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, 2016 and 2015

(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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

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, 2016 and 2015, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in note 1 to the financial statements, as of July 1, 2014, the University adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 18 and the schedules of employer contributions and schedules of proportionate share of the net pension liability on pages 60 and 61, 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

November 21, 2016

University Overview

Since its charter by the New Jersey Legislature in 1927, 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 has increased from one structure to 24. The academic focus has expanded from normal school training to 43 undergraduate degree programs, 28 master's and post-master's level programs, and 2 doctoral programs offered in four colleges. 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. 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. Fiscal year 2016 saw four University students and alumni being awarded the prestigious and highly competitive Fulbright U.S. Student Program awards for 2016-2017.

Since 1929, the student body has grown and diversified from 330 New Jersey residents to approximately 6,300 undergraduate and 1,900 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 76% of all undergraduate students (Fall 2015). 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 not only within the state of New Jersey but also across the nation. The University's recent 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 ranks 3rd in the state among 4 year colleges for affordability and is the 37th most expensive four year college in the state.

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, 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 only been used 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 2016 and 2015 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 2016, the University's net revenues remained relatively flat compared to fiscal year 2015, despite a 1.9% increase in student tuition and fees and a record increase in the incoming freshman class. Net student revenues remained flat due to softness in graduate enrollment, lower than expected transfer matriculation, and the graduation of a record senior class – which 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, which also softened the impact on net revenue growth.

In fiscal year 2016, auxiliary income declined primarily due to the transfer of housing revenue from the University to the West Campus Housing, LLC (WCH). As discussed in note 15, the University entered into a ground lease agreement with the WCH, 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. Pursuant to the aforementioned ground lease agreement, student housing revenues are remitted monthly to the Foundation, and the associated expenses are allocated to the WCH. 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 – will be recorded in the Foundation's consolidated financial statements.

In fiscal year 2016, total operating expenses increased by approximately $6.8 million or 4% compared to fiscal year 2015. The major increases were due to: 1) an approximately $2 million increase related to net pension expenses, 2) a $1 million increase associated with full time and temporary faculty hires, and 3) the new recording of real estate lease expense associated with the relocation of the School of Business to downtown Jersey City. Additional lease expenses were also incurred for the University's warehouse, which is located near the main campus on West Side Avenue.

In fiscal year 2016 net nonoperating revenues increased slightly primarily due to a reduction in interest expense associated with the fiscal year 2016 debt refunding offering. In addition, State of New Jersey appropriations decreased $1.1 million, which was offset by a gain on disposal of capital assets of $1.2 million. The loss before other changes in net position was approximately $13 million, which was partially offset by capital reimbursements from the State of New Jersey associated with the renovation of the Science Building. The Science Building capital project was funded by an approximately $32 million grant from the State of New Jersey, and an additional $10 million through the University's 2015 general obligation bonds.

In fiscal year 2016, the University made a concerted effort to invest in its faculty, improve student success, and continue to strengthen its technological and capital infrastructure. Although these investments were clearly articulated in the University's Strategic Plan, the institution continues to face challenging fiscal headwinds related to a significant reduction in direct aid from the State of New Jersey and the financial impact of absorbing pension related expenses attributed to GASB 68.

During fiscal year 2015, West Campus Housing, LLC a limited liability corporation of which the Foundation is the sole member was created. The Foundation consolidates its financial statements with those of West Campus Housing, LLC to reflect all activities supporting the University.

In March of 2015, the West Campus Housing, LLC 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 on the campus of the University. 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, the West Campus Housing, LLC was created to be the owner and borrower of approximately $50.6 million to finance and develop the new student housing and renovate two existing dormitories.

On July 31, 2015, the University submitted three Public Private Partnership applications to the NJEDA. 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 (KKF). 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.

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.

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 required 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.

(Continued)

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, 2016 and 2015, and comparative amounts at June 30, 2014. The amounts presented for 2014 were not restated as a result of the adoption of GASB 68.

		2016	2015	2014
			(In millions)	
Assets:				
Current assets	$	63.9	55.7	45.3
Noncurrent assets:				
Capital assets		225.3	218.3	210.0
Other assets		22.4	45.2	31.6
Total assets	$	311.6	319.2	286.9
Deferred outflows of resources	$	21.8	4.9	1.5
Liabilities:				
Current liabilities	$	31.7	29.0	30.1
Noncurrent liabilities		321.1	296.7	149.6
Total liabilities	$	352.8	325.7	179.7
Deferred inflows of resources	$	1.0	3.9	—
Net position:				
Net investment in capital assets	$	57.4	60.3	57.3
Restricted for expendable:				
Renewal and replacement		—	1.4	1.4
Debt service and reserve		4.8	5.4	6.7
Perkins loans		0.2	0.2	0.2
Unrestricted		(82.8)	(72.8)	43.2
Total net position	$	(20.4)	(5.5)	108.8

(Continued)

Statements of Net Position – Financial Highlights

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 decreases of $12.4 million in investments resulting from 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 a $8.9 million transfer of net assets relating to Vodra and Co-op 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, 2015, the University's total assets increased by $32.3 million to $319.2 million from $286.9 million as of June 30, 2014. This increase is primarily attributed to increases in several accounts, most notably an increase of $29.8 million in restricted deposits held with bond trustees, $8.3 million in net capital assets and $5.5 million in cash and cash equivalents. The increase in restricted deposits held with bond trustees is primarily due to the addition of a new bond, Series 2015A for $35.3 million, which was offset by the payment and refunding of two bonds, Series 2002A for $0.4 million and Series 2008E for $1.7 million. The largest increases in net capital assets resulted from the installation of a combined heating and cooling system to the athletic center, the construction of Stegman roadway, and the capital fit-out of a newly leased facility for the School of Business. The $5.5 million increase in cash and cash equivalents is attributable to the timing of cash receipts and disbursements. The increase to total assets is offset by a decrease of $12.2 million in investments resulting from cash flow needs for operations and capital projects. The $0.7 million increase in other receivables is largely due to an increase in A. Harry Moore tuition accounts receivable as of June 30, 2015 compared to the prior fiscal year.

As of June 30, 2016, the University's deferred outflows increased by $16.9 million to $21.8 million from $4.9 million as of June 30, 2015. The increase is 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, 2015, deferred outflows increased by $3.4 million primarily due to the University's first year adoption of GASB 68.

As of June 30, 2016, the University's total liabilities increased by $27.0 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 and TPAF. 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 gap-financing 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

(Continued)

infrastructure, and various on-campus capital improvements. Accounts payable and accrued expenses decreased by $0.7 million, 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, 2015, the University's total liabilities increased by $146 million to $325.7 million from $179.7 million as of June 30, 2014. This increase is primarily attributable to the net pension liability recorded as a result of the implementation of GASB 68 of approximately $114.9 million, as well as the issuance of the Series 2015A Revenue Bonds, partially offset by the refunding of NJEFA's Revenue Bonds, Series 2002A and Series 2008E, to fund various capital projects including, the provision of gap-financing for the science building addition, the capital fit-out for the School of Business, the construction of the West Campus roads and infrastructure, and various on-campus capital improvements, and to finance the payment of the cost of issuance of the Series 2015A Bonds. Accounts payable and accrued expenses increased by $0.4 million. The $4.7 million increase in vendor and payroll payables and accrued interest was due to a large volume of construction related activities as of June 30, 2015, netted against a decrease in other current liabilities of $4.3 million relating to the University's pollution remediation obligation. The pollution remediation project, financed by the New Jersey Environmental Infrastructure Trust Program, has been completed and approved by the State of New Jersey.

As of June 30, 2016, the University's deferred inflows from pensions decreased by $2.9 million to $1.0 million from $3.9 million as of June 30, 2015. As of June 30, 2015, deferred inflows from pensions increased by $3.9 million due to the University's first year adoption of GASB 68.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenue earned on 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 expenses incurred to carry out the mission and various programs of the University as well as 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.

(Continued)

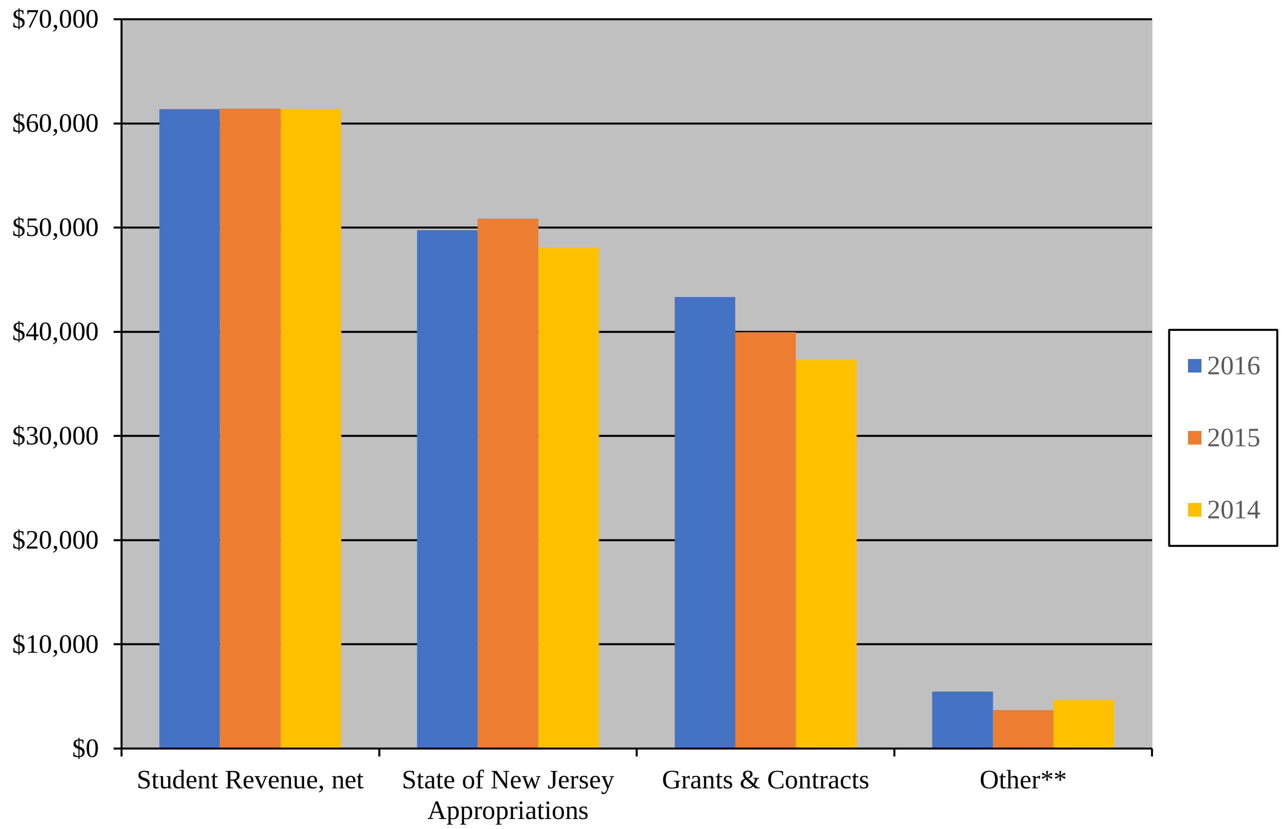
The following is the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016 and 2015, and comparative amounts for the year ended June 30, 2014. The amounts presented for 2014 were not restated as a result of the adoption of GASB 68.

		2016	2015	2014
			(In millions)	
Operating revenues:				
Student revenue (less scholarships)	$	61.4	61.4	61.4
Grants and contracts		36.5	36.8	36.2
Other		2.4	2.4	2.3
Total operating revenues		100.3	100.6	99.9
Operating expenses:				
Instruction		67.0	65.4	57.3
Research and programs		—	0.1	0.1
Academic support		14.0	14.5	13.3
Student services		18.4	17.0	15.3
Institutional support		24.5	23.6	23.3
Operation and maintenance of facilities		17.9	18.4	16.2
Auxiliary enterprises		4.5	4.6	4.6
Student aid		1.9	2.0	2.0
Real estate-related activity		4.3	0.1	0.1
Depreciation		7.8	7.8	7.5
Total operating expenses		160.3	153.5	139.7
Operating loss		(60.0)	(52.9)	(39.8)
Nonoperating revenues (expenses):				
State of New Jersey appropriations		24.2	26.1	26.1
State of New Jersey fringe benefit appropriations		25.6	24.8	22.0
Investment income		0.7	1.2	1.0
Unrealized and realized loss on investments		(0.3)	(0.8)	(0.3)
Interest expense		(4.6)	(5.7)	(4.8)
Other nonoperating revenues (expenses)		1.5	(0.3)	0.6
Net nonoperating revenues		47.1	45.3	44.6
Capital grants and gifts		6.9	3.2	1.1
Net asset transfer to New Jersey City University Foundation		(8.9)	—	—
(Decrease) increase in net position		(14.9)	(4.4)	5.9
Net position, beginning of year		(5.5)	108.6	102.7
Cumulative effect of change in accounting principle		—	(109.7)	—
Net position as of beginning of year, as restated		(5.5)	(1.1)	102.7
Net position, end of year	$	(20.4)	(5.5)	108.6

(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 non-operating, which are used to fund the University's activities for the years ended June 30, 2016 and 2015, and comparative amounts for the year ended June 30, 2014 (in thousands):



** Other consists of other operating revenue, investment income, unrealized/realized investment loss, loss on disposal of capital assets, other nonoperating income.

		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%

		2014			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	$	61,386	48,086	37,310	4,685
Percent		40.5%	31.8%	24.6%	3.1%

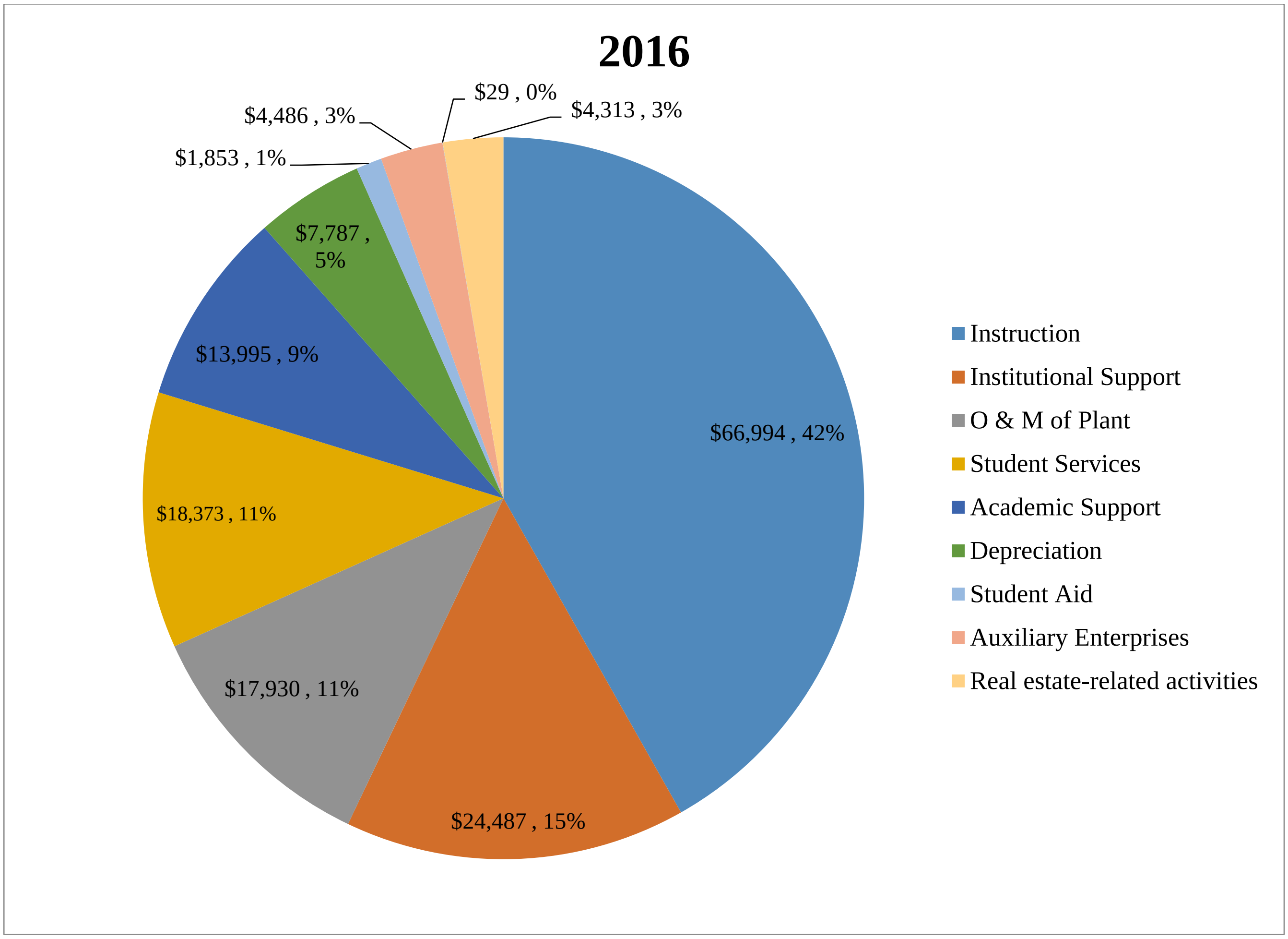
For 2016, 2015, and 2014, student tuition and fees, State of New Jersey appropriations, and grants and contracts, were the primary sources of funding for the University's academic programs. The State of New Jersey appropriations consist of funding appropriated by State legislature as well as employee FICA and fringe expenses paid by the State. State appropriations decreased by $1.1 million during the fiscal year ended June 30, 2016, compared to an increase of $2.8 million during the fiscal year ended June 30, 2015.

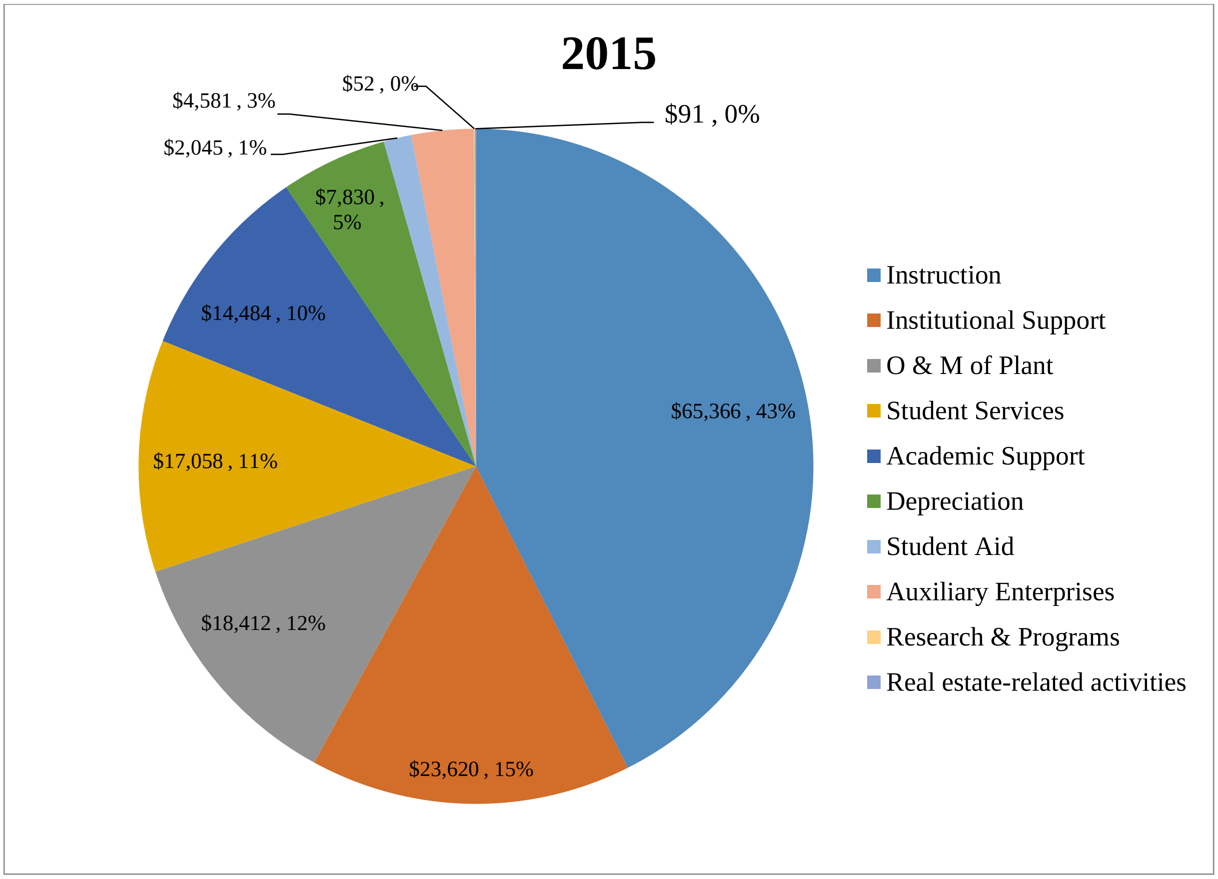
Total student revenue, net for the fiscal years ended June 30, 2016, 2015 and 2014 remained flat at $61.4 million. This comprised 38.4%, 39.4%, and 40.5% of the revenue received by the University for the fiscal years ending June 30, 2016, 2015, and 2014, respectively. Tuition rates were increased by 3.0%, 1.9%, and 2.75% for the academic years beginning in fall 2016, 2015, and 2014, respectively.

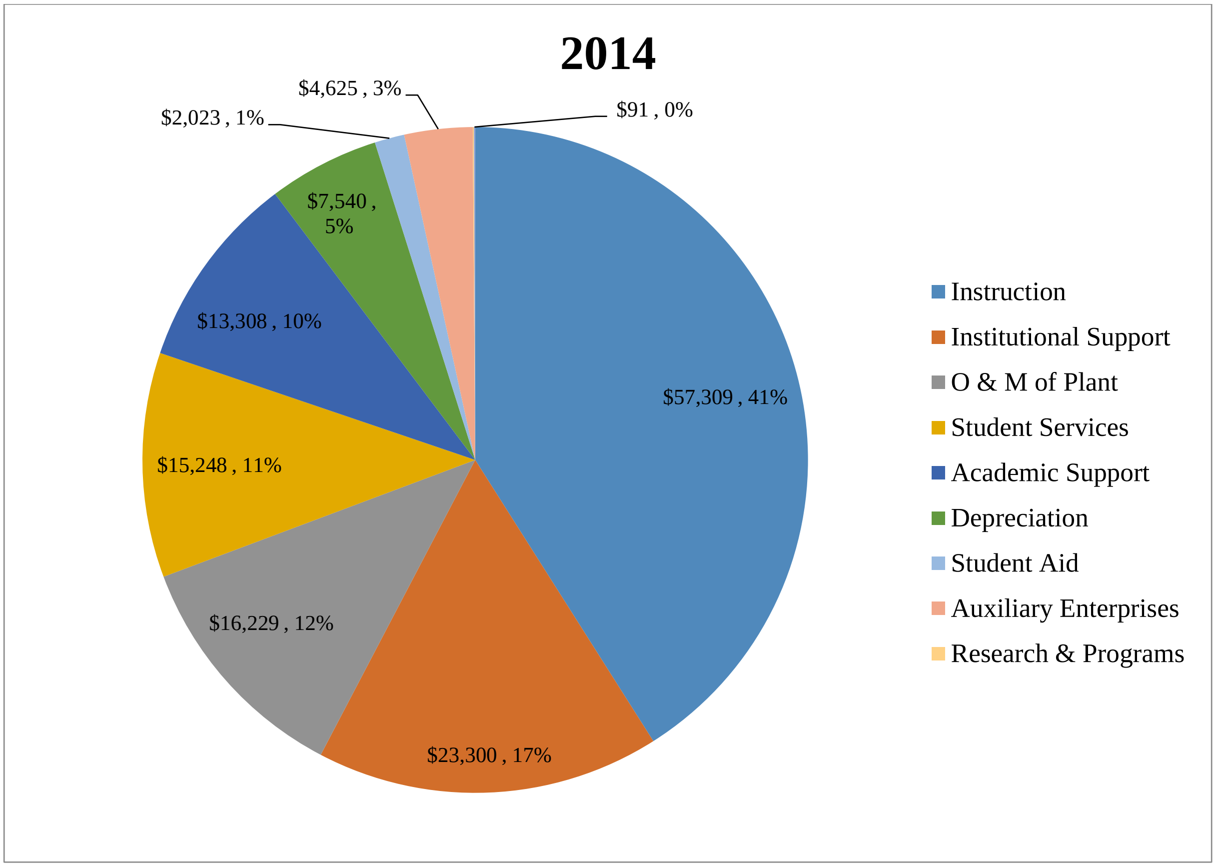
For the years ended June 30, 2016, 2015, and 2014, revenues from grants and contracts were $43.3 million, $39.9 million, and $37.3 million, respectively. The major Federal grant programs include the Pell Grant, Increasing the Number of Latinos in Nursing and Health Information Management, Strengthening Institutions – Hispanic Serving Institutions, and Opening the Gate: Improving Mathematics Success for STEM Careers, 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 $0.4 million in fiscal years 2016 and 2015 and decreased by $0.2 million in fiscal year 2014. The NJ State TAG grant increased by $0.3 million, $0.2 million, and $0.5 million in fiscal years 2016, 2015, and 2014, respectively. Capital grants to primarily fund the Science Building renovation increased by $3.7 million and $2.1 million in fiscal years 2016 and 2015 respectively.

Financial Highlights – Expenses

The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2016, 2015, and 2014 (in thousands):




2015
$65,366 , 43%
$23,620 , 15%
$18,412 , 12%
$17,058 , 11%
$14,484 , 10%
$7,830 , 5%
$2,045 , 1%
$4,581 , 3%
$52 , 0%
$91 , 0%
Instruction
Institutional Support
O & M of Plant
Student Services
Academic Support
Depreciation
Student Aid
Auxiliary Enterprises
Research & Programs
Real estate-related activities



The University had an increase in instruction expense in the amount of $1.6 million. This variance is largely due to the impact of pension expense stemming from the adoption of GASB 68. A concerted effort to recruit and retain students resulted in an increase of $0.8 million in academic support and student services primarily due to the hiring of new staff and consultants to assist with this University priority.

In 2015, the University's largest increase in operating expenses was reflected in instruction expense, and represented the University's largest operating expense category with an increase of $8.1 million primarily attributed to the impact of pension expense resulting from the first year adoption of GASB 68 and contractual salary and related fringe benefit increases.

Development-related and real estate lease expense had a combined increase of approximately $4.2 million primarily relating to the new School of Business location and project costs related to The University Place.

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 administration's strategic allocation of existing resources to academic and residential buildings, infrastructure improvement, and technological endeavors. Initiatives undertaken are geared towards enhancing student experience and enriching the surrounding neighborhood, as well as address New Jersey State's workforce and economic development goals and priorities.

In fiscal year 2016, the University had construction in progress expenditures totaling $21 million. These investments supported efforts on the main campus as well as on the West Campus property. On the main campus, several major projects that contributed to capital additions were funded via internal capital funds as well as bonds issued through the New Jersey Educational Facilities Authority (NJEFA). During the year ended June 30, 2016, buildings and building improvements with a carrying value of $8.9 million were transferred from the University to WCH. See note 15 for further discussion of this transfer.

As of June 30, 2016, the University had several projects under construction or in the design stage. Significant projects 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 2016, 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 include 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 2016, 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, 2016, the University had purchased approximately 45.6% 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 2016, the University issued $52.1 million in Revenue Bonds (2016 D Series) through the NJEFA. The proceeds of the Bonds will be used for the purposes of providing 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.

In fiscal year 2015, the University issued $35.1 million in Revenue Bonds (2015A Series) through the New Jersey Educational Facilities Authority. The proceeds of the Bonds will be used to finance projects consisting of: the refunding of all or a portion of the Authority's Revenue Bonds, New Jersey City University Issue, Series 2002A and Series 2008E; the costs of the renovation of the existing Science Building and the construction of an addition thereto; HVAC improvements to the John J. Moore Athletics and Fitness Center; the capital fit-out of certain leased facilities for the School of Business; and the construction of Stegman Boulevard.

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 $187.8 million, $182.6 million, and $150.6 million at June 30, 2016, 2015, and 2014, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was (-39%), (-40%), and 29% as of June 30, 2016, 2015, and 2014, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2016, 2015, and 2014 was 107%, 103%, and 58%, respectively.

(Continued)

Economic Factors that Could Affect the Future

The State of New Jersey's high debt load and the growth in the level of unfunded liabilities in its public pension system may substantially limit the state's budgetary flexibility. The University receives significant assistance from the State of New Jersey in the form of appropriations to cover its operations and the fringe benefits of its faculty and staff. In fiscal year 2016, total State of New Jersey appropriations to the University accounted for 31.1% 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 is equivalent to a net reduction of $1.9 million or 7.3% compared to the preceding fiscal year. Despite this funding reduction, 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, retention and academic quality, and improving administrative efficiency.

Within the context of the major institutional priorities, several projects are currently under way to bolster new student enrollment and retention, and create a more inviting, student-friendly campus. The renovation and opening of the Business School at the new Harborside location on the Jersey City waterfront will broaden the scope of potential students that are attracted to the programs, and it will provide state-of-the-art teaching and learning spaces for current and future students. Construction and outfitting of this new site is complete, and portions of the leased space are now actively in use for scheduled classes and faculty space. 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. 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, 2016 and 2015

(In thousands)

Assets		**2016**	**2015**
Current assets:			
Cash and cash equivalents	$	25,644	13,627
Investments, current portion		14,360	17,672
Student receivables, net of allowance of $4,179 and $4,205 in 2016 and 2015, respectively		3,185	3,076
Grants receivables		5,472	2,625
Other receivables		5,890	4,288
Restricted deposits held with bond trustees		9,316	14,458
Total current assets		63,867	55,746
Noncurrent assets:			
Restricted deposits held with bond trustees		16,728	30,287
Investments, noncurrent portion		5,002	14,128
Student loans, net of allowance of $920 and $855 in 2016 and 2015, respectively		707	743
Capital assets, net of accumulated depreciation of $118,671 and $118,978 in 2016 and 2015, respectively		225,305	218,299
Total noncurrent assets		247,742	263,457
Total assets	$	311,609	319,203
Deferred Outflows of Resources			
Deferred outflows of resources:			
Deferred amounts from pensions	$	14,705	3,420
Deferred amounts from debt refunding		7,114	1,495
Total deferred outflows of resources	$	21,819	4,915
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses:			
Vendor	$	8,357	10,164
Payroll		5,731	4,783
Compensated absences, current portion		4,502	4,445
Accrued interest		2,388	3,707
Total accounts payable and accrued expenses		20,978	23,099
Long-term debt, current portion, net		8,675	4,218
Unearned student tuition and fees		2,032	1,731
Total current liabilities		31,685	29,048
Noncurrent liabilities:			
Long-term debt, noncurrent portion, net		179,087	178,344
Net pension liability		136,182	114,911
Other noncurrent liabilities		5,305	2,879
Unearned grant revenue		501	548
Total noncurrent liabilities		321,075	296,682
Total liabilities	$	352,760	325,730
Deferred Inflows of Resources			
Deferred inflows of resources:			
Deferred amounts from pensions	$	1,021	3,915
Total deferred inflows of resources	$	1,021	3,915
Net Position			
Net investment in capital assets	$	57,452	60,303
Restricted for:			
Expendable:			
Renewal and replacement		—	1,358
Debt service principal		4,560	5,142
Debt service reserve		230	230
Perkins loans		229	237
Unrestricted		(82,823)	(72,798)
Total net position	$	(20,352)	(5,528)

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, 2016 and 2015

(In thousands)

Assets		**2016**	**2015**
Cash and cash equivalents	$	1,867	480
Contributions receivable		2,770	2,357
Other receivables		79	150
Due from New Jersey City University		3	141
Investments		545	534
Restricted investments		11,151	8,972
Restricted deposits held by bond trustees		9,056	40,987
Prepaid expenses		8	13
Capital assets, net		52,947	15,396
Total assets	$	78,426	69,030
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,336	4,964
Accrued interest		1,180	576
Due to New Jersey City University		1,367	106
Long-term debt, net		51,052	50,885
Annuities payable		8	10
Other liabilities		164	149
Total liabilities		55,107	56,690
Net assets:			
Unrestricted:			
Operating		640	985
West Campus Housing, LLC		8,445	—
Board designated		40	291
Total unrestricted net assets		9,125	1,276
Temporarily restricted		10,219	8,023
Permanently restricted		3,975	3,041
Total net assets		23,319	12,340
Total liabilities and net assets	$	78,426	69,030

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, 2016 and 2015

(In thousands)

		2016	2015
Operating revenues:			
Student revenue:			
Tuition and fees	$	87,864	85,480
Auxiliary enterprises		6,953	7,856
Less scholarship allowance		(33,444)	(31,916)
Total student revenue, net		61,373	61,420
Federal grants		22,410	22,981
State of New Jersey grants		14,055	13,667
Private and other grants		17	133
Other operating revenues		2,461	2,358
Total operating revenues		100,316	100,559
Operating expenses:			
Instruction		66,994	65,366
Research and programs		29	52
Academic support		13,995	14,484
Student services		18,373	17,058
Institutional support		24,487	23,620
Operation and maintenance of plant		17,930	18,412
Auxiliary enterprises		4,486	4,580
Student aid		1,853	2,045
Real estate-related activity		4,313	91
Depreciation		7,787	7,829
Total operating expenses		160,247	153,537
Operating loss		(59,931)	(52,978)
Nonoperating revenues (expenses):			
State of New Jersey appropriations		24,154	26,056
State of New Jersey fringe benefit appropriations		25,601	24,804
Gifts to affiliates		(1,048)	(1,172)
Investment income		697	1,219
Unrealized and realized loss on investments		(293)	(809)
Interest expense		(4,562)	(5,748)
Gain on disposal of capital assets		1,190	(23)
Other nonoperating income		1,411	948
Net nonoperating revenues		47,150	45,275
Loss before other changes		(12,781)	(7,703)
Other changes:			
Capital grants and gifts		6,873	3,165
Net asset transfer to New Jersey City University Foundation		(8,916)	—
Decrease in net position		(14,824)	(4,538)
Net position as of beginning of year		(5,528)	(990)
Net position as of end of year	$	(20,352)	(5,528)

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

Consolidated Statement of Activities

Year ended June 30, 2015

(In thousands)

		Unrestricted	Temporarily Restricted	Permanently restricted	Total
Support and revenues:					
Support from public contributions	$	463	738	14	1,215
Development grants and contracts		—	353	—	353
Contributed services and facilities		1,173	—	—	1,173
Interest and dividend income		34	182	—	216
Rental income		80	—	—	80
Special events		113	—	—	113
Other income		21	1	—	22
Fair value adjustment of split interest agreements		—	(69)	—	(69)
Appreciation in fair value of investments		27	42	—	69
Net assets released from restrictions in satisfaction of program restrictions		391	(391)	—	—
Total support and revenues		2,302	856	14	3,172
Expenses:					
Program services		871	—	—	871
Management and general		725	—	—	725
Special events		436	—	—	436
Fundraising		572	—	—	572
Total expenses		2,604	—	—	2,604
(Decrease) increase in net assets		(302)	856	14	568
Net assets as of beginning of year		1,578	7,167	3,027	11,772
Net assets as of end of year	$	1,276	8,023	3,041	12,340

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, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from operating activities:			
Student receipts	$	55,453	55,023
Grants and contracts		33,099	35,853
Payments for salaries and benefits		(89,129)	(89,733)
Payments to suppliers		(22,444)	(14,826)
Payments for utilities		(3,183)	(3,969)
Payments to students		(1,853)	(2,045)
Loans issued to students		(127)	(143)
Collection of loans from students		97	103
Auxiliary enterprises		5,447	5,065
Other receipts		2,074	2,432
Net cash used by operating activities		(20,566)	(12,240)
Cash flows from noncapital financing activities:			
State of New Jersey appropriations		24,154	26,056
Net cash provided by noncapital financing activities		24,154	26,056
Cash flows from capital financing activities:			
Proceeds from capital debt		61,877	38,578
Bond insurance costs		(126)	(81)
Capital grants and gifts		6,873	3,165
Purchase of capital assets		(23,601)	(18,510)
Refinance of capital debt		(52,100)	(2,135)
Principal paid on capital debt		(4,644)	(5,588)
Interest paid on capital debt		(10,988)	(6,118)
Deposits withdrawn from bond trustees		31,811	18,883
Deposits made with bond trustees		(13,111)	(48,669)
Net cash used by capital financing activities		(4,009)	(20,475)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		17,156	15,688
Purchases of investments		(5,014)	(4,312)
Interest on investments		296	809
Net cash provided by investing activities		12,438	12,185
Net increase in cash and cash equivalents		12,017	5,526
Cash and cash equivalents as of beginning of year		13,627	8,101
Cash and cash equivalents as of end of year	$	25,644	13,627
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(59,931)	(52,978)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Provision for bad debts		980	851
Amortization expense		(196)	(61)
State of New Jersey paid fringe benefits expense		25,199	24,686
Depreciation expense		7,787	7,829
Changes in assets and liabilities:			
Receivables		(3,879)	(1,711)
Other liabilities, current and noncurrent		3,432	640
Accounts payable and accrued expenses		(2,141)	3,007
Unearned revenue from grants		381	(29)
Unearned revenue from student tuition and fees		302	(172)
Net pension liability and related deferrals		7,500	5,698
Net cash used by operating activities	$	(20,566)	(12,240)
Noncash transactions:			
Gifts made	$	1,048	1,172
State of New Jersey paid fringe benefits appropriations		25,199	24,686
Net assets transferred to New Jersey City University Foundation		8,916	—

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 problems 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 combined campus includes related auxiliary services, associations, child care centers and the New Jersey City University Foundation (the Foundation) which is separately presented as a discretely presented component unit in the University's financial statements. The campus also includes the A. Harry Moore Laboratory School for Special Education, the Center for Teaching and Learning, the Small Business Development Center, the Margaret Williams Theater for the Performing Arts, the Black Box Theater, the BDI, and the University's Jersey City Waterfront Facility. The University's John J. Moore Athletic and Fitness Center has a gymnasium, fitness center, swimming pool, and modern dance studio. The University has 25 art and dance studios, 14 computer labs, 5 auditoriums, and approximately 206 classrooms and laboratories.

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 14). 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 begin the renovations of two existing dormitories (see note 15).

(b) Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles 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.

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).

Reclassifications

Certain reclassifications of fiscal year 2015 amounts have been made to conform to the fiscal year 2016 presentation.

Adoption of Accounting Pronouncements

The University adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value (see note 4 for the disclosures). The implementation of GASB 72 only impacted the notes to the financial statements.

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 evaluating the impact of this new statement.

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.

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.

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.

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,

(Continued)

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.

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; c) investments purchased with a long-term objective.

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources refer to the consumption of the 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.

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

(Continued)

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.

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.

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.

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 operating appropriations from the State of New Jersey, investment income, interest expense, and capital grants and gifts and interest expense.

Income Taxes

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

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, 2016 and 2015 was approximately $25,644,000 and $13,627,000, respectively, while the amount on deposit with banks was approximately $27,137,000 and $13,925,000, 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, 2016 and 2015 were partially insured by Federal Depository Insurance in the amount of $250,000, respectively. Bank balances in excess of insured amounts of $26,887,000 in 2016 and $13,675,000 in 2015, 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, 2016 and 2015 was approximately $74,000. The Cash Management Fund is unrated. The majority of investments held in the Cash Management Fund at June 30, 2016 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.

(Continued)

(b) Investments

Investments consist of the following as of June 30, 2016 and 2015:

		2016	2015
		(In thousands)	
Money market fund	$	6,293	6,279
Corporate notes and bonds		13,069	25,521
		19,362	31,800
Less noncurrent portion		(5,002)	(14,128)
Investments, current portion	$	14,360	17,672

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, 2016 and 2015, 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, 2016 and 2015, the University's investment quality ratings as rated by Moody's were as follows:

	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

Investment type	2015 Quality rating		2015 Amount
			(In thousands)
Money market fund	Not rated	$	6,279
Corporate notes and bonds	AAA		2,500
Corporate notes and bonds	AA3		3,025
Corporate notes and bonds	AA2		2,002
Corporate notes and bonds	A3 – A2		4,333
Corporate notes and bonds	Baa2 – Baa1		13,661
		$	31,800

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, 2016 and 2015:

		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

	2015			
		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1**	**1 to 2**	**2 to 5**
		(In thousands)		
Money market funds	$ 6,279	6,279	—	—
Corporate notes and bonds	25,521	11,393	10,805	3,323
	$ 31,800	17,672	10,805	3,323

(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:

	2016	2015
	(In thousands)	
Money market funds	$ 9,234	9,107
U.S. Treasury notes and government securities	16,810	35,638
	26,044	44,745
Less noncurrent portion	(16,728)	(30,287)
Restricted deposits held with bond trustees, current portion	$ 9,316	14,458

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, 2016 and 2015, 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, 2016 and 2015, 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. The following table summarizes debt securities held with bond trustees maturities as of June 30, 2016 and 2015:

	2016				
			Investment maturities (in years)		
Investment type		**Fair value**	**Less than 1**	**1 to 2**	**More than 2**
			(In thousands)		
Money market accounts	$	9,234	9,234	—	—
U.S. Treasury notes and government securities		16,810	16,810	—	—
	$	26,044	26,044	—	—

	2015				
			Investment maturities (in years)		
Investment type		**Fair value**	**Less than 1**	**1 to 2**	**More than 2**
			(In thousands)		
Money market accounts	$	9,107	9,107	—	—
U.S. Treasury notes and government securities		35,638	35,638	—	—
	$	44,745	44,745	—	—

(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.

State of New Jersey Cash Management Fund – The carrying amount and fair value of amounts invested in this program are classified as level 2 in the fair value hierarchy.

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

	2016			
Investment type	**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
US Treasury notes and government securities	16,810	—	—	16,810
	$ 26,044	—	—	26,044

Investment type		2015 Level 1	Level 2	Level 3	Total
			(In thousands)		
Investments:					
Money market funds	$	6,279	—	—	6,279
Corporate notes and bonds		—	25,521	—	25,521
	$	6,279	25,521	—	31,800
Restricted deposits with bond trustees:					
Money market funds	$	9,107	—	—	9,107
US Treasury notes and government securities		35,638	—	—	35,638
	$	44,745	—	—	44,745

(5) Capital Assets

The detail of capital assets activity for the years ended June 30, 2016 and 2015 follows:

		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)	7,115	(73,181)
Equipment and other assets		(43,017)	(2,927)	1,395	(44,549)
		(118,978)	(8,204)	8,511	(118,671)
Total depreciable assets		143,011	38,732	(7,879)	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	71,809	(64,803)	225,305

	June 30, 2014	Additions	Reductions	June 30, 2015
		(In thousands)		
Depreciable assets:				
Land improvements	$ 835	10	—	845
Buildings and building improvements	201,627	3,235	(6)	204,856
Equipment and other assets	52,608	4,516	(836)	56,288
	255,070	7,761	(842)	261,989
Less accumulated depreciation:				
Land improvements	(813)	(3)	—	(816)
Buildings and building improvements	(70,279)	(4,868)	2	(75,145)
Equipment and other assets	(40,867)	(2,958)	808	(43,017)
	(111,959)	(7,829)	810	(118,978)
Total depreciable assets	143,111	(68)	(32)	143,011
Nondepreciable assets:				
Land	19,573	40	—	19,613
Construction in progress	47,338	13,538	(5,201)	55,675
	$ 210,022	13,510	(5,233)	218,299

During the year ended June 30, 2016, buildings and building renovations and equipment and other assets with costs of $15.5 million and $0.6 million respectively, and accumulated depreciation of $7.2 million were transferred from the University to the WCH resulting in a net asset transfer of $8.9 million. (See note 15 for further discussion).

The University has existing projects which are classified as construction in progress as of June 30, 2016. 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 $14.2 million and are anticipated to be funded primarily from bond proceeds, as well as other unrestricted resources. During 2016 and 2015, the University capitalized interest income of $36 thousand and $1 thousand respectively, and interest expense of approximately $2.1 million and $1.2 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 $262.3 million and $208.2 million as of June 30, 2016 and 2015, respectively, funded by bond proceeds are included in the accompanying statements of net position.

The following obligations to the Authority were outstanding as of June 30, 2016 and 2015:

	Interest rate	2016 (In thousands)	2015 (In thousands)
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	$ 750	1,000
Series 2007 F Revenue Refunding Bonds due July 1, 2032	3.00–5.00%	16,095	16,395
Series 2008 E Revenue Refunding Bonds, due July 1, 2035	4.00–5.00%	5,515	57,615
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%	20,435	22,145
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	—
Total bonds payable		154,695	156,980
Other long-term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13–5.75%	2,105	2,390
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A and B, net of imputed interest of $22 and $45, respectively	5.00%	—	55
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00–5.00%	490	530

(Continued)

	Interest rate		(In thousands) 2016	2015
Other long-term debt:				
New Jersey Environmental Infrastructure Fund Loan 2005 A, net of imputed interest of $331 and $390, respectively	—%	$	845	903
New Jersey Environmental Infrastructure:				
Trust Loan 2013 A	3.00–5.00%		3,250	3,385
Fund Loan 2013 A	—%		9,427	9,992
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2014 A	—%		300	343
Various capital lease obligations	5.00%		2,914	1,723
Lease obligation	—%		1,470	—
Total other long term debt			20,801	19,321
Subtotal long term debt			175,496	176,301
Add bond premiums, net			12,266	6,261
Total long term debt			187,762	182,562
Less noncurrent portion			(179,087)	(178,344)
Total long term debt, current portion		$	8,675	4,218

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 partial 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.

In January 2015, the University issued $35,340,000 Series 2015A Revenue Refunding Bonds (interest rates 2.75% to 5.25%) through the New Jersey Educational Facilities Authority (NJEFA) to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issues, Series 2002A in its entirety and Series 2008E in partial. The proceeds of the Bonds will also be used to finance the costs of the renovation of the existing Science Building and the construction of an addition thereto; HVAC improvements to the John J. Moore Athletics and Fitness Center; the capital fit-out of certain leased facilities for the School of Business; the construction of Stegman Boulevard; and the payment of the costs of issuance of the Series 2015A Bonds. The difference in cash flows between the old debt and the new debt was ($44,189).

The deferred loss on refunding of approximately $37,000 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% to 7% charge for interest. As of June 30, 2016 and 2015, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments were approximately $2,914,000 and $1,723,000, respectively. The fiscal year 2016 and 2015 payments for these capitalized lease obligations were approximately $842,000 and $520,000, 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, 2016:

		Principal	Interest (In thousands)	Total
Year ending June 30:				
2017	$	8,190	4,850	13,040
2018		6,660	6,933	13,593
2019		6,901	6,508	13,409
2020		6,754	6,358	13,112
2021		6,617	6,230	12,847
2017–2021 subtotal		35,122	30,879	66,001
2022–2026		28,885	28,216	57,101
2027–2031		31,573	22,850	54,423
2032–2036		39,182	15,851	55,033
2037–2041		24,195	6,950	31,145
2042–2046		16,539	2,163	18,702
	$	175,496	106,909	282,405

(Continued)

(7) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2016 and 2015 (The net pension liability in the table below was restated as of June 30, 2015 as a result of the adoption of GASB 68):

	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

	June 30, 2014	Additions	Reductions	June 30, 2015	Current portion
			(In thousands)		
Long-term debt	$ 150,588	39,699	(7,725)	182,562	4,218
Other noncurrent liabilities:					
U.S. government grants refundable	697	14	—	711	—
Compensated absences	6,556	523	(466)	6,613	4,445
Unearned grant revenue	1,674	1,163	(2,289)	548	—
Net pension liability	110,688	4,223	—	114,911	—
Total noncurrent liabilities	$ 270,203	45,622	(10,480)	305,345	8,663

(8) Pollution Remediation Obligation

In fiscal year 2009, the University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential effects of existing pollution by participating in pollution remediation activities such as site assessments and remediation. Pollution remediation obligations exclude pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset. GASB 49 identifies the obligating events, which require the University to estimate the components of the expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability and if appropriate, capitalized when goods and services are acquired.

(Continued)

The University's pollution remediation obligation is related to the land acquired for the future West Side Campus project. The land was acquired with known or suspected pollutants which are required to be remediated in preparing the land for its originally intended purposes. The estimated cost of the pollution remediation obligation was obtained from a third party contractor, inclusive of anticipated additional costs relating to additional time necessary to complete the remediation, changes in regulatory requirements and any unknown conditions.

The financial impact and effect of the adoption of GASB 49 was the recognition of a pollution remediation liability of $4.3 million as of June 30, 2009. The first phase of the pollution remediation efforts was completed during fiscal year 2012. The University retained the services of a licensed site remediation professional and construction management firm to assist in the second phase of the pollution remediation. The second phase of the remediation efforts commenced during fiscal year 2013 and additional expenditures of approximately $10.7 million were incurred and capitalized during fiscal year 2015. Remediation efforts were substantially completed during fiscal year 2015.

(9) 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 to be recorded 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

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

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.

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 7.06% and 6.9% of their annual covered salary for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 were $1.9 million and $886 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 $136.2 million and $114.9 million as of June 30, 2016 and June 30, 2015, respectively for its proportionate share of the PERS net pension liability. 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 PERS net pension liability reported at June 30, 2015 was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. 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 2015 and 2014 and were 0.574% and 0.571%, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2015 and 2014 were 0.295% and 0.296%, respectively.

For the fiscal years ended June 30, 2016 and 2015, net pension expense of $9.4 million and $6.6 million related to PERS, respectively 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, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to the PERS pension plan from the following sources (in thousands):

	2016		2015	
	PERS Deferred Outflows of Resources	**PERS Deferred Inflows of Resources**	**PERS Deferred Outflows of Resources**	**PERS Deferred Inflows of Resources**
Changes in assumptions	$ 10,381	—	2,534	—
Differences between expected and actual experience	1,903	—	—	
Net difference between projected and actual earnings on pension plan investments	—	672	—	3,487
Changes in proportion	526	349	—	428
University contributions paid subsequent to the measurement date	1,895	—	886	—
Total	$ 14,705	1,021	3,420	3,915

The $1,895 thousand reported as deferred outflows of resources related to PERS pensions 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, 2017.

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

Year ending June 30:	
2017	$ 2,276
2018	2,276
2019	2,276
2020	3,153
2021	1,808
Total	$ 11,789

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 year ended June 30, 2015. The TPAF net pension liability 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 TPAF net pension liability recorded by the State of New Jersey for the fiscal years 2015 and 2014 were $39.0 million and $38.9 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2015 and 2014 were 0.062% and 0.072%, respectively. The TPAF net pension expense attributable to the University was $2.4 million and $2.1 million for the years ended June 30, 2016 and June 30, 2015, 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 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

The University's net pension liability as of June 30, 2015 was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. 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, 2013	July 1, 2013
Measurement date	June 30, 2014	June 30, 2014
Inflation rate	3.01%	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

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.

Mortality rates for TPAF were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for nondisabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

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, 2015 and 2014 are summarized in the following tables:

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%

(Continued)

2014

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	6.00%	0.80%	6.00%	0.50%
Core Fixed Income	N/A	N/A	0.00%	2.19%
Core Bonds	1.00%	2.49%	1.00%	1.38%
Short-Term bonds	N/A	N/A	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.26%	11.20%	2.60%
Long-Term bonds	N/A	N/A	0.00%	3.23%
Mortgages	2.50%	2.17%	2.50%	2.84%
High Yield Bonds	5.50%	4.82%	5.50%	4.15%
Non-U.S. Fixed Income	N/A	N/A	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	3.51%	2.50%	1.30%
Broad U.S. Equities	25.90%	8.22%	25.90%	5.88%
Large Cap U.S. Equities	N/A	N/A	0.00%	5.62%
Mid Cap U.S. Equities	N/A	N/A	0.00%	6.39%
Small Cap U.S. Equities	N/A	N/A	0.00%	7.39%
Developed Foreign Equities	12.70%	8.12%	12.70%	6.05%
Emerging Market Equities	6.50%	9.91%	6.50%	8.90%
Private Equity	8.25%	13.02%	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	4.92%	12.25%	3.85%
Real Estate (Property)	3.20%	5.80%	3.20%	4.43%
Real Estate (REIT)	N/A	N/A	0.00%	5.58%
Commodities	2.50%	5.35%	2.50%	3.60%
Long Credit Bonds	N/A	N/A	0.00%	3.74%

(Continued)

Discount Rate

The discount rate used to measure the PERS total pension liability was 4.9% and 5.39% as of June 30, 2015 and 2014, respectively. The discount rate used to measure the TPAF total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, 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 7.9%, and a municipal bond rate of 3.8% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with 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 contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions for PERS and based on the average of the last five years contributions for TPAF. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and 2027 for TPAF. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033 for PERS and 2027 for TPAF and the municipal bond rate was applied to project benefit payments after that date in determining the total pension liability.

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 would be 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 (3.90%, 4.90%, 5.90%)	$	159,500	136,200	116,500
TPAF (3.13%, 4.13%, 5.13%)		46,300	39,000	32,600

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. 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. 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, 2016 and 2015, ABP received employer and employee contributions that approximated the following from the University:

		2016	2015
		(In thousands)	
Employer contribution	$	3,913	3,793
Employee contribution		2,445	2,370
Basis for contribution:			
Participating employee salaries		48,908	47,408

Employer contributions to 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, 2016 and 2015, DCRP employer and employee contributions were the following:

		2016	2015
		(In thousands)	
Employer contribution	$	2	4
Employee contribution		4	7
Basis for contributions:			
Participating employee salaries		82	124

(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.

(10) 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.

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 $1.8 million for the year ended June 30, 2016. Future minimum annual rental commitments approximate the following in thousands:

		(In thousands)
Year ending June 30:		
2017	$	1,794
2018		1,829
2019		1,866
2020		1,903
2021		1,941
Thereafter		32,062
Total	$	41,395

(11) 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, 2016 and 2015, such payments amounted to approximately \$25.6 million and \$24.8 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

(12) Compensated Absences

The University recorded a liability for compensated absences in the amount of \$6.7 million and \$6.6 million as of June 30, 2016 and 2015, 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 \$96,000 and \$136,000 in sick-leave payments for employees who retired during the years ended June 30, 2016 and 2015, respectively.

(13) 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.

(14) 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, 2016 and 2015, the Foundation distributed approximately $194,000 and $391,000, respectively, to the University in the form of scholarships and program support. The University contributed approximately $1,048,000 and $1,172,000 in contributed services and facilities for the years ended June 30, 2016 and 2015, 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 for the primary purpose of 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 are expected to be completed during the year ended June 30, 2017.

(15) 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.

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. 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.

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 on 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 11 for treatment of the long-term operating lease related to the School of Business. In fiscal year 2016, the University incurred expenses of approximately $2.4 million, net of $180,000 in monthly retainer fees, pertaining to real estate consulting services related to University Place. As of June 30, 2016 approximately $328,000 of the fiscal year 2016 earned development fee is still owed to SDG.

(b) West Campus Housing Project

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 the WCH during fiscal year 2016 or 2015. 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 have 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. The Project is in construction phase and is expected to be placed in service in fiscal year 2017. The University has not collected any student housing fees and no amounts have been incurred or reimbursed to the University during fiscal year 2016.

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 is 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 is 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 has been reimbursed for the full amount of these costs.

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. The term of the agreement is approximately fifteen years beginning on July 1, 2015 with respect to Vodra and Co-op Halls and, July 1, 2016 with respect to the West Campus Student Housing Facility, and terminates on June 30, 2030.

An annual management fee will be paid by WCH to the Manager. From June 1, 2015 until substantial completion of the West Campus Housing Facility the management fee will be $55,000 prorated. The annual management fee after the first year is $216,000 per year and thereafter will be adjusted annually to reflect a CPI modification. Fifty percent of the management fee will be paid in equal monthly installments out of the Project’s operating account and the remaining fifty percent will be paid on a subordinated basis at the end of each annual period.

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 to date by the University amounted to $835,903.

(16) 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)

Schedules of Employer Contributions

June 30, 2016, 2015, and 2014

(Dollars in thousands)

Public Employees' Retirement System

		2016	2015	2014
Contractually required contributions	$	1,895	1,295	979
Contributions in relation to the contractually required contributions		1,895	1,295	979
Contribution deficiency (excess)	$	—	—	—
University employee covered-payroll (University year end)	$	24,987	25,432	26,170
Contributions as a percentage of employee covered payroll		7.58%	5.09%	3.74%

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, 2016, 2015, and 2014
(Dollars in thousands)

Public Employees' Retirement System

		2016	2015	2014
University proportion of the net pension liability - State Group		0.574%	0.571%	0.574%
University proportion of the net pension liability - Total Plan		0.295%	0.296%	0.288%
University proportionate share of the net pension liability	$	136,182	114,911	110,688
University employee covered-payroll (measurement date)		25,432	26,170	26,097
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		535.5%	439.1%	424.1%
Plan fiduciary net position as a percentage of the total pension liability		38.21%	42.74%	40.71%

Teachers' Pension and Annuity Fund

		2016	2015	2014
University proportion of the net pension liability		0.000%	0.000%	0.000%
University proportionate share of the net pension liability	$	—	—	—
State's proportionate share of the net pension liability		39,065	38,968	24,071
Total net pension liability	$	39,065	38,968	24,071
University employee covered-payroll		123	122	220
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		31760.2%	31941.0%	10941.4%
Plan fiduciary net position as a percentage of the total pension liability		28.71%	33.64%	33.76%

See accompanying independent auditors' report.