Certificates to finance the acquisition, construction, and equipping of the university's Division of Public Safety headquarters. During fiscal year 2015, the 2004 Certificates were refunded in whole and title to the land and improvements has been transferred to the university.

Economic Development Authority

College Avenue Redevelopment Project

On September 12, 2013, the New Jersey Economic Development Authority (the Authority) issued $237.1 million of its General Obligation Lease Revenue Bonds, Series 2013. The proceeds of the bonds were loaned by the Authority to College Avenue Redevelopment Associates, LLC (the Company), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated September 1, 2013 to finance the construction of an academic building for the School of Arts and Sciences, a residence hall for honors students, a residence building, and a multistory parking structure and surface lot being undertaken and constructed by the Company on behalf of the university. The Company is leasing the entire Property to the university pursuant to the Master Lease Agreement dated September 1, 2013. At the end of the term, title to the academic building, the residence hall for honor students, the residence building and the multistory parking structure and surface lot will be transferred to the university.

15 Washington Street

On May 30, 2014, the New Jersey Economic Development Authority (the Authority) issued $58.3 million of its Revenue Notes, Series 2014. The proceeds of the notes were loaned by the Authority to Washington Street University Housing Associates, LLC (the Landlord), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated May 30, 2014 to finance the renovation of the Residential Estate to provide housing for graduate and undergraduate students. The Landlord is leasing the Property to the university pursuant to the Master Lease Agreement dated May 30, 2014. At the end of the term, title to the residential estate and its improvements will be transferred to the university upon payment of the outstanding amounts due on the Authority's notes and on the Developer's equity contribution.

Ambulatory Care Center

On July 2, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease the Ambulatory Care Center located at 140 Bergen Street, Newark, New Jersey. The present value of the sublease was calculated using a discount rate of 4.16%. The sublease expiration date is May 31, 2089 and the base rent is $0.8 million per year.

New Jersey Medical School – Hospital Building

On July 1, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease a portion of the Hospital Building located at 150 Bergen Street, Newark, New Jersey. The present value of the sublease was calculated using a discount rate of 4.16%. The sublease expiration date is May 31, 2089 and the base rent is $0.7 million per year.

Principal and interest payments applicable to the aforementioned capital lease obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2017	$9,015	$15,572	$24,587
2018	9,313	15,208	24,521
2019	9,717	14,793	24,510
2020	10,124	14,361	24,485
2021	7,282	13,907	21,189
2022-2026	39,164	64,595	103,759
2027-2031	62,512	55,926	118,438
2032-2036	41,768	42,725	84,493
2037-2041	53,266	31,225	84,491
2042-2046	67,944	16,557	84,501
2047-2051	1,452	5,949	7,401
2052-2056	1,780	5,621	7,401
2057-2061	2,183	5,219	7,402
2062-2066	2,676	4,725	7,401
2067-2071	3,281	4,120	7,401
2072-2076	4,023	3,379	7,402
2077-2081	4,932	2,469	7,401
2082-2086	6,047	1,355	7,402
2087-2089	4,266	175	4,441
Total	$340,745	$317,881	$658,626

Loans Payable

New Jersey Community Capital Community Development Entity, LLC I and II

On May 30, 2007, One Washington Park Holdings, LLC (a university controlled Qualified Active Low-Income Community Business – QALICB), entered into two loan and security agreements with subsidiaries of New Jersey Community Capital Community Development Entity, LLC I and II (NJCC CDE I LLC and NJCC CDE II LLC) in the amounts of $36.3 million and $2.6 million, respectively, to finance a portion of the acquisition and renovation of the property located at One Washington Park in Newark, NJ (See Note 17). These loans were structured as New Market Tax Credit transactions.

On December 1, 2014, the New Markets Tax Credit structure was liquidated through a series of Distribution Agreements and Assignment Agreements, One Washington Park Holdings, LLC acquired the membership interests and assets of NJCC CDE I LLC and NJCC CDE II LLC, including the loans. As both lender and borrower, the loans were forgiven and these loans are no longer outstanding as of June 30, 2015.

Miscellaneous Equipment Leases

The university has entered into certain lease-purchase agreements for equipment. The following represents the book value of the university's equipment capital leases at June 30, 2016 and 2015:

	2016	2015
Cost	$7,022	$7,022
Accumulated Depreciation	(6,336)	(5,075)
Net Book Value	$686	$1,947

LEAP School Bond Financing Guaranty

In 2003, the Delaware River Port Authority issued $8.5 million of Charter School Project Bonds, Series 2003 (LEAP Academy University Charter School, Inc.) to finance the costs of the design, development, construction and equipping of the LEAP Academy University Charter School, which is adjacent to the Camden Campus. During fiscal year 2015, the New Jersey Economic Development Authority issued $10.0 million of Charter School Revenue Bonds, Series 2014 to refund, among others, in whole the Series 2003 Bonds. As part of the university's commitment to contributing to the community of the City of Camden, the university guarantees the payment of the principal and interest on the Bonds through its maturity in 2028.

Bank Line of Credit

In December 2015, the university entered into a $100.0 million revolving credit agreement with a bank to provide liquidity for working capital and to finance capital projects. This line of credit agreement has an expiration date of December 15, 2016. As of June 30, 2016, no funds have been drawn against this agreement.

Defeased Bonds

The university has defeased various bonds with the proceeds of new debt or with university funds. The funds are deposited to an irrevocable escrow trust account for the payment of the principal, interest, and call premiums, if any, on the refunded bonds. The defeased bonds and the related trusts are not reflected in the accompanying financial statements. As of June 30, 2016 and 2015, the university's defeased debt is as follows (dollars in thousands):

	Amount Defeased	Final Maturity/Call Date	Amount Outstanding at June 30, 2016	Amount Outstanding at June 30, 2015
NJEFA Revenue Refunding Bonds, 2009 Series B	$214,885	6/1/2019	$189,116	$198,503
General Obligation Bonds, 2009 Series F	$166,185	5/1/2019	$166,185	–
Total	$381,070		$355,301	$198,503

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The university has entered into four separate pay-fixed, receive-variable interest rate swaps in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain. These swaps are valued using a market approach that considers benchmark interest rates and, therefore, are classified in Level 2 of the fair value hierarchy.

For the years ended June 30, 2016 and 2015, the university had the following derivative instruments outstanding (dollars in thousands):

			Notional Amount						Fair Value	
Swap #	Type	Objective	2016	2015	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	2016	2015
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond	$22,400	$33,200	2/4/2002	5/1/2018	Pay fixed 3.960%, receive SIFMA swap index	Aa3/A+	($1,062)	($2,129)
2	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond and General Obligation Commercial Paper	100,000	100,000	5/1/2008	11/1/2038	Pay fixed 4.080%, receive 100% of 3-Month LIBOR	Aa3/AA–	(43,975)	(20,511)
3	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond	13,150	14,905	5/1/2007	5/1/2027	Pay fixed 3.824%, receive SIFMA swap index	Aa2/AA–	(2,567)	(1,948)
4	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Commercial Paper	13,500	13,500	3/1/2012	11/1/2017	Pay fixed 5.127%, receive 100% of 1-Month LIBOR	Aa2/AA–	(829)	(1,329)
			$149,050	$161,605					($48,433)	($25,917)

Risk
The use of derivatives may introduce certain risks for the university, including the following:

Credit Risk:
As of June 30, 2016 and 2015, the university was not exposed to credit risk with its swap counterparties because all of the swaps had negative fair values.

To mitigate credit risk, the university and the counterparties require the posting of collateral based on their respective credit rating. The amount of (i.e., value of) such collateral shall equal the market value of the swap in excess of the applicable collateral threshold based on the rating of such counterparty at such time. The table below shows when collateralization would be required or triggered.

Ratings by Moody's and S&P	Swap #1 Collateral Threshold	Swap #2, 3, 4 Collateral Threshold
Aaa/AAA	$30.0 million	Infinite
Aa3/AA–	$25.0 million	Infinite
A1/A+	Zero	$20.0 million
A2/A	Zero	$10.0 million
A3/A–	Zero	$10.0 million
Baa1/BBB+	Zero	$5.0 million
Baa2/BBB	Zero	$5.0 million
Baa3/BBB–	Zero	Zero
Below Baa3/BBB– or not rated	Zero	Zero

As of June 30, 2016, the university was required to post collateral totaling to $27.2 million. No collateral was required to be posted in 2015.

Basis Risk:
There is a risk that the variable payment received on interest rate swaps will not match the variable payment on the bonds or commercial paper. This risk is known as basis risk. Swaps totaling to $149.1 million have basis risk because the interest rates on the bonds and commercial paper are reset periodically by the remarketing agent or commercial paper dealer and may not exactly match the variable receipt on the interest rate swaps which are based on a percentage of either LIBOR or SIFMA indexes.

Rollover Risk:
The university is exposed to rollover risk on swaps only if the counterparty exercises its termination option, in which case the university will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Termination Risk:
The university or any of the involved counterparties may terminate any of the swaps if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable rate debt issue would no longer carry a synthetic fixed interest rate. Also, if at termination a swap has a negative fair value, the university would be liable to the appropriate counterparty for a payment equal to the swap's fair value.

The counterparty for swap #1 has an optional termination provision in which they will have the right, but not the obligation to terminate the swap transaction in whole on each day that the daily weighted average of the Municipal Swap Index for any immediately preceding rolling consecutive 180 day period within the exercise period is more than 7.0% per annum. The exercise period began on November 1, 2004 and is up to, but excluding, the termination date of May 1, 2018. The date on which the counterparty for swap #1 exercises its right to terminate the transaction is defined as the optional termination date. If the counterparty for swap #1 exercises its right to terminate the transaction, the university shall pay two business days after the optional termination date the fixed amount for the period from and including the last fixed rate payer payment date to but excluding the optional termination date, and the counterparty for swap #1 will pay two business days after the optional termination date the floating amount for the period from and including the last floating rate payer payment date to but excluding the optional termination date. Upon payment and receipt of these amounts, neither party shall have any further payment obligations related to this transaction.

NOTE 12 – COMMITMENTS

At June 30, 2016, the estimated cost of capital projects under construction, in the design stage with approved sources of funding, and in the design stage pending determination of sources of funding, aggregated approximately $755.6 million ($783.3 million in 2015). Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2016	Additional Funding Required at June 30, 2016	Estimated Total Cost
Borrowing	$141,247	$58,200	$199,447
State	224,153	74,823	298,976
Gifts and Other Sources	182,315	74,895	257,210
Total	$547,715	$207,918	$755,633

The university leases certain space used in general operations. Rental expense was approximately $15.3 million in 2016 ($13.4 million in 2015). The leases are non-cancelable and have been classified as operating leases which are expected to expire through 2046. Minimum annual rental commitments approximate the following (dollars in thousands):

Year	Amount
2017	$12,518
2018	10,993
2019	9,854
2020	8,018
2021	6,093
2022-2026	24,742
2027-2031	11,339
2032-2036	8,164
2037-2041	8,164
2042-2046	723
Total	$100,608

NOTE 13 – NATURAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The university reports operating expenses by functional classification. Details of these expenses by natural classification at June 30, 2016 and 2015 are as follows (dollars in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarships & Fellowships	Depreciation	2016 Total
Instruction	$582,735	$210,648	$107,259	$13,866	$ –	$914,508
Sponsored Research	141,094	45,079	161,826	53	–	348,052
Other Separately Budgeted Research	58,535	18,872	26,133	1,629	–	105,169
Other Sponsored Programs	114,081	36,519	45,441	641	–	196,682
Extension and Public Service	29,647	12,426	8,840	682	–	51,595
Academic Support	70,863	25,778	31,094	1,748	–	129,483
Student Services	49,117	18,308	30,371	7,420	–	105,216
Operation & Maintenance of Plant	90,744	35,094	88,968	1,326	–	216,132
General Administrative and Institutional	149,946	59,706	52,262	2,251	–	264,165
Scholarships and Fellowships	4,464	391	30,622	23,119	–	58,596
Depreciation	–	–	–	–	151,254	151,254
Patient Care Services	425,791	127,757	130,674	–	–	684,222
Auxiliary Enterprises	107,802	41,991	124,171	14,716	–	288,680
Other Operating Expenses	–	–	398	–	–	398
Total Operating Expenses	$1,824,819	$632,569	$838,059	$67,451	$151,254	$3,514,152

	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarships & Fellowships	Depreciation	2015 Total
Instruction	$574,345	$189,945	$104,994	$13,929	$ –	$883,213
Sponsored Research	141,231	44,543	169,942	53	–	355,769
Other Separately Budgeted Research	51,066	16,694	29,521	1,050	–	98,331
Other Sponsored Programs	101,931	48,018	56,320	510	–	206,779
Extension and Public Service	27,771	9,452	12,532	640	–	50,395
Academic Support	70,847	21,623	32,466	541	–	125,477
Student Services	47,745	16,272	22,358	6,675	–	93,050
Operation and Maintenance of Plant	80,928	31,394	91,974	985	–	205,281
General Administration and Institutional	139,508	46,918	55,278	1,904	–	243,608
Scholarships and Fellowships	4,706	321	25,214	23,960	–	54,201
Depreciation	–	–	–	–	152,525	152,525
Patient Care Services	424,107	120,717	108,622	–	–	653,446
Auxiliary Enterprises	111,164	36,533	128,548	12,624	–	288,869
Other Operating Expenses	–	–	784	–	–	784
Total Operating Expenses	$1,775,349	$582,430	$838,553	$62,871	$152,525	$3,411,728

NOTE 14 - EMPLOYEE BENEFITS

Retirement Plans

The university has primarily three retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, and State of New Jersey Police and Firemen's Retirement System, defined benefit plans, and the Alternate Benefit Program, a defined contribution plan. Under these plans, participants make annual contributions, and the State of New Jersey makes employer contributions on behalf of the university for these plans. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The university is charged for contributions on behalf of employees through a fringe benefits charge assessed by the State which is included within the state paid fringe benefits in the accompanying statement of revenues, expenses, and changes in net position. Summary information regarding these plans is provided below.

Public Employees Retirement System (PERS)

Plan Description – The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

The following represents the membership tiers for PERS:

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

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

Contributions – Covered university employees were required by PERS to contribute 7.06% of their annual compensation during fiscal year 2016 (6.92% in 2015). The PERS contribution rate will increase by 0.14% each year until the 7.5% contribution rate is reached by July 1, 2018. The State contributes the remaining amounts necessary to pay benefits when due. The State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the university is included within the State's contribution. The contribution requirements of the plan members and the university are established and may be amended by the State.

Employees can also make voluntary contributions to two optional State of New Jersey tax-deferred investment plans, the Supplemental Annuity Collective Trust (SACT) and the Additional Contributions Tax Sheltered (ACTS) programs. Both plans are subject to limits within the Internal Revenue Code.

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Police and Firemen's Retirement System (PFRS)

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

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

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, 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.

Contributions – The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the university is included within the State's contribution. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011.

Net Pension Liability, Deferred Amounts Related to Pensions and Pension Expense

The university's respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense related to PERS and PFRS are calculated by the State of New Jersey Division of Pension and Benefits. At June 30, 2016, the university reported a liability of $1,566.1 million and $78.6 million for PERS and PFRS, respectively ($1,292.2 million and $62.4 million for PERS and PFRS, respectively, in 2015), for its proportionate share of the respective PERS and PFRS net pension liabilities. The total pension liability used to calculate the net pension liability at June 30, 2016 was determined by an actuarial valuation as of June 30, 2014 and rolled forward to the measurement date of June 30, 2015 for both PERS and PFRS. The total pension liability used to calculate the net pension liability at June 30, 2015 was determined by an actuarial valuation as of June 30, 2013 and rolled forward to the measurement date of June 30, 2014 for both PERS and PFRS. The university's proportionate share of the respective net pension liabilities for the fiscal year was based on actual contributions to PERS and PFRS on behalf of the university relative to the total contributions of participating state-group employers for each plan for fiscal 2015, which was 6.6% and 1.8% for PERS and PFRS, respectively (6.4% and 1.8%, respectively, in 2015). The university's proportionate share of the respective net pension liabilities for the plan as a whole was 3.4% and 0.4% for PERS and PFRS, respectively (3.3% and 0.4%, respectively, in 2015).

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 respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, 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. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	2015	
	PERS	PFRS
Inflation Rate	3.04%	3.04%
Salary Increases: 2012-2021	2.15–4.40% based on age	2.60–9.48% based on age
Thereafter	3.15–5.40% based on age	3.60–10.48% based on age
Investment rate of return	7.90%	7.90%

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	2014	
	PERS	PFRS
Inflation Rate	3.01%	3.01%
Salary Increases: 2012-2021	2.15–4.40% based on age	3.95–6.82% based on age
Thereafter	3.15–5.40% based on age	4.95–9.62% based on age
Investment rate of return	7.90%	7.90%

Mortality Rates for PERS used in the June 30, 2015 measurement date, were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. Mortality rates for PFRS used in the June 30, 2015 measurement date, were based on the RP-2000 Combined Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB. Mortality rates for PERS and PFRS for the June 30, 2014 measurement date, were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 for PERS and 2011 for PFRS based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011 for PERS and July 1, 2010 to June 30, 2013 for PFRS. The actuarial assumptions in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011 for PERS and July 1, 2007 to June 30, 2010 for PFRS.

Long-Term Expected Rate of Return – 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 plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2015, and June 30, 2014, are summarized in the following table:

Asset Class	2015 Target Allocation	2015 Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	(0.40%)
REIT	4.25%	5.12%

Asset Class	2014 Target Allocation	2014 Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate – The discount rate used to measure the total pension liability for PERS was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. The discount rate used to measure the total pension liability for PFRS was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that the contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS and 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – The following presents the collective net pension liability of the university, measured as of June 30, 2015, and June 30, 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	2015		
	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS (3.90%, 4.90%, 5.90%, respectively)	$1,835,505	$1,566,143	$1,341,188
PFRS (4.79%, 5.79%, 6.79%, respectively)	94,631	78,598	65,567
Total	$1,930,136	$1,644,741	$1,406,755

	2014		
	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS (4.39%, 5.39%, 6.39%, respectively)	$1,526,266	$1,292,223	$1,095,943
PFRS (5.32%, 6.32%, 7.32%, respectively)	75,479	62,433	51,690
Total	$1,601,745	$1,354,656	$1,147,633

Deferred Outflows of Resources and Deferred Inflows of Resources — The following presents a summary of the deferred outflows of resources and deferred inflows of resources reported at June 30, 2016 and 2015 (dollars in thousands):

2016	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$119,386	$8,060	$127,446
Changes in Proportionate Share	70,246	3,098	73,344
Difference Between Expected and Actual Experience	21,890	–	21,890
Difference Between Projected and Actual Earnings on Pension Plan Investments	–	212	212
Contributions Subsequent to Measurement Date	20,418	2,468	22,886
Total	$231,940	$13,838	$245,778
Deferred Inflows of Resources			
Changes in Proportionate Share	$32,102	$4,912	$37,014
Difference Between Expected and Actual Experience	–	596	596
Difference Between Projected and Actual Earnings on Pension Plan Investments	7,732	–	7,732
Total	$39,834	$5,508	$45,342

2015	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$28,498	$1,269	$29,767
Changes in Proportionate Share	31,441	–	31,441
Contributions Subsequent to Measurement Date	10,080	2,557	12,637
Total	$70,019	$3,826	$73,845
Deferred Inflows of Resources			
Changes in Proportionate Share	$21,989	$4,909	$26,898
Difference Between Projected and Actual Earnings on Pension Plan Investments	39,219	1,543	40,762
Total	$61,208	$6,452	$67,660

Included in deferred outflows of resources related to pensions is $22.9 million from contributions made on behalf of the university subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 ($12.6 million in 2016). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Years Ending June 30	PERS	PFRS	Total
2017	$33,928	$1,124	$35,052
2018	33,928	1,124	35,052
2019	33,928	1,124	35,052
2020	44,010	1,525	45,535
2021	25,894	965	26,859
Total	$171,688	$5,862	$177,550

Annual Pension Expense — The university's annual pension expense for PERS and PFRS for the year ended June 30, 2016 was approximately $115.9 million and $6.4 million, respectively ($76.7 million and $3.9 million, respectively, in 2015).

Alternate Benefit Program (ABP)

Plan Description — ABP is an employer defined contribution State retirement plan established as an alternative to PERS. The payroll for employees covered by ABP for the year ended June 30, 2016 was $1,039.0 million ($1.018.8 million in 2015).

Faculty, part-time lecturers, professional and administrative staff, and certain other salaried employees are eligible to participate in ABP. Employer contributions vest on reaching one year of credited service. The program also provides long-term disability and life insurance benefits. Benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in ABP.

Contributions — The employee mandatory contribution rate for ABP is 5.0% of base salary and is matched by the State at 8.0% of base salary. Contributions can be invested with up to seven investment carriers available under the plan for fiscal year 2016. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. Employer contributions for the year ended June 30, 2016 were $83.1 million ($81.5 million in 2015). Employee contributions for the year ended June 30, 2016 were $57.8 million ($61.4 million in 2015).

Effective July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to the Alternate Benefits Program (ABP) for salaries up to $141,000. In response to this state imposed limit, the university established the Alternate Benefits Program and Trust. Through this program, the university continues to make the full 8% employer ABP contributions for salaries in excess of $141,000, up to the Federal IRC Annual Compensation limit of $265,000.

Other Retirement Plans

The university has a small number of employees enrolled in two Federal retirement plans, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). Both plans are defined benefit plans and cover the university's police and selected positions related to the university's Cook College/New Jersey Agricultural Experiment Station (CSRS or FERS). The university also has a small number of Rutgers University Foundation employees enrolled in a contributory retirement plan under arrangements with Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), which provides for the purchase of annuities for the covered employees. The university also has a small number of employees enrolled in the Defined Contribution Retirement Program (DCRP). The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees who are ineligible for PERS and PFRS, because the hours of work are fewer than those required for PERS and PFRS membership, are eligible for enrollment in the DCRP provided the annual salary is $5,000 or higher. Employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary (indexed annually) for PERS Membership but who earn a salary of at least $5,000 annually, are eligible to enroll in the DCRP. Eligible employees contribute 5.5% of base salary and the employer match is 3% of base salary. Participation in all of these plans is limited, and the associated amounts are not significant.

Deferred Compensation Plan

University employees with membership in PERS, ABP or PFRS are eligible to participate in the State of New Jersey's Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to elect pre-tax and/or after-tax Roth contributions to invest a portion of their base salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Prudential Financial. The plan does not include any matching employer (State) contributions. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights, are held in trust by the State for the exclusive benefit of the participating employees and their beneficiaries.

Postemployment Benefits Other Than Pension

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the university's retired employees, in accordance with State statutes. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credited after June 30, 1997 may share in the cost of the health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not available to the university and no expenses or liabilities for these benefits are reflected in the university's financial statements.

NOTE 15 - COMPENSATED ABSENCES

The university accounts for compensated absences as directed by GASB Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences (i.e. unused vacation, sick leave, and paid leave bank days attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The university recorded a liability for accumulated vacation time in the amount of $66.6 million at June 30, 2016 ($68.9 million in 2015). The liability is calculated based upon employees' accrued vacation time as of the statement of net position date and is recorded in accounts payable and accrued expenses in the accompanying statements of net position.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payout to retirees for unused accumulated sick time is calculated at the lesser of ½ the value of earned time or $15,000. Employees separating from the university service prior to retirement are not entitled to payments for accumulated sick leave balances. The university recorded a liability for accumulated sick leave balances in the amount of $17.8 million at June 30, 2016 ($16.3 million in 2015) which is included in noncurrent accounts payable and accrued expenses in the accompanying statements of net position.

The university also recorded a liability for paid leave bank days in the amount of $4.0 million at June 30, 2016 ($4.0 million in 2015), which is included in noncurrent accounts payable and accrued expenses in the accompanying statements of net position. Employees began using these days on July 1, 2010, and may continue for the duration of employment with the university. Once these days are exhausted, the employee will not be eligible for any additional days.

NOTE 16 - RISK MANAGEMENT

In 1980, the university, jointly with 15 other higher education institutions, established Genesis Ltd. (Genesis), a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda. Genesis, a Captive Reinsurance Company, was formed to reinsure general liability, professional liability, and automobile liability risks of its shareholders.

In 2004, the university and its 15 partners formed a Vermont Reciprocal Risk Retention Group, Pinnacle Consortium of Higher Education (Pinnacle), to enhance and support the insurance programs and provide fronting services for Genesis. The primary purpose of this second alternate risk funding company was to reduce costs, reduce collateral requirements for Genesis and provide the flexibility to conduct business in the U.S. The insurance policies have deductibles that vary by policy, the most significant of which provides for the payment of general liability claims.

Effective January 1, 2016, in order to eliminate certain redundancies and gain further operational efficiency, the Shareholders and Subscribers of Genesis and Pinnacle, respectively, consolidated the insurance operations into Pinnacle in a two-step process by: discontinuing Genesis in Bermuda, and, immediately merging it into Pinnacle, with Pinnacle remaining as the surviving entity. Pinnacle assumed all of Genesis' obligations as reinsurer of Pinnacle, and is holding all of the assets previously held by Genesis to support such obligations. Going forward, Pinnacle will retain all of the risk that previously was ceded to Genesis.

The university is self-insured for workers compensation and retains various deductibles for general liability, automobile liability, and all risk property insurance. The total liability at June 30, 2016 for these items is $32.8 million ($35.6 million in 2015). The reserve balance recorded at June 30, 2016 is $37.0 million ($32.5 million in 2015). No discount rate is used. The self-insurance reserve represents the estimated ultimate cost of settling claims and related expenses resulting from events that have occurred. The reserve includes the amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported (IBNR).

The university participates in the State's Medical Malpractice Self-Insurance Fund (the Fund) which is used to pay malpractice claims and insurance premiums for the university. The contributions made during the current fiscal year by the university and its affiliate hospitals, UPA, Department of Corrections (DOC), and faculty practice plans are equal to the amount established in memoranda agreements between the Department of the Treasury and the university. If the contributions are insufficient to pay claims expenditures, the State's General Fund will be used to pay remaining claims.

Payment of claims from the Fund totaled $38.7 million in 2016 ($50.7 million in 2015). Contributions to the Fund from the State totaled $44.0 million in 2016 ($38.8 million in 2015), while contributions from RBHS affiliates, DOC, and faculty practice plans totaled $9.5 million in 2016 ($10.7 million in 2015).

The university has accrued expenses for deductibles and incurred but not reported liabilities in the statements of net position. The accrued expenses are based on estimates by management and third party claims administrators and generally represent the present value of the unpaid claims including the estimates for claims incurred but not reported.

NOTE 17 - CONTINGENCIES

The university is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the university's financial statements.

The university receives funds from federal, state and private agencies under grants and contracts for research, training and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is the university's belief that any disallowances or adjustments would not have a significant effect on the university's financial statements.

In connections with the settlement of two cases that initially resulted in a Deferred Prosecution Agreement with the United States Attorney for the District of New Jersey, the University of Medicine and Dentistry of New Jersey (UMDNJ) entered into a five year Corporate Integrity Agreement (CIA) with the Office of the Inspector General (OIG) of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, UMDNJ agreed to adhere to requirements that ensure regulatory and legal compliance with all Federal healthcare programs. Pursuant to a letter agreement between the university and the OIG, the university assumed UMDNJ's obligations under the CIA to the extent those obligations relate to the units of UMDNJ acquired by the university pursuant to the New Jersey Medical and Health Sciences Education Restructuring Act.

In March 2015, the university received confirmation from the Office of the Inspector General (OIG) of the United States Department of Health and Human Services that RBHS fulfilled its requirements under the Corporate Integrity Agreement (CIA) (September 2009 through September 2014), originally between the University of Medicine and Dentistry of New Jersey (UMDNJ) and the OIG and subsequently between RBHS and OIG pursuant to the integration of UMDNJ and Rutgers, The State University of New Jersey. With the expiration of the CIA, RBHS is released from its reporting requirements to the OIG but will continue to implement its robust healthcare compliance program developed over the last six years.

NOTE 18 – ONE WASHINGTON PARK

In September 2006, the university's Board of Governors authorized the negotiation and execution of a contract of purchase and sale and arrangement for construction financing for the Rutgers Newark Business School's relocation to One Washington Park, Newark, New Jersey, where space was consolidated for faculty offices and classrooms. The building was converted into a condominium in which 11 floors of the building along with a 15,000 square foot addition located at grade level reconstituted as the Rutgers Business School space.

The overall project budget included the following: (i) the acquisition of the Rutgers Business School Space, (ii) the construction costs needed to build out the interior and exterior of such space, (iii) the construction costs needed to improve and repair certain common elements and common building systems in the building, (iv) the fee required under the Architect's Contract, and (v) other non-construction related costs. The overall project cost was $83.0 million. Funding for this project came from several sources, particularly, in fiscal year 2006, the State of New Jersey made a special appropriation to the university in the amount of $18.0 million earmarked specifically for the Business School. The university is also participating in the New Markets Tax Credit (NMTC) program administered by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI) and entered into a transaction with City National Bank of New Jersey, PNC Bank, National Community Investment Fund, and New Jersey Community Capital, also known as a Community Development Entity (CDE). The NMTC compliance period ended as of December 1, 2014. When the transaction was completed, the university controls the property indirectly through its blended component units, Parkside RUN Investments, LLC and One Washington Park Holdings, LLC (QALICB).

On October 15, 2009, the new home of the Rutgers Business School at One Washington Park was officially opened. Classes began in the facility at the start of the 2009 fall semester. The building houses Rutgers Business school classes, faculty and staff offices, departments, centers, and a police substation for added security.

NOTE 19 - COMPONENT UNIT - RUTGERS UNIVERSITY FOUNDATION

Cash, Cash Equivalents, and Investments

The foundation's cash and cash equivalents consist of the following as of June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Money Market Account	$881	$1,753
Cash and Deposits	17,851	22,195
	$18,732	$23,948

The Board of Overseers, through its Investment Committee, has authority over the investment of foundation funds. Professional investment managers are engaged by the foundation to buy, sell, invest, and reinvest portions of the assets in accordance with the investment policies and objectives established by the Investment Committee.

The primary financial objective of the foundation's investment management of assets for the General Endowment Fund is to earn the highest yield possible without unnecessary risk to principal. To achieve the goals of safety, liquidity, and return, the assets in the General Endowment Fund are invested in laddered high quality short term fixed income securities and/or an institutional money market fund. The objective for the Planned Giving Portfolio is to maximize long term total return through a combination of income and capital appreciation in a prudent manner. To achieve the goals of growth and income, the assets within the Planned Giving Portfolio are divided into an equity portion (equities including convertibles and cash devoted to equities) and a fixed income portion (bonds, notes, nonconvertible preferred stock, and cash devoted to fixed income). In addition, the Planned Giving Portfolio is subject to state mandated investment restrictions for annuities issued in the states of Florida and California.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the entity 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 estimate of fair value at the reporting date.

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

U.S. Treasury Securities – The fair value of U.S. Treasury securities is the market value using quoted market prices.

Mortgage-backed Securities – The fair value of mortgage-backed securities is the market value using quoted market prices.

Preferred Stock – The fair value of preferred stock is the market value using quoted market prices (Level 1) and sensitivity analysis of the relationship between bond and equity values for preferred stock with observable inputs (Level 2) and unobservable inputs (Level 3).

Equity Securities – The fair value of equity securities is the market value based on quoted market prices.

Fixed Income Mutual Funds – The fair value of equity securities is the market value based on quoted market prices.

Real Estate – The fair value of real estate is the value based on the initial recognition of the assets when they are donated to the foundation based on a qualified appraisal or similar real estate market value.

Privately Held Securities – The fair market value of privately held securities is the value based upon the initial recognition of the asset when donated to the foundation. There are no observable markets for the assets.

The foundation's investments are summarized in the following table by their fair value hierarchy as of June 30, 2016 (dollars in thousands):

	2016			
	Investments by Fair Value Level			
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Securities	$372	$372	$ –	$ –
Mortgage-backed Securities	1	1	–	–
Preferred Stock	255	133	109	13
Fixed Income Mutual Funds	7,821	7,821	–	–
Equity Securities	4,897	4,897	–	–
Real Estate	140	–	140	–
Privately Held Securities	60	–	–	60
	$13,546	$13,224	$249	$73

The foundation's investments are summarized in the following table by their fair value hierarchy as of June 30, 2015 (dollars in thousands):

	2015			
	Investments by Fair Value Level			
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Securities	$387	$387	$ –	$ –
Mortgage-backed Securities	1	1	–	–
Foreign Debt Securities	335	335	–	–
Preferred Stock	271	134	126	11
Fixed Income Mutual Funds	16,832	16,832	–	–
Equity Securities	10,510	10,510	–	–
Real Estate	15	–	15	–
Privately Held Securities	60	–	–	60
	$28,411	$28,199	$141	$71

Custodial Credit Risk – The foundation's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financials institution's trust department or agent, but not in the foundation's name. The deposit risk is that, in the event of the failure of a depository financial institution, the foundation will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The foundation's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the foundation and are held by either: the counterparty or the counterparty's trust department of agent, but not in the foundation's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the foundation will not be able to recover the value of the investment of collateral securities that are in the possession of an outside party.

The custodial credit risk associated with the foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by pledging financial institutions, or by its trust department or agent, but not in the foundation's name. As of June 30, 2016, the amount on deposit with the banks was $17.9 million ($22.1 million in 2015). As of June 30, 2016 and 2015, the foundation had insured deposits up to the Federal Deposit Insurance Corporation (FDIC) coverage limits totaling $0.3 million. Cash and cash equivalents in excess of those balances are uncollateralized.

As of June 30, 2016 and 2015, the foundation's investments were either insured, registered, or held by the foundation's agent in the foundation's name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The foundation limits the concentration of credit risk by placing a limit on the amount the investment managers may invest in any one issuer. No initial purchase of an equity or fixed income security in any one issuer should exceed 5% of the portion of the foundation's assets under management by each investment manager. In addition, no single equity security should be greater than 10% of the market value of the foundation's assets under management. As of June 30, 2016 and 2015, there are no investments in any one issuer greater than 5% of total investments.

Credit Risk – GASB Statement No. 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The foundation's investment policy states that individual bonds shall be rated investment grade by at least two recognized or authorized rating agencies (Moody's and Standard & Poor's). The average credit quality of the fixed income securities must be maintained at a Class "BBB/Baa" or higher as rated by both standard services (Moody's and Standard & Poor's). Up to 10% of the investment manager's portfolio may be invested in securities rated "BBB/Baa" or lower as rated by both standard services (Moody's and Standard & Poor's). The dollar-weighted average rating of the fixed income portfolio for each manager of marketable bonds shall be "A/A" or better.

As of June 30, 2016 and 2015, the foundation's investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2016	2015
U.S. Treasury and Agency Securities	AA+	$372	$387
Mortgage-backed Securities	AA+	1	1
Foreign Debt Securities	A+	–	335
Preferred Stock	A+	1	1
Preferred Stock	BBB	46	82
Preferred Stock	BBB–	67	62
Preferred Stock	BB+	13	12
Preferred Stock	BB	56	94
Preferred Stock	BB–	14	20
Preferred Stock	Not Rated	58	–
Fixed Income Mutual Funds	Not Rated	7,821	16,832
Total		$8,449	$17,826

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The foundation does not have a provision in the investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. While the general provisions of the investment strategy should be implemented with a long term perspective, all holdings must be sufficiently liquid so as to allow liquidation of the entire portfolio on one month's notice. In addition, annuity pooled investments in the planned giving portion of the portfolio are governed by the New Jersey Prudent Investor Act. The required reserves for this pool are reviewed utilizing actuarial assumptions of the charitable gift annuity assets. The following table summarizes the maturities as of June 30, 2016 and 2015 (dollars in thousands):

		2016			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury Securities	$372	$7	$359	$6	$ –
Mortgage-backed Securities	1	–	–	–	1
Preferred Stock	255	27	126	27	75
Fixed Income Mutual Funds	7,821	–	5,363	2,458	–
Total	$8,449	$34	$5,848	$2,491	$76

		2015			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury Securities	$387	$10	$285	$92	$ –
Mortgage-backed Securities	1	–	–	–	1
Foreign Debt Securities	335	335	–	–	–
Preferred Stock	271	20	75	24	152
Fixed Income Mutual Funds	16,832	8,039	1,950	6,843	–
Total	$17,826	$8,404	$2,310	$6,959	$153

Administrative Fees and Support from Rutgers, The State University of New Jersey

The foundation's operations, including certain payroll taxes and benefits, the fair rental value of space occupied, and office furnishings used by the foundation are supported extensively by the university for operating purposes. Funding sources for the years ended June 30, 2016 and 2015 were as follows (dollars in thousands):

	2016	2015
Administrative Fees and Support:		
Endowment Administrative Fee	$7,533	$7,032
Athletic Development Support	–	429
University Support	7,043	7,099
	$14,576	$14,560
Noncash Support:		
Fair Rental Value of Space Occupied	386	$368
University-Paid Payroll Taxes and Benefits	1,454	1,089
	1,840	1,457
Total	$16,416	$16,017

Assessment Fee Income

The foundation charges an assessment fee on all new gifts and nongovernmental grants in order to further advancement efforts on behalf of Rutgers, The State University of New Jersey. As of June 30, 2016, assessment fees totaling $5.1 million ($5.0 million in 2015) were recorded.

Restricted Contributions Receivable

The anticipated receipt of contributions receivable as of June 30, 2016 and 2015 is as follows (dollars in thousands):

	2016	2015
Year Ending June 30:		
Within One Year	$34,791	$46,189
Two to Five Years	40,580	28,462
	75,371	74,651
Less Allowance for Uncollectible Contributions Receivable	(4,123)	(3,778)
	$71,248	$70,873

Contributions receivable related to permanent endowments and term endowments do not meet the eligibility requirements for recognition of GASB Statement No. 33 until received. These contributions receivable, which approximated $87.2 million as of June 30, 2016 ($91.3 million in 2015), have not been included in the accompanying financial statements.

Payable to Rutgers, The State University of New Jersey

In August 2008, the foundation received a gift of real property, comprised of five land parcels, subject to an outstanding mortgage of $1.2 million. Rutgers, The State University of New Jersey loaned the foundation the funds to satisfy the mortgage and the liability will be repaid to the university with the proceeds from the sale of the property. In March, 2011, two of the land parcels were sold and a portion of the proceeds was applied against the university's outstanding mortgage. In May, 2012 a third land parcel was sold and a portion of the proceeds was pending transfer to the university, to be applied against the university's outstanding mortgage, in July, 2012. In May 2015, the final two parcels of land were sold and a portion of the proceeds were remitted to the university to satisfy the remainder of the mortgage in July, 2016.

University Receipts on Foundation Pledges

The foundation records pledges receivables, and the associated gift income, for nonendowment related gifts and private grants based upon written commitments from these entities. From individual donors, the written support is primarily in the form of a fund agreement signed by both the donor(s) and the foundation. Private grants obtained from private corporations and foundations are recorded upon confirmation of the grant award to the university via correspondence from the private organization. Payments on these pledges are not all received at the foundation, as some payments are made directly to the university. Any payments made directly to the university are captured in the foundation's statements of revenues, expenses and changes in net position as gift revenue as well as distributions to the university. The total of these payments to the university as of June 30, 2016 was $20.5 million ($25.7 million in 2015).

NOTE 20 – COMPONENT UNIT – UNIVERSITY PHYSICIAN ASSOCIATES OF NEW JERSEY, INC. AND AFFILIATE

The following information has been taken from UPA's audited financial statements which were prepared in accordance with financial pronouncements of the Financial Accounting Standards Board.

The accompanying combined financial statements of UPA are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Investments and Assets Whose Use is Limited

Cash and Cash Equivalents – Restricted

This amount represents funds held in one depository account for the repayment of liabilities to the New Jersey Medical School Deans' Fund.

Assets limited as to use at June 30, 2016 and 2015 is set forth in the following table (dollars in thousands):

	2016	2015
Cash and Cash Equivalents – Restricted	$4,587	$5,603
	$4,587	$5,603

Investments

The composition of investments at June 30, 2016 and 2015 is set forth in the following table (dollars in thousands):

	2016	2015
Cash and Cash Equivalents	$1,792	$1,781
Marketable Equity Securities	18,392	18,121
U.S. Government Securities	4,011	3,984
Bonds	3,904	3,840
Total Short-term Investments	$28,099	$27,726

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2016 and 2015 are as follows (dollars in thousands):

Assets	Valuation Techniques(1)	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2016 Total Fair Value
Marketable Equity Securities	M	$18,392	$ –	$ –	$18,392
U.S. Government Securities	M	–	4,011	–	4,011
Bonds	M	–	3,904	–	3,904
Total Assets		$18,392	$7,915	$ –	$26,307

Assets	Valuation Techniques(1)	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2015 Total Fair Value
Marketable Equity Securities	M	$18,121	$ –	$ –	$18,121
U.S. Government Securities	M	–	3,984	–	3,984
Bonds	M	–	3,840	–	3,840
Total Assets		$18,121	$7,824	$ –	$25,945

(1) The three valuation techniques are market approach (M), cost approach (C), and income approach (I).

At June 30, 2016, there was approximately $1.8 million ($1.8 million in 2015) of cash and cash equivalents in investments within the statement of net position that are excluded from the charts above as they are not considered recurring fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of assets:

Marketable Equity Securities – Fair value estimates for publicly traded equity securities are based on quoted market prices are classified as Level 1. UPA does not adjust the quoted price for such assets.

U.S. Government Securities and Bonds – The estimated fair values are based on other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of debt securities that do not trade on a regular basis in active markets of priced using a model-based valuation are classified as Level 2.

Transactions with Related Parties

The Board of Directors of UPA includes certain participating UPA physicians, the Dean of Rutgers New Jersey Medical School and the Senior Vice President for Finance and Administration of Rutgers University. Transactions between UPA, Rutgers University and UPA physicians are handled in accordance with the Affiliation Agreement.

Under the terms of the affiliation agreement between Rutgers University and UPA, all professional fees collected by UPA will be distributed in varying proportions to the following:

- UPA participating physicians – Faculty members who are required to or permitted to participate in the faculty practice plan. Included are full time, part time, and voluntary faculty.

- Rutgers New Jersey Medical School department Funds – 7% of gross patient service on system and off system collections are paid into the Departmental Chairs Fund.

- Rutgers New Jersey Medical School Deans' Fund – 7% of gross patient service on system and off system collections are paid into the Deans' Fund.

- Participant fund – These are funds voluntarily voted on by participants through their specific departments within Rutgers New Jersey Medical School, with varying amounts allocated for each participant.

- Rutgers University medical malpractice fund – 3% of gross patient service on system and off system collections are paid into Rutgers University's self-insured pool for medical malpractice coverage per the affiliation agreement.

The payables to related parties as of June 30, 2016 and 2015, are as follows (dollars in thousands):

	2016	**2015**
Payable to Rutgers University Medical Malpractice Fund	$667	$569
Payable to New Jersey Medical School Mandatory Department Account	3,650	3,189
Payable to New Jersey Medical School Deans' Fund	6,438	7,116
Payable to Voluntary Department Account	2,004	2,048
Payable to Voluntary Division Account	1,986	1,922
Payable to Voluntary Group Account	74	90
Payable to Voluntary Inter-Departmental Account	29	(4)
Payable to Voluntary Practice Group Account	23,632	7,127
Total Current Liabilities	38,480	22,057
Payable to Voluntary Practice Group Account	–	14,254
Total Liabilities	$38,480	$36,311

Lease Commitments

UPA originally leased 47,500 square feet of rental space located in the Doctor's Office Center in Newark, New Jersey from UMDNJ. UMDNJ and UPA entered into a lease dated May 7, 2001, with four subsequent addendums to extend the terms of the lease. The fourth addendum effective January 1, 2006 has extended to lease to December 31, 2006 under the same terms and conditions set forth in the May 7, 2001 lease, which is subject to renewal. Effective July 1, 2013, the lease agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Lease Agreement are Rutgers University and UPA. Total rental expense in fiscal year 2016 was $1.2 million ($1.8 million in 2015).

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedules of Employer Contributions
For the years Ended June 30, 2016 and 2015
(dollars in thousands)

Public Employees' Retirement System (PERS)	2016	2015
Contractually Required Contribution	$20,418	$14,888
Contributions in relation to the Contractually Required Contribution	20,418	14,888
Contribution Deficiency (Excess)	–	–
University Employee Covered Payroll (as of Fiscal Year End)	$296,594	$294,526
Contributions as a percentage of Employee Covered Payroll	6.88%	5.05%

Police and Firemen's Retirement System (PFRS)	2016	2015
Contractually Required Contribution	$2,468	$1,298
Contributions in relation to the Contractually Required Contribution	2,468	1,298
Contribution Deficiency (Excess)	–	–
University Employee Covered Payroll (as of Fiscal Year End)	$8,091	$8,466
Contributions as a percentage of Employee Covered Payroll	30.50%	15.33%

Schedules of Proportionate Share of the Net Pension Liability
For the years Ended June 30, 2016 and 2015
(dollars in thousands)

Public Employees' Retirement System (PERS)	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	6.60%	6.42%
University Proportionate Share of the Net Pension Liability – Total Plan	3.39%	3.33%
University Proportionate Share of the Net Pension Liability	$1,566,143	$1,292,223
University Employee Covered-Payroll (for year ended as of measurement date)	$294,526	$299,132
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	531.75%	431.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.21%	42.74%

Police and Firemen's Retirement System (PFRS)	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	1.83%	1.76%
University Proportionate Share of the Net Pension Liability – Total Plan	0.35%	0.36%
University Proportionate Share of the Net Pension Liability	$78,598	$62,433
University Employee Covered-Payroll (for year ended as of measurement date)	$8,466	$9,043
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	928.40%	690.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.84%	58.86%

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