NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Basic Financial Statements,
Management's Discussion and Analysis and
Required Supplementary Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Table of Contents

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

Independent Auditors' Report

The Board of Trustees
New Jersey City University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 and the schedule of employer contributions and schedules of proportionate share of the net pension liability on pages 53 and 54, respectively, 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

December 6, 2017

University Overview

Since its charter by the New Jersey Legislature in 1927, New Jersey City University (NJCU, the University) has been evolving as a place of higher education in the context of a dynamic, ethnically diverse urban environment. The mission of the University is ''to provide a diverse population with an excellent university education.'' Its vision is to become a nationally recognized leader in urban education. The University, as an urban institution, is committed to the improvement of the educational, intellectual, cultural, socio-economic, and physical environment of the surrounding urban region. Although the University's mission remains the same, its physical presence has changed dramatically. The size of the campus has expanded significantly; the number of buildings and facilities have increased from one structure to 24. The academic focus has expanded from normal school training to 43 undergraduate degree programs, 27 master's and post-master's level programs, and 3 doctoral programs offered in three colleges and the School of Business. Degree and certificate programs have been developed in Business (MBA, BS/MS Bridge Program in Accounting, Finance), the Arts (MFA in Media Production), National Security Studies, Geoscience, Education, Nursing (accelerated second baccalaureate in nursing), and Women and Gender Studies. The University has over 50 partnerships with colleges and universities in 17 countries and has partnered with four international institutions to develop four joint-degree programs. Coincident with building up its academic departments, the University has expanded its faculty, emphasized accreditation for its programs, created partnerships with local high schools, and raised the average standardized test score profiles of its incoming freshmen during the past few years. In fiscal year 2017, five NJCU students and alumni were awarded the prestigious and highly competitive Fulbright U.S. Student Program awards for 2017-2018. In the past three years, NJCU has sent 11 Fulbright awardees abroad.

Since 1929, the student body has grown and diversified from 330 New Jersey residents to close to 6,660 undergraduate and 1,840 graduate students from across New Jersey, the United States, and countries around the world. The student body reflects the social and cultural diversity of the New Jersey/New York metropolitan area. Over the past five years, the number of full-time students has grown to 78% of all undergraduate students (Fall 2016). Consistent with national demographics, women represent 60% of the undergraduate student body. The University has also set up program initiatives to maintain the affordability of its tuition in comparison with other universities within the state of New Jersey and across the nation. According to a recent national study of 369 selective public colleges by The Equality of Opportunity Project on the role of colleges in intergenerational mobility, the University ranked 23rd for improving the upward mobility and economic futures of its students. Ongoing efforts towards enhancing student support programs and offerings have been geared towards providing students with financial aid and scholarship awards for eligible students, strengthened internship opportunities and partnerships as well as expanded study abroad and career placement programs. The University's tuition ranks among the best values in the New Jersey state university system, and holds the 22nd slot in a recent ranking of colleges and universities in the state. During the past fiscal year, the University launched the *NJCU Debt-Free Promise Program,* which aims to make a college education more accessible and affordable for New Jersey residents who are admitted to the University from high school, attend full time, and are from families with household incomes of $60,000 or less. For the fiscal year ended June 30, 2017, the University granted $464,512 to students who qualified to this program.

(Continued)

The New Jersey City University Foundation, Inc. (the Foundation) was established as a nonprofit corporation to provide an independent instrument to raise and control funds from donors other than the State of New Jersey, with its primary purpose to support the mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and State taxes. Because the Foundation's resources have historically been used only for the benefit of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

The management discussion and analysis for fiscal years 2017 and 2016 is anchored in the University's strategic plan – Transforming Lives – which laid out four overarching strategic goals: a) improving academic excellence, b) enhancing student success, c) increasing net revenues and improving the campus infrastructure, and d) strengthening the University's brand. Consequently, the changes in revenues, expenses, and net position must be viewed within the context of the University's strategic plan.

In fiscal year 2017, the University's net tuition and fee revenues remained relatively flat compared to fiscal year 2016, despite a 2.25% increase in student tuition and fees and a record increase in the incoming freshman class. Net student tuition and fees revenues remained flat due to lower-than-anticipated graduate enrollment and transfer matriculation, as well as a record number of graduating students in the senior class. The drop in the level of tuition and fee revenues associated with the graduating seniors was not offset by net tuition associated with the growth in the freshman class and inbound transfer students. Additionally, and consistent with the strategic plan, the institution increased its discount rate primarily via additional scholarships awarded for the fiscal year. This increased level of tuition discount also softened the impact on net revenue growth.

In fiscal year 2017, auxiliary income for the University increased primarily due to the increase in student board/meal revenues. As discussed in note 14, the University entered into a ground lease agreement with the West Campus Housing Development, Inc., in which the student housing revenue associated with the Vodra and Coop Residence Halls, and the West Campus Village is now recorded as housing income in the Foundation's financial statements. In fiscal year 2016, only housing income associated with the Vodra and Coop residence halls were transferred. Commencing in fiscal year 2017, all housing revenues – including revenues from the recently developed 425-bed West Campus Village – were recorded in the Foundation's consolidated financial statements.

In fiscal year 2016, the University concentrated its effort on investing in its faculty, improving student success, and continuing to strengthen its technological and capital infrastructure. Although these priorities are clearly articulated in the University's Strategic Plan, the institution continues to face challenging fiscal headwinds related to flat or reduced direct aid from the State of New Jersey and the financial impact of absorbing pension related expenses attributed to GASB 68.

Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

(Continued)

GASB Statement No. 35 (GASB 35), *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities requiring that financial statements be presented with the focus placed on the University as a whole. GASB Statement No. 61, *The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14* and No. 34, establishes criteria for assessing whether certain organizations should be reported as a component unit of the financial reporting entity and has resulted in the inclusion of the Foundation's consolidated financial statements in the University's financial statements.

During fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* (GASB 68), which requires the total pension liability and pension expense of a defined benefit pension plan to be recorded on the financial statements of state and local governmental employers. Historically, the State of New Jersey (the State) provided the contributions to the plan while seeking reimbursement from the University for the University's non-State-authorized positions. The University recorded the fringe benefit revenue (100% of the State-authorized positions) and expense (100% of State-authorized positions plus non-State-authorized positions reimbursed to the State of New Jersey) in its financial statements.

With respect to the Teachers' Pension and Annuity Fund (TPAF), the State determined TPAF met the ''special funding situation'' included in GASB 68 and the State recorded the University's proportion of the net pension liability on its respective financial statements. With respect to the Public Employees' Retirement System (PERS), the State treats the University as a separate employer. Thus, for financial reporting purposes, the University records on its financial statements its proportion of the net pension liability and related deferred inflows and deferred outflows of resources as determined by the State. However, the State has communicated to the Colleges that the GASB 68 pension liability ''allocations do not impact state laws or past funding arrangements that have been established annually in the State budget''. The State funds the contributions to the plans directly and the University recorded revenues related to that contribution through the annual fringe benefit appropriation.

Statements of Net Position

The Statement of Net Position presents the University's financial position at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair value. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are classified as current and noncurrent. Current assets generally are those assets considered to be convertible to cash within one year. The University's current assets consist primarily of cash, short-term investments, including the State of New Jersey Cash Management Fund, restricted deposits held with bond trustees, and student, grants, and other receivables. The University's noncurrent assets consist primarily of capital assets, the noncurrent portion of restricted deposits held with bond trustees, student loans and long-term investments.

Liabilities are also classified as current and noncurrent. Current liabilities are those liabilities due and anticipated to be paid within the upcoming fiscal year. The University's current liabilities consist primarily of trade accounts payable, accrued benefits, and the current portion of long-term debt, while noncurrent liabilities consist primarily of the noncurrent portion of bonds payable and other long-term debt.

Net position is the residual interest in the University's assets after the liabilities are deducted. Net position is classified into three categories: net investment in capital assets, expendable restricted net position, and unrestricted net position. The first category, net investment in capital assets, reflects the equity in capital assets that the University owns. Expendable restricted net position are assets that are subject to externally imposed restrictions governing their use, including debt service and other bond covenant requirements and capital grant funds. The final category, unrestricted net position, is available for the general purpose and/or operational needs of the University.

The following is a summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and 2016, and comparative amounts at June 30, 2015.

		2017	2016	2015
			(In millions)	
Assets:				
Current assets	$	65.7	63.9	55.7
Noncurrent assets:				
Capital assets		239.0	225.3	218.3
Other assets		20.7	22.4	45.2
Total assets	$	325.4	311.6	319.2
Deferred outflows of resources	$	42.0	21.8	4.9
Liabilities:				
Current liabilities	$	35.1	31.7	29.0
Noncurrent liabilities		349.7	321.1	296.7
Total liabilities	$	384.8	352.8	325.7
Deferred inflows of resources	$	0.3	1.0	3.9
Net position:				
Net investment in capital assets	$	74.0	57.4	60.3
Restricted for expendable:				
Renewal and replacement		—	—	1.4
Debt service and reserve		4.8	4.8	5.4
Perkins loans		0.3	0.2	0.2
Unrestricted		(96.8)	(82.8)	(72.8)
Total net position	$	(17.7)	(20.4)	(5.5)

Statements of Net Position – Financial Highlights

As of June 30, 2017, the University's total assets increased by $13.8 million to $325.4 million from $311.6 million as of June 30, 2016. This increase is primarily attributable to a $13.7 million increase in net capital assets related to improvements to the Science Building, the renovation of the nursing facilities and improvements to other campus buildings. The increase in total assets was also driven by increases in several other asset accounts, including $4.4 million in grant receivables, $1.9 million in cash and cash equivalents, $1.2 million in restricted deposits held with bond trustees, and $4.7 million in other receivables.

The increase in grants receivables is primarily due to the capital grants related to the University's Science Building extension. The increase in cash and cash equivalents is attributable to the timing of cash receipts and investment maturities. The increase in other receivables is primarily due to the West Campus Housing, LLC receivable of $1.3 million and the state appropriation receivable for June 2017 of $2.0 million. Partially offsetting the increase in total assets was a decrease of $13 million in current and noncurrent investments due to investment maturities.

As of June 30, 2016, the University's total assets decreased by $7.6 million to $311.6 million from $319.2 million as of June 30, 2015. This decrease is primarily attributed to planned uses of $12.4 million in investments to fulfill cash flow needs for operations and capital projects, and $18.7 million in restricted deposits held with bond trustees representing the payment of the Series 2008 E Revenue Bonds. The decrease in total assets is offset by increases in several accounts, most notably an increase of $2.8 million in grants receivables, $7.0 million in net capital assets and $12.0 million in cash and cash equivalents. The increase in capital assets relates to the business school renovation, renovations of existing buildings as well as continued renovation on the Science Building. This increase was offset by an $8.9 million transfer of net assets relating to Vodra and Coop to West Campus Housing, LLC in connecting with the creation of the Public Private Partnership previously discussed (see note 14 for further discussion of this transfer). The increase in grants receivables is primarily due to the construction grants related to the University's Science Building extension. The largest increases in net capital assets resulted from capitalized costs associated with the relocation of the University's School of Business from the main campus to the leased space at Harborside Plaza, the construction of Stegman roadway, and the capital fit out of a newly leased facility for the School of Business. The increase in cash and cash equivalents is attributable to the timing of cash receipts and disbursements.

As of June 30, 2017, the University's deferred outflows increased by $20.2 million to $42.0 million from $21.8 million as of June 30, 2016. The increase is primarily due to an increase in GASB 68-related deferrals amounting to $20.5 million. As of June 30, 2016, deferred outflows increased by $16.9 million due to increases in deferred outflows from debt refunding and GASB 68-related deferrals amounting to $5.6 million and $11.3 million, respectively.

As of June 30, 2017, the University's total liabilities increased by $32.0 million to $384.8 million from $352.8 million as of June 30, 2016. This increase is primarily attributable to the updated valuation of the net pension liability allocated to the University as a participant to the PERS. With the adoption of GASB 68, the University recognized a net pension liability of approximately $169.3 million and $136.2 million as of June 30, 2017 and June 30, 2016, respectively. The increase in total liabilities is also attributable to the recognition of deferred capital grant revenues intended for the Nursing Renovation capital project.

As of June 30, 2016, the University's total liabilities increased by $27.1 million to $352.8 million from $325.7 million as of June 30, 2015. This increase is primarily attributable to the updated valuation of the net pension liability allocated to the University as a participant to the PERS. Following the adoption of GASB 68, the University recognized a net pension liability of approximately $136.2 million and $114.9 million as of June 30, 2016 and June 30, 2015, respectively. The increase in total liabilities is also attributable to the issuance of the Series 2016D Revenue Bonds, partially offset by the refunding of NJEFA's Series 2008 E Revenue Bonds to fund various capital projects including the provision of financing to fill the gap between the

(Continued)

State allocated grant funds and the total project cost for the Science Building addition, the capital fit out for the new location of the School of Business, the construction of the West Campus roads and infrastructure, and various on campus capital improvements. Accounts payable and accrued expenses decreased by $700 thousand, primarily due to payable settlements of construction related activities through June 30, 2016, and the reduction of accrued interest related to NJEFA's Series 2008 E bond issue.

As of June 30, 2017, the University's deferred inflows from pensions decreased by $700 thousand to $300 thousand compared to June 30, 2016. As of June 30, 2016, deferred inflows from pensions decreased by $2.9 million to $1.0 million.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. The Statement of Revenues, Expenses, and Changes in Net Position is categorized into three sections: operating revenues, operating expenses, and net nonoperating revenues (expenses). The net difference between operating and nonoperating revenues and expenses and other changes in net position results in an increase or decrease in the University's net position. The change in net position indicates whether the overall financial condition of the University has improved or declined during the year.

Generally, operating revenues are earned in exchange for providing goods or services. Operating revenues of the University consist of net tuition and fees revenue, as well as Federal, State of New Jersey, and local grant revenue. Operating expenses are primarily incurred to carry out the University's mission, goals and objectives, and costs related to the operation and maintenance of its facilities and auxiliary services. The State of New Jersey appropriation and interest income are classified as nonoperating revenue. Nonoperating expenses consist of interest expense and gifts to the New Jersey City University Foundation.

The following is the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016, and comparative amounts for the year ended June 30, 2015.

		2017	2016	2015
			(In millions)	
Operating revenues:				
Student revenue (less scholarships)	$	62.7	61.4	61.4
Grants and contracts		37.5	36.5	36.8
Other		2.5	2.4	2.4
Total operating revenues		102.7	100.3	100.6

		2017	2016	2015
			(In millions)	
Operating expenses:				
Instruction	$	67.1	67.0	65.4
Research and programs		0.1	—	0.1
Academic support		13.7	14.0	14.5
Student services		19.7	18.4	17.0
Institutional support		23.6	24.5	23.6
Operation and maintenance of facilities		18.4	17.9	18.4
Auxiliary enterprises		3.5	4.5	4.6
Student aid		2.3	1.9	2.0
Real estate-related activity		3.8	4.3	0.1
Depreciation		9.6	7.8	7.8
Total operating expenses		161.8	160.3	153.5
Operating loss		(59.1)	(60.0)	(52.9)
Nonoperating revenues (expenses):				
State of New Jersey appropriations		24.2	24.2	26.1
State of New Jersey fringe benefit appropriations		24.2	25.6	24.8
Investment income		0.4	0.7	1.2
Unrealized and realized loss on investments		(0.1)	(0.3)	(0.8)
Interest expense		(6.4)	(4.6)	(5.7)
Other nonoperating revenues (expenses)		(0.1)	1.5	(0.3)
Net nonoperating revenues		42.2	47.1	45.3
Capital grants and gifts		19.5	6.9	3.2
Net asset transfer to New Jersey City University Foundation		—	(8.9)	—
Increase (decrease) in net position		2.6	(14.9)	(4.4)
Net position, beginning of year		(20.4)	(5.5)	108.6
Cumulative effect of change in accounting principle		—	—	(109.7)
Net position as of beginning of year, as restated		(20.4)	(5.5)	(1.1)
Net position, end of year	$	(17.8)	(20.4)	(5.5)

(Continued)

Financial Highlights – Revenues

The University derives its revenue from a variety of sources. The following is an illustration of revenues by source, both operating and nonoperating, which were used to fund the University's activities for the years ended June 30, 2017 and 2016, and comparative amounts for the year ended June 30, 2015 (in thousands):

		2017			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	$	62,689	48,383	57,056	3,683
Percent		36.5%	28.2%	33.2%	2.1%

		2016			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	$	61,373	49,755	43,355	5,466
Percent		38.4%	31.1%	27.1%	3.4%

		2015			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	$	61,420	50,860	39,946	3,693
Percent		39.4%	32.6%	25.6%	2.4%

For 2017, 2016, and 2015, student net revenue, State of New Jersey appropriations, and grants and contracts, were the primary sources of funding for the University's academic programs over the last three fiscal years. Student revenues totaled $62.7 million, $61.4 million and $61.4 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Although tuition rates were increased by 2.25%, 3.0%, and 1.9% for fiscal years 2017, 2016 and 2015, respectively, net tuition and fee revenues remained relatively flat in each of the years due to softness in graduate enrollment, lower than expected transfer matriculation, and the graduation of a record senior class. The $1.3 million increase in net student revenues which occurred in fiscal year 2017 was primarily due to higher income from student meals. State of New Jersey appropriations, which consist of funding appropriated by the New Jersey State legislature for employee benefit expenses and base institutional budget support. State appropriations decreased by $1.4 million during the fiscal year ended June 30, 2017, compared to a decrease of $1.1 million during the fiscal year ended June 30, 2016.

For the years ended June 30, 2017, 2016, and 2015, revenues from grants and contracts were $57.0 million, $43.3 million, and $39.9 million, respectively. The major Federal grant programs include the Pell Grant, the Nursing Workforce Diversity Grant, the College Work Study Grant, the Federal Supplemental Educational Opportunity Grant, and Opening the Gate: Improving Mathematics Success for STEM Careers Grant, Gear Up, among others. Major State of New Jersey grant programs include the Tuition Aid Grant (TAG), Educational Opportunity Fund, and the Youth Corps. The University's Pell Grant increased by $0.9 million in fiscal year 2017 and by $0.4 million in fiscal years 2016 and 2015. The NJ State TAG grant increased by $1.1 million, $0.3 million, and $0.2 million in fiscal years 2017, 2016, and 2015, respectively. Capital grants to primarily fund the Science Building renovation were the largest drivers of the year-to-year growth in grants increasing by $12.6 million, $3.7 million and $2.1 million in fiscal years 2017, 2016, and 2015 respectively.

Financial Highlights – Expenses

Operating expenses totaled $161.8 million in fiscal year 2017, $160.3 million in fiscal year 2016 and $153.5 million in fiscal year 2015.

In fiscal year 2017, operating expenses totaled $161.8 million, an increase of $1.5 million from the prior fiscal year. Decreases of $0.1 million in instructional program expenses and $0.3 million in academic support programs are largely due to a smaller summer enrollment program and the timing of a change in summer teaching payments. Enhanced efforts to recruit and retain students resulted in an increase of $1.3 million in student services expenditures primarily due to personnel costs incurred to implement this University priority. Increases of $1.8 million in depreciation expense were offset by a $0.4 million increase in student aid awards handed out by the University to deserving students.

In 2016, the University's largest increase in operating expenses resulted from instruction expenses, which represents the University's largest operating expense category. The increase of $1.6 million in this category is primarily attributed to the impact of pension expense resulting GASB 68.

Capital Assets and Long-term Debt

A key component of the University's Transforming Lives – Strategic Plan 2013 – 2018 (the Plan) is to enhance the environment for teaching, learning, living and working by creating a state-of-the-art academic campus. This Plan guides the University's strategic allocation of existing resources to academic and residential buildings, infrastructure improvement, and technological endeavors. Initiatives undertaken are geared towards enhancing student experience, enriching the surrounding neighborhood, and addressing the State of New Jersey's workforce and economic development goals and priorities.

In fiscal year 2017, the University had construction in progress expenditures totaling $23.3 million, reflecting the University's continued commitment to enhancing the main campus as well as developing the West Campus property. On the main campus, several major capital additions were funded via internal capital funds, as well as bonds issued through the New Jersey Educational Facilities Authority (NJEFA).

As of June 30, 2017, significant projects under construction or in the design stage include:

- The Nursing facilities renovation, expansion and transformation into the Nursing Education Center (NEC) that will accommodate the new Master's in Nursing (MSN) program beginning in Fall 2017, as well as provide for more state-of-the-art lab and classroom spaces dedicated to this growing program. The Nursing

Program will be expanding to the entire 4th floor and portions of the 5th floor of Rossey Hall on the main campus. This project demonstrates the University's focus on meeting the State of New Jersey's current and future needs for a diverse workforce particularly in the fields of health care and life sciences.

- Stegman Roadway and Infrastructure. This is a two-phase project. Phase I will extend Stegman Parkway to Mallory Avenue West. Phase II will extend Mallory Avenue West to South Street and Stegman Parkway to Route 440.
- Renovation and improvement of the Science Building to include state of the art labs and classroom space, as well as a new Vivarium and Greenhouse. Approximately three-quarters of the Science Building renovation project will be funded by a $32 million State of New Jersey's Higher Education Facilities Trust Fund grant awarded in conjunction with the Build Our Future Bond Act. The remaining funds required to complete the project will be sourced from bonds issued via the NJEFA, private equity, and internal university capital funds.

Technology at the University continues to play a significant role in the overall experience of students, faculty, and staff. The strategic deployment of information technology empowers the University to transform teaching and learning, creating a robust environment to enhance academic excellence; improve student access to technology; and enhance student engagement, persistence, and success. During fiscal year 2017, capital funding supported various aspects of teaching, learning, administration, and communications. This level of support is consistent with the initiatives outlined in the Plan as it relates to information technology. The University's closed circuit television system (CCTV) was expanded to include additional cameras in select locations to improve security in and around campus. The University also continued its Technology Replacement Program to ensure that technology across the campus remains current and relevant to its students' needs. In addition, maintenance of the University's enterprise information systems continued with the successful upgrade of the human resource system. Enhancing the University's information systems is essential for the continued delivery of quality administrative tools and services to students, faculty, and staff.

In fiscal year 2013, New Jersey City University applied for higher education grant funding from the Equipment Leasing Fund (ELF) and Higher Education Technology Infrastructure Fund (HETIF). The University was awarded $1.7 million of ELF funding and $867 thousand of HETIF funding. As of June 30, 2017, the University had purchased 100% of the equipment identified in these grants. This funding supports instructional technology upgrades and the critical maintenance, enhancement, and expansion of the University's network infrastructure to support present and future technology needs.

In fiscal year 2017, the University applied for higher education grant funding from the Capital Improvement Fund (CIF). The University was awarded $5.2 million in Revenue Bonds (2016 B Series) through the NJEFA Higher Education CIF funding. The proceeds of the Bonds will be used to fund the University's Nursing Education Center.

In fiscal year 2016, the University issued $52.1 million in Revenue Bonds (2016 D Series) through the NJEFA. The proceeds of the Bonds are used to provide funds to: (i) pay the costs of refunding of all or a portion of the Authority's Outstanding Revenue Refunding Bonds, New Jersey City University Issue Series 2008E and; (ii) pay the costs of issuance of such bonds.

Moody's Investors Service and Fitch Ratings Services have assigned debt ratings of ''A3'' and ''A'', respectively, to the University. Bonds that are rated ''A'' possess many favorable attributes and are considered upper-medium-grade obligations. Factors providing security to principal and interest are considered adequate, while the resources to absorb future financial challenges are not as strong as Aaa or Aa rated institutions.

Long-term debt totaled $184.9 million, $187.8 million, and $182.6 million at June 30, 2017, 2016, and 2015, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was (-51%), (-39%), and (-40%) as of June 30, 2017, 2016, and 2015, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2017, 2016, and 2015 was 109%, 107%, and 103%, respectively.

Economic Factors that Could Affect the Future

The State of New Jersey's high debt load and unfunded liabilities related to the public pension system may substantially limit the State's budgetary flexibility. The University receives significant funding assistance from the State of New Jersey assist with the cost of operations and the fringe benefits for faculty and staff. In fiscal year 2017, total State of New Jersey appropriations to the University accounted for 28.2% of its total operating and nonoperating revenues. The State of New Jersey appropriation to the University excluding fringe benefits amounted to $24.2 million, which remains at the same appropriation levels for the preceding fiscal year. In consideration of a funding reduction in the amount of $1.9 million or 7.3% that occurred in the preceding fiscal year, the University proactively took steps to re-evaluate priorities, adjust revenue and funding estimates, and produce a balanced budget which maintains tuition and fees at affordable levels. Consequently, the fiscal year 2017 operating budget reflects three major priorities: Ensuring an operating reserve necessary for the University's fiscal health, funding institutional priorities to increase enrollment, improving student retention, academic quality, and administrative efficiency.

Within the context of the major institutional priorities, several projects are currently under way to bolster new student enrollment and retention, and to create a more inviting, student-friendly campus. In September, 2010, the University secured approximately $32 million in grants from the State of New Jersey to fund the Science Building Expansion and Renovation project. The design of the new space has been completed and construction is underway with completion expected by the end of December 2017.

In view of the major priorities outlined above, the University's outlook remains positive, and the overall outlook for both graduate and undergraduate enrollment remains stable. The University will strive to expand its demographics to extend beyond its current reach at the state, national and international level by further fostering partnerships with colleges and universities in other states and countries, and in the process, attract more domestic and international students. Moving forward, the University will continue to monitor and evaluate institutional operations to identify and implement efficiencies where feasible. Furthermore, greater effort has been placed on increasing and diversifying fundraising and other revenue sources to mitigate reliance on tuition and fee revenues as well as State funding uncertainties. These efforts combined with strategic allocation of limited resources will help to guide the University through the challenging months ahead.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Net Position

Business-Type Activities – University Only

June 30, 2017 and 2016

(In thousands)

Assets		**2017**	**2016**
Current assets:			
Cash and cash equivalents	$	27,585	25,644
Investments, current portion		6,340	14,360
Student receivables, net of allowance of $4,722 and $4,179 in 2017 and 2016, respectively		4,176	3,185
Grants receivables		9,866	5,472
Other receivables		10,572	5,890
Restricted deposits held with bond trustees		7,165	9,316
Total current assets		65,704	63,867
Noncurrent assets:			
Restricted deposits held with bond trustees		20,059	16,728
Investments, noncurrent portion		—	5,002
Student loans, net of allowance of $889 and $920 in 2017 and 2016, respectively		639	707
Capital assets, net of accumulated depreciation of $128,082 and $118,671 in 2017 and 2016, respectively		239,001	225,305
Total noncurrent assets		259,699	247,742
Total assets	$	325,403	311,609
Deferred Outflows of Resources			
Deferred outflows of resources:			
Deferred amounts from pensions	$	35,247	14,705
Deferred amounts from debt refunding		6,722	7,114
Total deferred outflows of resources	$	41,969	21,819
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses:			
Vendor	$	9,435	8,357
Payroll		2,092	5,731
Compensated absences, current portion		4,386	4,502
Accrued interest		3,363	2,388
Total accounts payable and accrued expenses		19,276	20,978
Long-term debt, current portion, net		11,195	8,675
Unearned student tuition and fees		2,238	2,032
Total current liabilities		32,709	31,685
Noncurrent liabilities:			
Long-term debt, noncurrent portion, net		173,716	179,087
Net pension liability		169,296	136,182
Other noncurrent liabilities		5,222	5,305
Unearned grant revenue		3,901	501
Total noncurrent liabilities		352,135	321,075
Total liabilities	$	384,844	352,760
Deferred Inflows of Resources			
Deferred inflows of resources:			
Deferred amounts from pensions	$	271	1,021
Total deferred inflows of resources	$	271	1,021
Net Position			
Net investment in capital assets	$	74,030	57,452
Restricted for:			
Expendable:			
Debt service principal		4,595	4,560
Debt service reserve		230	230
Perkins loans		251	229
Unrestricted		(96,848)	(82,823)
Total net position	$	(17,742)	(20,352)

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE
(A Component Unit of New Jersey City University)

Consolidated Statements of Financial Position

June 30, 2017 and 2016

(In thousands)

Assets		2017	2016
Cash and cash equivalents	$	1,156	1,867
Contributions receivable		2,541	2,770
Other receivables		389	79
Due from New Jersey City University		20	3
Investments		603	545
Restricted investments		11,986	11,151
Restricted deposits held by bond trustees		8,362	9,056
Prepaid expenses		120	8
Capital assets, net		52,646	52,947
Total assets	$	77,823	78,426
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	96	1,336
Accrued interest		1,180	1,180
Due to New Jersey City University		3,279	1,367
Long-term debt, net		51,220	51,052
Annuities payable		16	8
Other liabilities		142	164
Total liabilities		55,933	55,107
Net assets:			
Unrestricted:			
Foundation operating and board designated		311	680
West Campus Housing, LLC		7,050	8,445
Total unrestricted net assets		7,361	9,125
Temporarily restricted		10,537	10,219
Permanently restricted		3,992	3,975
Total net assets		21,890	23,319
Total liabilities and net assets	$	77,823	78,426

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – University Only

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Operating revenues:			
Student revenue:			
Tuition and fees	$	91,890	87,864
Auxiliary enterprises		8,291	6,953
Less scholarship allowance		(37,492)	(33,444)
Total student revenue, net		62,689	61,373
Federal grants		21,983	22,410
State of New Jersey grants		15,553	14,055
Private and other grants		—	17
Other operating revenues		2,492	2,461
Total operating revenues		102,717	100,316
Operating expenses:			
Instruction		67,073	66,994
Research and programs		91	29
Academic support		13,703	13,995
Student services		19,687	18,373
Institutional support		23,572	24,487
Operation and maintenance of plant		18,410	17,930
Auxiliary enterprises		3,546	4,486
Student aid		2,299	1,853
Real estate-related activity		3,749	4,313
Depreciation		9,648	7,787
Total operating expenses		161,778	160,247
Operating loss		(59,061)	(59,931)
Nonoperating revenues (expenses):			
State of New Jersey appropriations		24,154	24,154
State of New Jersey fringe benefit appropriations		24,229	25,601
Gifts to affiliates		(1,009)	(1,048)
Investment income		403	697
Unrealized and realized loss on investments		(69)	(293)
Interest expense		(6,414)	(4,562)
(Loss)/gain on disposal of capital assets		(8)	1,190
Other nonoperating income		865	1,411
Net nonoperating revenues		42,151	47,150
Loss before other changes		(16,910)	(12,781)
Other changes:			
Capital grants and gifts		19,520	6,873
Net asset transfer to New Jersey City University Foundation		—	(8,916)
Increase (decrease) in net position		2,610	(14,824)
Net position as of beginning of year		(20,352)	(5,528)
Net position as of end of year	$	(17,742)	(20,352)

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE
(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2017

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:				
Support from public contributions	$ 271	663	17	951
Development grants and contracts	—	46	—	46
Contributed services and facilities	1,009	—	—	1,009
Interest and dividend income	74	346	—	420
Student housing revenues	4,534	—	—	4,534
Special events	223	—	—	223
Other income	52	—	—	52
Fair value adjustment of split interest agreements	—	(16)	—	(16)
Appreciation in fair value of investments	103	273	—	376
Gift assessment	62	(62)	—	—
Net assets released from restrictions in satisfaction of program restrictions	932	(932)	—	—
Total support and revenues	7,260	318	17	7,595
Expenses:				
Program services	1,148	—	—	1,148
Student housing	4,488	—	—	4,488
Management and general	746	—	—	746
Special events	438	—	—	438
Fundraising	731	—	—	731
Depreciation and amortization	1,473	—	—	1,473
Total expenses	9,024	—	—	9,024
Change in net assets	(1,764)	318	17	(1,429)
Net assets as of beginning of year	9,125	10,219	3,975	23,319
Net assets as of end of year	$ 7,361	10,537	3,992	21,890

See accompanying notes to consolidated financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE
(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2016

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:				
Support from public contributions	$ 242	1,469	934	2,645
Development grants and contracts	—	312	—	312
Contributed services and facilities	1,048	—	—	1,048
Interest and dividend income	45	288	—	333
Student housing revenues	1,472	—	—	1,472
Special events	70	—	—	70
Other income	38	—	—	38
Fair value adjustment of split interest agreements	—	(122)	—	(122)
Appreciation in fair value of investments	(2)	540	—	538
Gift assessment	95	(95)	—	—
Net assets released from restrictions in satisfaction of program restrictions	196	(196)	—	—
Total support and revenues	3,204	2,196	934	6,334
Expenses:				
Program services	680	—	—	680
Student housing	1,364	—	—	1,364
Management and general	732	—	—	732
Special events	268	—	—	268
Fundraising	640	—	—	640
Depreciation and amortization	587	—	—	587
Total expenses	4,271	—	—	4,271
Change in net assets, before transfer	(1,067)	2,196	934	2,063
Net asset transfer from New Jersey City University	8,916	—	—	8,916
Change in net assets	7,849	2,196	934	10,979
Net assets as of beginning of year	1,276	8,023	3,041	12,340
Net assets as of end of year	$ 9,125	10,219	3,975	23,319

See accompanying notes to consolidated financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Cash flows from operating activities:			
Student receipts	$	55,443	55,453
Grants and contracts		41,032	33,099
Payments for salaries and benefits		(90,678)	(89,129)
Payments to suppliers		(18,903)	(22,444)
Payments for utilities		(3,494)	(3,183)
Payments to students		(2,299)	(1,853)
Loans issued to students		(67)	(127)
Collection of loans from students		166	97
Auxiliary enterprises		5,761	5,447
Other		(896)	2,074
Net cash used in operating activities		(13,935)	(20,566)
Cash flows from noncapital financing activities:			
State of New Jersey appropriations		24,154	24,154
Net cash provided by noncapital financing activities		24,154	24,154
Cash flows from capital financing activities:			
Proceeds from capital debt		1,757	61,877
Bond insurance costs		—	(126)
Capital grants and gifts		9,464	6,873
Purchase of capital assets		(17,344)	(23,601)
Refinance of capital debt		—	(52,100)
Principal paid on capital debt		(7,419)	(4,644)
Interest paid on capital debt		(6,578)	(10,988)
Deposits withdrawn from bond trustees		13,354	31,811
Deposits made with bond trustees		(14,534)	(13,111)
Net cash used in capital financing activities		(21,300)	(4,009)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		13,000	17,156
Purchases of investments		(47)	(5,014)
Interest on investments		69	296
Net cash provided by investing activities		13,022	12,438
Net increase in cash and cash equivalents		1,941	12,017
Cash and cash equivalents as of beginning of year		25,644	13,627
Cash and cash equivalents as of end of year	$	27,585	25,644
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(59,061)	(59,931)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Provision for bad debts		1,386	980
Amortization expense		(216)	(196)
State of New Jersey paid fringe benefits expense		23,870	25,199
Depreciation expense		9,648	7,787
Changes in assets and liabilities:			
Receivables		(1,363)	(3,879)
Other liabilities, current and noncurrent		(3,410)	3,432
Accounts payable and accrued expenses		(704)	(2,141)
Unearned revenue from grants		3,889	381
Unearned revenue from student tuition and fees		205	302
Net pension liability and related deferrals		11,821	7,500
Net cash used by operating activities	$	(13,935)	(20,566)
Noncash transactions:			
Gifts made	$	1,009	1,048
State of New Jersey paid fringe benefits appropriations		23,870	25,199
Net assets transferred to New Jersey City University Foundation		—	8,916
Capital leases		2,811	—

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Jersey City University (the University), formerly Jersey City State College, is a public institution of higher education in the State of New Jersey (the State). Effective May 29, 1998, the New Jersey Commission on Higher Education approved the name change and university status. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. 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.

The University, located in Hudson County, is dedicated to urban programs designed to meet the complex economic, social, and educational needs of the ''inner'' cities of metropolitan New Jersey. The urban mission is unique among the State Colleges and Universities of New Jersey, and in order to strengthen this mission, the University has embarked on a plan designed to make it the premier Cooperative Education University in the State. While the student body is drawn primarily from Northern New Jersey counties, the University also attracts students from as far away as Texas, Nevada, Michigan, California and Colorado. In addition, the University's student population consists of students from over 20 nations through Europe, Asia, Africa and the Americas. The operation and management of the University is vested in its fourteen member board of trustees.

The Foundation was established as a nonprofit corporation in order to provide an independent instrument for control of funds from other than state sources, to support the purposes and mission of the University (see note 13). On December 9, 2014, the Foundation established West Campus Housing, LLC (WCH), a New Jersey limited liability company, whose sole member is the Foundation. In March of 2015, WCH entered into an agreement with the New Jersey Economic Development Authority (NJEDA) to finance and develop a 425 bed student housing facility and renovate two existing dormitories. The agreement was pursuant to the New Jersey 2009 Economic Stimulus Act, which allowed colleges and universities to enter into Public Private Partnerships with private developers. Consequently, WCH was created to be the owner and borrower of approximately $50.6 million to finance and develop new student housing and renovate two existing housing facilities (see note 14).

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

The accounting policies of the University conform to accounting principles, generally accepted in the United States of America as applicable to public colleges and universities. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) established state and local government financial reporting requirements and set forth the format and contents of the basic financial statements, certain related notes to the financial statements, and required supplementary information including management's discussion and analysis. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35) establishes standards for external financial reporting for public colleges and universities and requires resources be classified for accounting and reporting purposes into the following net position categories.

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted – expendable*: Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net position is designated for academic programs, initiatives, and capital programs.

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

(ii) Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Foundation is a private not-for-profit organization that reports under the codified standards of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB standards. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at 2039 Kennedy Boulevard, Jersey City, New Jersey 07305 (see note 14).

(iii) Accounting Pronouncements Applicable to the University, 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). GASB 75 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, 2018. The University is currently evaluating the impact of this new statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation (ARO). GASB 83 also requires disclosure of information about the nature of the governmental unit's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be effective for fiscal years beginning after June 15, 2018. The University is in the process of evaluating the impact of this new statement.

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87), GASB 87 increases the usefulness of governmental financial statements by requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the lease contract's payment provisions. GASB 87 will require lessees to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. GASB 87 will be effective for fiscal years beginning after December 15, 2019. The University is currently evaluating the impact of this new statement.

(iv) 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.

(v) Cash and Cash Equivalents

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less. The University maintains portions of its cash in two funds, a money market account which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts from which the funds are available upon demand.

(vi) Investments

All investments are reported at fair value based upon quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Changes in fair value, including realized and unrealized gains and losses, are reported as unrealized and realized gains (losses) on investments.

(vii) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees are recorded in the financial statements at fair value, which is based on quoted market prices and consist of cash and cash equivalents, money market accounts, U.S. Treasury notes and government securities. Restricted deposits held with bond trustees that are externally restricted to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net position.

(viii) Noncurrent Assets

Noncurrent assets include assets or resources that are: a) expected to be realized in cash or sold or consumed beyond the University's normal operating cycle (12 months or more); b) restricted assets, which should be reported once restrictions on the assets change the nature and understanding of the availability of said assets; and c) investments purchased with a long-term objective.

(ix) Capital Assets

Capital assets are carried at historical cost or if the asset is donated, at acquisition value on the date the asset was donated. The costs for replacements are capitalized and the replaced items are retired. Gains or losses resulting from disposal of capital assets are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Land improvements	10 years
Buildings and building improvements	25 to 50 years
Equipment and other assets	5 to 15 years

The University does not capitalize equipment with a cost less than $1,000.

(x) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets by the University that is applicable to a future reporting period. Deferred inflows of resources refer to the acquisition of net assets by the University that is applicable to a future reporting period. Deferred outflows of resources increase the University's net position, similar to assets, while deferred inflows of resources decrease the University's net position, similar to liabilities. The University's deferred outflows of net resources is composed of: a) the deferred amounts from pensions allocated by the State of New Jersey resulting from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) and, b) deferred amounts related to debt refinancing costs. The University's deferred inflows of net resources is primarily composed of deferred amounts from pensions which are not included in the net position liability similarly allocated by the State of New Jersey.

(xi) Net Pension Liability and Related Pension Amounts

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF), and additions to/deductions from PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and TPAF, please refer to the plans' Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

(xii) Net Position

The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is referred to as the Net Position in the financial statements of the University. Net position reported as restricted refer to amounts restricted for the payment of future debt service obligations and Federal Perkins Loan Program loans due back to the United States Department of Education. Net position reported as unrestricted refers to the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the aforementioned restricted components of the University's net position.

(xiii) Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships 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. Student tuition and fees and deposits collected in advance of the school year are recorded as unearned student tuition and fees in the accompanying statements of net position.

Grant revenue is comprised mainly of funds received from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned grant revenue in the accompanying statements of net position.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

(xiv) 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. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that primarily have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as appropriations from the State of New Jersey, investment income, interest expense, and capital grants and gifts and interest expense.

(xv) Income Taxes

The University is exempt from Federal income taxes under Internal Revenue Code Section 115.

(xvi) Financial Dependency

Appropriations from the State of New Jersey are the University's largest source of nonoperating revenue. The University is economically dependent on these appropriations to carry on its operations.

(2) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, concentration of credit risk, credit risk and interest rate risk which, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are discussed below.

(a) Cash and Cash Equivalents

The carrying amount of cash and cash equivalents as of June 30, 2017 and 2016 was approximately \$27,585,000 and \$25,644,000, respectively, while the amount on deposit with banks was approximately \$27,500,000 and \$27,137,000, respectively.

Custodial credit risk associated with the University's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2017 and 2016 were partially insured by Federal Depository Insurance in the amount of \$250,000, respectively. Bank balances in excess of insured amounts of \$27,250,000 in 2017 and \$26,887,000 in 2016, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund (the Cash Management Fund) wherein amounts also contributed by other state entities are combined into a large scale investment program. The carrying amount and fair value of amounts invested in this program as of June 30, 2017 and 2016 was approximately \$74,000. The Cash Management Fund is unrated. The majority of investments held in the Cash Management Fund at June 30, 2017 mature in one year or less.

Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

(b) Investments

Investments consist of the following as of June 30, 2017 and 2016:

		2017	2016
		(In thousands)	
Money market fund	$	6,340	6,293
Corporate notes and bonds		—	13,069
		6,340	19,362
Less noncurrent portion		—	(5,002)
Investments, current portion	$	6,340	14,360

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2017 and 2016, the University's investments are insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2017 and 2016, the University's investment quality ratings as rated by Moody's were as follows:

	2017		
Investment type	**Quality rating**		**Amount**
	(In thousands)		
Money market fund	Not rated	$	6,340
		$	6,340

	2016		
Investment type	**Quality rating**		**Amount**
	(In thousands)		
Money market fund	Not rated	$	6,293
Corporate notes and bonds	A3 – A2		3,064
Corporate notes and bonds	Baa2 – Baa1		10,005
		$	19,362

Concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer that exceed 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University's investment policy provides limitations pertaining to the diversification to avoid undue risk of large losses over long time periods of the investment portfolio. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 10% of total portfolio assets. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard and Poor's BBB or Moody's Baa or higher). The University was not subject to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day's notice with no material impact on fair value. The final maturity of each security within the portfolio will not exceed five years for intermediate investments and thirty years for long-term investments. The following tables summarize investment maturities as of June 30, 2017 and 2016:

	2017			
		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1**	**1 to 2**	**2 to 5**
	(In thousands)			
Money market funds	$ 6,340	6,340	—	—
	$ 6,340	6,340	—	—

	2016			
		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1**	**1 to 2**	**2 to 5**
	(In thousands)			
Money market funds	$ 6,293	6,293	—	—
Corporate notes and bonds	13,069	8,067	—	5,002
	$ 19,362	14,360	—	5,002

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds held by the Bond Trustees under the terms of various long-term debt agreements. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

		2017	2016
		(In thousands)	
Money market funds	$	11,518	9,234
U.S. Treasury notes and government securities		15,706	16,810
		27,224	26,044
Less noncurrent portion		(20,059)	(16,728)
Restricted deposits held with bond trustees, current portion	$	7,165	9,316

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2017 and 2016, the University's deposits held with bond trustees are either insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's. As of June 30, 2017 and 2016, the University's investment quality ratings as rated by Moody's for the U.S. Treasury notes and government securities were AAA and the money market funds are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2017 and 2016, all deposits held with bond trustees had maturities of less than one year.

(4) 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 available 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:

Money market funds – the fair value of these investments at measurement date is based on the net asset value of this open-end fund which invests in a broad range of U.S. dollar-denominated money market instruments, including government, bank, and commercial obligations and repurchase agreements.

U.S. government bonds and notes and corporate bonds – The fair value of government bonds and notes are based on quoted prices in an active market that is available but not readily accessible for the equivalent units of government bonds held, given the large blocks of similar units of government bonds available in secondary markets through brokerages and banks. The fair value of corporate bonds are based on unadjusted quoted prices for identical assets or liabilities in inactive markets.

The University's investments at June 30, 2017 and 2016 are summarized in the following table by their fair value hierarchy:

		2017			
Investment type		**Level 1**	**Level 2**	**Level 3**	**Total**
			(In thousands)		
Investments:					
Money market funds	$	6,340	—	—	6,340
	$	6,340	—	—	6,340
Restricted deposits with bond trustees:					
Money market funds	$	11,518	—	—	11,518
U.S. Treasury notes and government securities		15,706	—	—	15,706
	$	27,224	—	—	27,224

Investment type		2016 Level 1	Level 2	Level 3	Total
			(In thousands)		
Investments:					
Money market funds	$	6,293	—	—	6,293
Corporate notes and bonds		—	13,069	—	13,069
	$	6,293	13,069	—	19,362
Restricted deposits with bond trustees:					
Money market funds	$	9,234	—	—	9,234
U.S. Treasury notes and government securities		16,810	—	—	16,810
	$	26,044	—	—	26,044

(5) Capital Assets

The detail of capital assets activity for the years ended June 30, 2017 and 2016 follows:

		June 30, 2016	Additions	Reductions	June 30, 2017
			(In thousands)		
Depreciable assets:					
Land improvements	$	5,708	—	—	5,708
Buildings and building improvements		228,089	88	(16)	228,161
Equipment and other assets		58,738	1,838	(237)	60,339
		292,535	1,926	(253)	294,208
Less accumulated depreciation:					
Land improvements		(941)	(491)	—	(1,432)
Buildings and building improvements		(72,765)	(6,105)	4	(78,866)
Equipment and other assets		(44,965)	(3,052)	233	(47,784)
		(118,671)	(9,648)	237	(128,082)
Total depreciable assets		173,864	(7,722)	(16)	166,126
Nondepreciable assets:					
Land		31,538	—	—	31,538
Construction in progress		19,903	23,272	(1,838)	41,337
Capital assets, net	$	225,305	15,550	(1,854)	239,001

		June 30, 2015	Additions	Reductions	June 30, 2016
			(In thousands)		
Depreciable assets:					
Land improvements	$	845	4,865	(2)	5,708
Buildings and building improvements		204,856	38,529	(15,296)	228,089
Equipment and other assets		56,288	3,542	(1,092)	58,738
		261,989	46,936	(16,390)	292,535
Less accumulated depreciation:					
Land improvements		(816)	(126)	1	(941)
Buildings and building improvements		(75,145)	(5,151)	7,531	(72,765)
Equipment and other assets		(43,017)	(2,510)	562	(44,965)
		(118,978)	(7,787)	8,094	(118,671)
Total depreciable assets		143,011	39,149	(8,296)	173,864
Nondepreciable assets:					
Land		19,613	12,085	(160)	31,538
Construction in progress		55,675	20,992	(56,764)	19,903
Capital assets, net	$	218,299	72,226	(65,220)	225,305

The University has existing projects which are classified as construction in progress as of June 30, 2017. The projects include the redesign of the Nursing facilities, the Stegman Roadway and Infrastructure expansion, and the renovation of the Science Building. Estimated costs to complete these projects approximated $33.3 million and are anticipated to be funded primarily from bond proceeds, as well as other unrestricted resources. During 2017 and 2016, the University capitalized interest income of $62 thousand and $36 thousand respectively, and interest expense of approximately $792 thousand and $2.1 million, respectively, which is included in construction in progress in the accompanying statements of net position.

(6) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA). Capital assets of approximately $317.4 million and $262.3 million as of June 30, 2017 and 2016, respectively, funded by bond proceeds are included in the accompanying statements of net position.

(Continued)

The following obligations to the Authority were outstanding as of June 30, 2017 and 2016:

	Interest rate		2017	2016
			(In thousands)	
Bonds payable:				
New Jersey Educational Facility				
Authority Revenue Bonds:				
Series 2003 B Revenue Bonds,				
due July 1, 2018	5.45%	$	500	750
Series 2007 F Revenue Refunding				
Bonds due July 1, 2032	3.00–5.00%		15,355	16,095
Series 2008 E Revenue Refunding				
Bonds, due July 1, 2035	4.00–5.00%		3,710	5,515
Series 2008 F Revenue Refunding				
Bonds, due July 1, 2036	6.85%		6,175	6,175
Series 2010 F Revenue Refunding				
Bonds, due July 1, 2028	2.00–4.00%		18,670	20,435
Series 2010 G Revenue Refunding				
Bonds, due July 1, 2040	6.19%		18,310	18,310
Series 2015A Revenue Refunding				
Bonds, due July 1, 2045	2.75–5.25%		35,340	35,340
Series 2016D Revenue Refunding				
Bonds, due July 1, 2035	3.00–5.00%		52,075	52,075
Total bonds payable		$	150,135	154,695
Other long-term debt:				
New Jersey Educational Facility				
Authority Higher Education Capital				
Improvement Fund Series 2000 B	4.13–5.75%	$	1,726	2,105
New Jersey Environmental Infrastructure				
Trust loan 2005 A	4.00–5.00%		450	490
New Jersey Environmental Infrastructure				
Fund Loan 2005 A, net of imputed				
interest of $226 and $331, respectively	—%		784	845
New Jersey Environmental Infrastructure:				
Trust Loan 2013 A	3.00–5.00%		3,110	3,250
Fund Loan 2013 A	—%		8,861	9,427

	Interest rate	2017	2016
		(In thousands)	
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2014 A	—%	$ 256	300
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2016 B	3.00–5.50%	1,702	—
Various capital lease obligations	3.00–7.00%	6,228	4,384
Total other long term debt		23,117	20,801
Subtotal long term debt		173,252	175,496
Add bond premiums, net		11,659	12,266
Total long term debt		184,911	187,762
Less noncurrent portion		(173,716)	(179,087)
Total long term debt, current portion		$ 11,195	8,675

In December 2016, the University was issued $5,222,725 Series 2016B Revenue Refunding Bonds (interest rates 3% to 5.5%) through the NJEFA Higher Education Capital Improvement Fund to finance the Nursing Education Center. The University is responsible for repayment of one third of the grant award.

In June 2016, the University issued $52,075,000 Series 2016 D Revenue Refunding Bonds (interest rates 3% to 5%) through the NJEFA to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issues, Series 2008E in part and the payment of the costs of issuance of the Series 2016D Bonds. The difference in cash flows between the old debt and the new debt was ($5,990,447). The deferred loss on refunding of $5,592,953 was capitalized and recorded in deferred outflows of resources in the accompanying statements of net position.

(a) Capital Leases

The University has entered into various capital lease purchase agreements for equipment which are principally for the duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The payments of these agreements include a 3.00–7.00% charge for interest. As of June 30, 2017 and 2016, the net present value of the aggregate capitalized lease obligation associated with these agreements, which exclude future interest payments were approximately $6,228,000 and $4,384,000, respectively. The fiscal year 2017 and 2016 payments for these capitalized lease obligations were approximately $1,021,100 and $842,000, respectively.

(b) Future Minimum Payments

The following is a schedule of future minimum principal and interest payments on the University's long-term debt obligations as of June 30, 2017:

		Principal	Interest (In thousands)	Total
Year ending June 30:				
2018	$	10,586	6,871	17,457
2019		7,056	6,600	13,656
2020		6,908	6,381	13,289
2021		6,754	6,244	12,998
2022		6,303	6,032	12,335
2018–2022 subtotal		37,607	32,128	69,735
2023–2027		28,869	26,989	55,858
2028–2032		33,598	21,021	54,619
2033–2037		41,500	13,301	54,801
2038–2042		18,960	6,065	25,025
2043–2045		12,718	1,318	14,036
	$	173,252	100,822	274,074

(7) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2017 and 2016:

		June 30, 2016	Additions	Reductions (In thousands)	June 30, 2017	Current portion
Long-term debt	$	187,762	4,568	(7,419)	184,911	11,195
Other noncurrent liabilities:						
U.S. government grants refundable		687	66	—	753	—
Compensated absences		6,737	379	(644)	6,472	4,386
Unearned grant revenue		501	5,090	(1,690)	3,901	—
Net pension liability		136,182	33,114	—	169,296	—
Unearned rental revenue		2,383	—	—	2,383	—
Total noncurrent liabilities	$	334,252	43,217	(9,753)	367,716	15,581

		June 30, 2015	Additions	Reductions	June 30, 2016	Current portion
				(In thousands)		
Long-term debt	$	182,562	61,878	(56,678)	187,762	8,675
Other noncurrent liabilities:						
U.S. government grants refundable		711	—	(24)	687	—
Compensated absences		6,613	446	(322)	6,737	4,502
Unearned grant revenue		548	1,192	(1,239)	501	—
Net pension liability		114,911	21,271	—	136,182	—
Unearned rental revenue		—	2,383	—	2,383	—
Total noncurrent liabilities	$	305,345	87,170	(58,263)	334,252	13,177

(8) Retirement Plans

(a) Introduction

The University participates in the State of New Jersey Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits and fall within the scope of GASB 68. GASB 68 requires participating employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense in their financial statements, unless the plan meets the GASB 68 special funding situation. Under GASB 68, the University has recorded its proportionate share of the PERS plan in its financial statements. With respect to TPAF, the State of New Jersey has determined it meets the special funding situation of GASB 68 and therefore the University's proportionate share of the net pension liability is recorded by the State of New Jersey and not the University.

The State of New Jersey issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the PERS and TPAF plan's fiduciary net position. That report may be obtained by visiting www.state.nj.us/treasury /pensions/annrprts.shtml or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The University also participates in two defined contribution retirement plans, the Alternative Benefit Program (ABP) and the Defined Contribution Retirement Program (DCRP). Under these plans, participants make annual contributions, and the State of New Jersey, in accordance with annual appropriations, makes employer contributions on behalf of the University for these plans. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included with the State of New Jersey fringe benefits in the accompanying financial statements.

(b) Plan Descriptions

(i) Public Employees' Retirement System (PERS)

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

(ii) Teachers' Pension and Annuity Fund

The vesting and benefit provisions for TPAF are set by N.J.S.A. 18A:66. TPAF 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 TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

(iii) Defined Contribution Plans

The ABP pension plan is a defined contribution program administered by the State of New Jersey, Division of Pensions and Benefits. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

The DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial, provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least $5,000 annually, are eligible to participate in the program.

(c) Contributions

The contribution policy for PERS and TPAF is set by N.J.S.A. 15A and N.J.S.A 18A:66, respectively, and requires contributions by active members and contributing employers. State legislation has modified the amount which is contributed by the State of New Jersey. The State of New Jersey makes employer contributions on behalf of the University. The State of New Jersey'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.

For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of continuous employment. PERS members were required to contribute 7.20% and 7.06% of their annual covered salary for the years ended June 30, 2017 and 2016, respectively. 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 contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey. The University’s contributions to the PERS plan (amounts paid by the State of New Jersey on behalf of the University) for the fiscal year ended June 30, 2017 and 2016 were $2.8 million and $1.9 thousand, respectively, which is recognized as a deferred outflow of resources on the statements of net position.

Certain faculty members of the University participate in the TPAF. Under the special funding situation, the State of New Jersey is responsible for 100% of the employer contributions. TPAF covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member’s percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the University’s behalf by the State of New Jersey annually at an actuarially determined rate. All TPAF benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. The University no longer enrolls new employees into the TPAF plan.

(d) Pension Amounts

In accordance with GASB 68, the University reported a liability of $169.3 million and $136.2 million as of June 30, 2017 and June 30, 2016, respectively for its proportionate share of the PERS net pension liability. The PERS net pension liability reported at June 30, 2017 was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The PERS net pension liability reported at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The University’s proportionate share of the respective net pension liabilities was based on actual contributions to PERS on behalf of the University relative to the total contributions of participating state-group employers for the plan for the fiscal years 2016 and 2015 and was 0.576% and 0.574%, respectively. The University’s proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2016 and 2015 were 0.287% and 0.295%, respectively.

For the fiscal years ended June 30, 2017 and 2016, net pension expense of $14.9 million and $9.4 million related to PERS, respectively, and $0.8 million and $2.4 million in both years related to TPAF, were recognized within the functional classifications in the statements of revenues, expenses and changes in net position.

As of June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to the PERS pension plan from the following sources (in thousands):

		2017		2016	
		PERS Deferred outflows of resources	PERS Deferred inflows of resources	PERS Deferred outflows of resources	PERS Deferred inflows of resources
Changes in assumptions	$	25,305	—	10,381	—
Differences between expected and actual experience		3,603	—	1,903	—
Net difference between projected and actual earnings on pension plan investments		2,797	—	—	672
Changes in proportion		762	271	526	349
University contributions paid subsequent to the measurement date		2,780	—	1,895	—
Total	$	35,247	271	14,705	1,021

The $2,780 thousand reported as deferred outflows of resources related to PERS pensions at June 30, 2017 resulting from University contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions at June 30, 2017 will be recognized in pension expense as follows (in thousands):

Year ending June 30:		
2018	$	7,336
2019		7,336
2020		8,216
2021		6,854
2022		2,454
Total	$	32,196

The University's proportion of the TPAF net pension liability was based on the ratio of the State of New Jersey's contributions made on behalf of the University towards the actuarially determined contribution amount, as adjusted by locations who participated in the State's early retirement incentives to total contributions to the TPAF plan for the years ended June 30, 2016 and 2015. The 2017 and 2016 TPAF net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1,

(Continued)

2015 and 2014, respectively, which was rolled forward to June 30, 2016 and 2015, respectively. The University's proportionate share of the TPAF net pension liability recorded by the State of New Jersey for the fiscal years 2016 and 2015 were $11.2 million and $39.0 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2016 and 2015 were 0.014% and 0.062%, respectively. The TPAF net pension expense attributable to the University was $0.8 million and $2.4 million for the years ended June 30, 2017 and June 30, 2016, respectively, and has been recorded as an operating expense by functional and natural classification and related revenue in the statements of revenues, expenses and changes in net position.

(e) Defined Benefit Plan Assumptions

The University's net pension liability for PERS at June 30, 2017 was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Methods and Assumptions

	PERS	TPAF
Actuarial valuation date	July 1, 2015	July 1, 2015
Measurement date	June 30, 2016	June 30, 2016
Inflation rate	3.08%	2.50%
Salary increases:		
2012-2026	1.65%–4.15% based on age	Varies based on experience
Thereafter	2.65%–5.15% based on age	Varies based on experience
Investment rate of return	7.65%	7.65%
Experience study dates	7/1/2011–6/30/2014	7/1/2012 - 6/30/2015

The University's net pension liability at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Methods and Assumptions

	PERS	TPAF
Actuarial valuation date	July 1, 2014	July 1, 2014
Measurement date	June 30, 2015	June 30, 2015
Inflation rate	3.04 %	2.50 %
Salary increases:		
2012-2021	2.15%–4.40% based on age	Varies based on experience
Thereafter	3.15%–5.40% based on age	Varies based on experience
Investment rate of return	7.90 %	7.90 %
Experience study dates	7/1/2008–6/30/2011	7/1/2009–6/30/2012

For the July 1, 2015 actuarial valuation, pre-retirement mortality rates for PERS were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service requirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirements rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the July 1, 2014 actuarial valuation, mortality rates for PERS 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 for PERS based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

(Continued)

(i) 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 the pension plans' target asset allocation as of June 30, 2016 and 2015 are summarized in the following tables:

2016

Target Asset Allocation and Long-term Expected Rate of Return

	PERS		TPAF	
Asset Class	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Cash	5.00 %	0.87 %	5.00 %	0.39 %
US Treasuries, Bonds	1.50	1.74	1.50	1.28
US Credit Bonds	N/A	N/A	13.00	2.76
Investment Grade Credit	8.00	1.79	N/A	N/A
Mortgages	2.00	1.67	2.00	2.38
High Yield Bonds	2.00	4.56	2.00	4.70
Inflation-Indexed Bonds	1.50	3.44	1.50	1.41
Broad U.S. Equities	26.00	8.53	26.00	5.14
Developed Foreign Equities	13.25	6.83	13.25	5.91
Emerging Market Equities	6.50	9.95	6.50	8.16
Private Equity	9.00	12.40	9.00	8.97
Hedge Funds/Absolute Return	12.50	4.68	N/A	N/A
Hedge Funds/MultiStrategy	N/A	N/A	5.00	3.70
Hedge Funds/Equity Hedge	N/A	N/A	3.75	4.72
Hedge Funds/Distressed	N/A	N/A	3.75	3.49
Real Estate (Property)	2.00	6.91	5.25	3.64
Global debt ex US	5.00	(0.25)	N/A	N/A
Real Estate (REIT)	5.25	5.63	N/A	N/A
Commodities	0.50	5.45	0.50	2.87
Timber	N/A	N/A	1.00	3.86
Farmland	N/A	N/A	1.00	4.39

	2015			
	Target Asset Allocation and Long-term Expected Rate of Return			
	PERS		**TPAF**	
Asset Class	**Target allocation**	**Long-term expected real rate of return**	**Target allocation**	**Long-term expected real rate of return**
Cash	5.00 %	1.04 %	5.00 %	0.53 %
US Treasuries, Bonds	1.75	1.64	1.75	1.39
US Credit Bonds	N/A	N/A	13.50	2.72
Investment Grade Credit	10.00	1.79	N/A	N/A
Mortgages	2.10	1.62	2.10	2.54
High Yield Bonds	2.00	4.03	2.00	4.57
Inflation-Indexed Bonds	1.50	3.25	1.50	1.47
Broad U.S. Equities	27.25	8.52	27.25	5.63
Developed Foreign Equities	12.00	6.88	12.00	6.22
Emerging Market Equities	6.40	10.00	6.40	8.46
Private Equity	9.25	12.41	9.25	9.15
Hedge Funds/Absolute Return	12.00	4.72	N/A	N/A
Hedge Funds/MultiStrategy	N/A	N/A	4.00	4.59
Hedge Funds/Equity Hedge	N/A	N/A	4.00	5.68
Hedge Funds/Distressed	N/A	N/A	4.00	4.30
Real Estate (Property)	2.00	6.83	4.25	3.97
Global debt ex US	3.50	(0.40)	N/A	N/A
Real Estate (REIT)	4.25	5.12	N/A	N/A
Commodities	1.00	5.32	1.00	3.58
Timber	N/A	N/A	1.00	4.09
Farmland	N/A	N/A	1.00	4.61

(ii) *Discount Rate*

The discount rate used to measure the PERS total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. The discount rate used to measure the TPAF total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. These discount rates for PERS and TPAF are single blended discount rates and are based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90% as of June 30, 2016 and 2015, respectively, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with and 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 contributions rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contribution 100% of their actuarially determined 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 2034 for PERS and 2029 for TPAF. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2034 for PERS and 2029 for TPAF and the municipal bond rate was applied to project benefit payments after that date in determining the total pension liability.

(iii) Sensitivity to the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the collective net pension liability calculated using the discount rate as disclosed above for each plan as well as the University's proportionate share of the collective net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the net pension liability
(In thousands)

Pension plan		**1% decrease in discount rate**	**At current discount rate**	**1% increase in discount rate**
PERS (2.98%, 3.98%, 4.98%)	$	198,282	169,296	145,425
TPAF (2.22%, 3.22%, 4.22%)		13,474	11,282	9,493

The TPAF net pension liability shown above represents the State of New Jersey's proportionate share of the net pension liability attributable to the University. It is not included in the net pension liability on the statement of net position because it meets the special funding situation criteria.

(f) Alternate Benefit Program

The ABP pension plan is a defined contribution program administered by the State of New Jersey Division of Pensions and Benefits. The plan allows enrollees to make contributions to the following carriers: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), ING Aetna Financial Services, AIG Valic, Equitable Life Insurance Company, Hartford, and Travelers.

Employees enrolled in the ABP pension program are faculty members, administrators, and managers of the University. Enrollment into the pension program begins the first date of hire for all permanent employees. Temporary employees are enrolled after one year of continuous temporary employment. The ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. The ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, is established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating University employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit. Employer contributions for the ABP are 8%. During the years ended June 30, 2017 and 2016, the ABP received employer and employee contributions that approximated the following from the University:

		2017	2016
		(In thousands)	
Employer contribution	$	4,080	3,913
Employee contribution		2,550	2,445
Basis for contribution:			
Participating employee salaries		51,002	48,908

Employer contributions to the ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as appropriations revenue and as operating expenses.

(g) Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, 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 otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least $5,000 annually, are eligible to participate in the program.

The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. Information, including distribution options, is available on Prudential's New Jersey Defined Contribution Program Web site. By law (Chapter 103, P.L. 2007), the DCRP member contribution rate is set at 5.5% and the DCRP employer contribution rate has been set at 3% of base salary. During the years ended June 30, 2017 and 2016, DCRP employer and employee contributions were the following:

		2017	2016
		(In thousands)	
Employer contribution	$	2	2
Employee contribution		4	4
Basis for contributions:			
Participating employee salaries		76	82

(h) Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of New Jersey provides certain health care and life insurance benefits for the University's retired employees. 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 credit after June 30, 1997 may share in the cost of 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 of New Jersey and the retired employees, the amounts are not available to the University and no expenses or liabilities for benefits are reflected in the University's financial statements.

(9) Commitments and Contingent Liabilities

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time 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 position.

(Continued)

In December 2014, the University entered into a 20-year lease agreement in a building located at 147 Harborside Financial Center, Jersey City, NJ to house the University's School of Business. Rental expenses began in September 2015 and were approximately $2.2 million for the year ended June 30, 2017. Future minimum annual rental commitments approximate the following in thousands:

Year ending June 30:		
2018	$	1,804
2019		1,847
2020		1,891
2021		1,936
2022		1,982
Thereafter		30,831
Total	$	40,291

(10) State of New Jersey Fringe Benefit Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, there is a current matching portion for the pension contribution for active employees, medical and dental benefits, state taxes, and FICA. For years ended June 30, 2017 and 2016, such payments amounted to approximately $24.2 million and $25.6 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

(11) Compensated Absences

The University recorded a liability for compensated absences in the amount of $6.5 million and $6.7 million as of June 30, 2017 and 2016, respectively, which is included in compensated absences, current portion and other noncurrent liabilities in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave, paid leave bank days, and accrued compensation days as of year-end, as well as an estimated vested amount for accrued sick leave. University employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per year for union employees and 22 days per year for nonunion employees, and may accumulate no more than a maximum of 50 days for union employees and 44 days for nonunion employees. In addition, University employees may also accrue up to four complimentary days per year on days worked that fall on school holidays that are nonpublic holidays.

Payments for accumulated sick-leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick-leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick-leave balances. The University paid approximately $261,000 and $96,000 in sick-leave payments for employees who retired during the years ended June 30, 2017 and 2016, respectively.

(12) Student Financial Assistance Programs

The University's students receive support from Federal and State of New Jersey student financial assistance programs.

The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education (DOE). Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

(13) New Jersey City University Foundation, Inc. and Affiliate

New Jersey City University Foundation, Inc. (Foundation) is a legally separate tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources available to the University. The Foundation's board of directors has 20 members with three of the members representing the University. They are the President, Vice President for Administration and Finance, and Vice President for University Advancement. Although the University does not control the timing or amount of receipts from the Foundation, the resources or the income thereon, the Foundation holdings and investments are used exclusively for the benefit, support, and promotion of the University's activities. Because the resources held by the Foundation have historically only been used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's basic financial statements.

During the years ended June 30, 2017 and 2016, the Foundation distributed approximately $313,000 and $194,000, respectively, to the University in the form of scholarships and program support. The University contributed approximately $1,009,000 and $1,048,000 in contributed services and facilities for the years ended June 30, 2017 and 2016, respectively.

During fiscal year 2015, the Foundation created West Campus Housing, LLC (WCH LLC), a limited liability corporation of which the Foundation is the sole member. This affiliate is a legally separate entity created primarily to facilitate the design, construction, operation and management of a new 425-bed residence student housing facility (the West Campus Housing Facility) and the renovation of two existing student housing facilities, Vodra Hall and Co-op Hall (collectively, the Student Housing Facilities). Revenue bonds of $50.6 million were issued by WCH LLC through the NJEDA in March, 2015 for the construction and renovation of the Student Housing Facilities. The new residence hall officially opened in July 2016 while improvements to the existing student housing were completed in 2017.

(14) University Development Programs

In continued support of the University's Transforming Lives – Strategic Plan 2013-2015, the University is working to enhance the environment for teaching, learning, living and working by strategically allocating resources to academic and residential buildings. Two projects that are geared towards enhancing student experience and enriching the surrounding neighborhood are University Place and West Campus Housing.

(a) University Place

On July 31, 2015, the University submitted three Public Private Partnership applications to the NJ Economic Development Authority. These applications, which were for the development of University Place (f.k.a. West Campus), also included development agreements and ground leases to be subsequently executed by the University with CRT Holdings, LLC (Crossroads Companies), HC West Campus I LLC and HC West Campus II LLC (collectively, Claremont) and KKF University Enterprises, LLC. The University Place development consists of approximately 630 units of residential housing, approximately 145,000 sq. ft. of retail space and various surface and structured parking facilities to accommodate approximately 1,300 vehicles. Simultaneously, the University sold general obligation bonds to finance and develop the Phase I infrastructure, which consists of streets, landscape, streetscape, water management systems and utilities. Since the development of the Phase I infrastructure is almost complete, the University is now partnering with the City of Jersey City (the City) to develop Phase II of the University Place roads and infrastructure.

(i) Pre-Payment of Ground Lease Income

Pursuant to the executed agreements mentioned above, each developer is required to remit prepaid ground lease rent payments to the University for the real estate development of University Place, excluding the residence halls and the university-developed infrastructure. These prepayments are calculated at 1% of the projected development cost of approximately $238 million. As such, the total prepaid rent owed to the University, of which most was paid in fiscal year 2016, is approximately $2.4 million, which is included in other long term liabilities on the statement of net position at June 30, 2016 and 2017. Of the total prepaid rent, $1.4 million was received in fiscal year 2016, and approximately $991,000 was recorded as ground lease rent receivables. Since the various commercial real estate developments of University Place will not be completed until fiscal years 2018 through 2021, the amounts received will effectively reduce the rents owed to the University from the various developers. The variability of prepaid rents are commensurate to the various development milestones achieved by each developer, which includes approvals from the City, County and the State of New Jersey.

(ii) Development Fee

In 2014, the University engaged Strategic Development Group (SDG) to advise the University and the Board of Trustees on various development matters related to the School of Business and University Place. Pursuant to the terms of the agreement, SDG is paid a 1% development fee (the fee is calculated on the estimated development cost of University Place) on the occurrence of one of the following three (3) events; 1) the execution of a development agreement, 2) the closing of a financing with a financial institution of government agency, and 3) in the case of relocation of the School of Business, the execution of a long-term lease for the capital-fit-out with a financial institution of government agency. Please see note 9 for treatment of the long-term operating lease related to the School of Business. In fiscal year 2017, the University incurred expenses of approximately $714,500 in monthly retainer fees, pertaining to real estate consulting services related to University Place.

(b) West Campus Housing Project

(i) Ground Lease

On March 1, 2015, the University entered into a management agreement with WCH to manage the University's two existing student residence halls (Vodra and Co-op Halls), and a ground lease agreement for the land located at 500 Route 440, Jersey City (the West Campus Site). The term of the ground lease is 40 years commencing on March 17, 2015 with no right to renew or extension option on the lease. The base annual rent is equal to the surplus cash flow generated by the operation of the student housing facilities on the University's campus and is paid annually upon WCH's certification that the annual debt service ratio has been met. There were no rental payments paid by WCH during fiscal year 2017 or 2016. During the term of the ground lease, WCH is deemed the owner of the West Campus Housing Facility as of March 17, 2015 with the exception of all rent, revenues and other amounts generated by Vodra and Co-op Halls through June 30, 2015. After July 1, 2015, WCH shall be deemed the owner of the two existing student resident halls. As such, the net book value of approximately $8.9 million relating to the buildings and building improvements has been reflected as a transfer of net asset from the University to WCH during the year ended June 30, 2016. Upon termination of the ground lease and full repayment of related debt all rights, title and interest in the Project shall revert to the University.

In connection with the ground lease agreement, on March 17, 2015 WCH issued approximately $50.6 million in Revenue Bonds through the NJEDA. The Bonds were issued to finance the New Jersey City University Student Housing Project. WCH is solely responsible for the repayment of the Project financing including the cost of issuance. The University has no obligation to pay debt service on the Project financing.

Under the terms of the ground lease, the Student Housing Facilities are intended to be part of the integrated New Jersey City University campus. As such, the University will be providing certain administrative, residence life, security and other services to the Student Housing Facilities including the collection of all student housing fees and rents under the Student Housing Agreements. The University will collect all student housing fees and related charges and remit them to the Bond Trustee. Under the terms of the Bond Trust Indenture, the Bond Trustee will accumulate these fees to pay the annual debt service of WCH and reimburse the operating expenses of the Student Housing Facilities on a monthly basis. WCH will reimburse operating expenses incurred by the University.

(ii) Project Development Agreement:

WCH (the Owner) and RISE (the Developer) entered into a project development agreement dated March 17, 2015 to build the West Campus Housing Facility and to renovate two existing student residence halls, Vodra and Co-op, for the benefit of the University. The term of the agreement is March 17, 2015 through the termination date. The termination date was the earlier of (i) 12 months after the final completion of the Project, (ii) abandonment of the Project by the University, or

(iii) termination of the ground lease. The agreement was subject to a guaranteed maximum price for development costs of approximately $43.2 million unless adjusted by change orders. If the development costs of the final completed project exceed the guaranteed maximum price, the Developer is solely responsible for and will pay any excess costs from its own funds. The Developer will receive a fee of $2,375,204 for the Project paid as follows: fifty percent paid at the term commencement date, March 17, 2015; thirty percent is payable in installments as part of each *draw request in the amount proportionate to the percentage of completion of work; ten percent is* payable upon the substantial completion of the West Campus Student Housing Facility; and ten percent upon final completion of all work. The Developer fee was paid by the WCH. Per the agreement the University is entitled to reimbursement of pre-development costs in connection with the Project up to $250,000. During fiscal year 2016 the University was reimbursed for the full amount of these costs.

(iii) Project Management Agreement:

A tri-party agreement was entered into on March 1, 2015 between WCH (the Owner), RISE (the Manager) and the University to appoint the Manager to operate, manage and maintain the Student Housing Facilities for the benefit of the University. This agreement was terminated on January 23, 2017 with management of the Student Housing Facilities fully transitioned to the Owner and the University.

The University will act as the Owner’s agent in collecting all student housing fees and related charges under the student housing agreements, and will deposit the fees and charges in the Receipt Fund held by the bond trustees pursuant to the bond documents for the payment of all debt and operating expenses. The University will also provide resident life services and staffing, housing contract services, front desk operations, security personnel, mail delivery and other maintenance amenities all of which will be reimbursed as operating expenses of the Project. The payment of student housing utility costs will also be advanced by the University and thereafter reimbursed. Costs incurred by the University in fiscal years 2017 and 2016 amounted to $1,264,834 and $759,619 respectively.

(15) Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to students, faculty and staff; and natural disasters. The University purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The University’s risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers’ liability, workers’ compensation, unemployment, temporary and long-term disability, unemployment liability, life insurance and employee retirement programs).

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed $100,000 per occurrence with a per occurrence limit of $1,500,000,000. Employee theft coverage provides for the actual loss in excess of $75,000 with a per occurrence loss limit of $5,000,000. The University also maintains a Fine Arts Insurance Policy that insures all permanent fine arts on campus, as well as temporary loan exhibitions that take place in the University art galleries to the extent that losses exceed $1,000 for each separate occurrence of loss or damage or $2,500 for outdoor sculptures with a per occurrence limit of $500,000.

As an instrumentality of the State of New Jersey the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties. All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in insurance coverage during the current year.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

June 30, 2017, 2016, and 2015

(Dollars in thousands)

Public Employees' Retirement System

		2017	2016	2015
Contractually required contributions	$	2,780	2,218	1,295
Contributions in relation to the contractually required contributions		2,780	2,218	1,295
Contribution deficiency (excess)	$	—	—	—
University employee covered-payroll (University year end)	$	25,182	24,987	25,432
Contributions as a percentage of employee covered payroll		11.04 %	8.88 %	5.09 %

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedules of Proportionate Share of the Net Pension Liability

June 30, 2017, 2016, and 2015

(Dollars in thousands)

Public Employees' Retirement System

		2017	2016	2015
University proportion of the net pension liability – State Group		0.576 %	0.574 %	0.571 %
University proportion of the net pension liability – Total Plan		0.287	0.295	0.296
University proportionate share of the net pension liability	$	169,296	136,182	114,911
University employee covered-payroll (measurement date)		24,987	25,432	26,170
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		677.5 %	535.5 %	439.1 %
Plan fiduciary net position as a percentage of the total pension liability		31.20 %	38.21 %	42.74 %

Teachers' Pension and Annuity Fund

		2017	2016	2015
University proportion of the net pension liability		— %	— %	— %
University proportionate share of the net pension liability	$	—	—	—
State's proportionate share of the net pension liability		11,231	39,065	38,968
Total net pension liability		11,231	39,065	38,968
University employee covered-payroll		129	123	122
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		8,706.2 %	31,760.2 %	31,941.0 %
Plan fiduciary net position as a percentage of the total pension liability		22.33 %	28.71 %	33.64 %

See accompanying independent auditors' report.