

NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements
and Management's Discussion and Analysis
Together with
Report of Independent Certified Public Accountants

June 30, 2018 and 2017

NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2018 and 2017
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GRANT THORNTON LLP

186 Wood Ave. S., 4th Floor
Iselin, NJ 08830-2725

D +1 732 516 5500

F +1 732 516 5502

S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)

twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
New Jersey Institute of Technology:

We have audited the accompanying financial statements of the business-type activities of New Jersey Institute of Technology (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2018 and 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditor's 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 University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of New Jersey Institute of Technology as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis included on pages 3 through 13 and the Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years, the Schedules of Employer Contributions – Last 10 Years, and the Schedules of Proportionate Share of the Total Other Postemployment Benefits Liability – Last 10 Years included on pages 49 through 51 be presented to supplement the basic financial statements. Such supplementary information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years, the Schedules of Employer Contributions – Last 10 Years, and the Schedules of Proportionate Share of the Total Other Postemployment Benefits Liability – Last 10 Years because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Iselin, New Jersey
October 4, 2019

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Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of New Jersey Institute of Technology (NJIT), Foundation at New Jersey Institute of Technology (Foundation), New Jersey Innovation Institute, Inc. (NJII), and ten urban renewal limited liability companies (UREs) (collectively, the University) at and for the years ended June 30, 2018 and 2017. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Since its founding in 1881, NJIT has been transformed from a local technical school to one of America's top tier national research universities. While moving steadily to increasingly higher levels of excellence in educational performance, NJIT has become a research and development hub, participating in entrepreneurial development and building business partnerships through research and development initiatives. NJIT was recently designated as an R1 research university by Carnegie Classification which places the University among the 131 most prolific research universities in the nation. NJIT has evolved into an international presence, both in the scope of its educational programs, including on-site and distance learning offerings, attraction of international students to its programs, and through the reach of its educational, scientific, and technological influence at international forums and in international research projects.

As New Jersey's science, technology and design university, NJIT has earned a solid reputation as one of the nation's preeminent STEM-based educational and research institutions. NJIT is a student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research, in contributing to the economic development of the State of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. With enrollment of more than 11,400 undergraduate and graduate students, NJIT offers small-campus intimacy with the resources of a major public research university. NJIT offers over fifty undergraduate degree programs and approximately sixty graduate degree programs, including nineteen programs leading to a Ph.D. degree in a professional discipline. NJIT also operates a small business incubator whose mission is to accelerate the successful development of entrepreneurial companies through an array of business support resources and services.

NJIT was formally recognized as a body corporate and politic by The New Jersey Institute of Technology Act of 1995. The Foundation is a separately incorporated 501(c)(3) tax-exempt resource development organization that encourages private philanthropy on behalf of NJIT. NJII is a separately incorporated 501(c)(3) tax-exempt charitable organization that applies the intellectual and technological resources of NJIT to challenges identified by industry partners. The UREs operate residential buildings for NJIT student Greek organizations.

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The Financial Statements

The University's financial statements include a statement of net position at June 30, 2018 and 2017, and statements of revenues, expenses, and changes in net position and of cash flows for the years then ended. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which addresses accounting and financial reporting for postemployment benefits other than pensions that are provided to employees of governmental employers. Under N.J.S.A. 52:14-17.32, the State is required to pay for the other postemployment benefits (OPEB) coverage for eligible retirees. The effect of the adoption of GASB 75 was the recording of OPEB expense and State appropriations revenue in fiscal year 2018. The fiscal year 2017 financial statements have not been restated to reflect the provisions of GASB 75.

The University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts. The financial reporting impact resulting from the adoption of GASB 81 was a restatement of the prior year financial statements to reclassify restricted nonexpendable net position and additions to permanent endowments to deferred inflows of resources and reflect an adjustment to investment income and unrestricted net position. Fiscal year 2016 amounts presented in this discussion have not been restated.

Financial Highlights

The University's financial position at June 30, 2018 and 2017 was sound, with total assets of \$851,899 and \$850,476, deferred outflows of resources of \$41,804 and \$44,834, total liabilities of \$590,054 and \$610,919, and deferred inflows of resources of \$23,818 and \$4,094, respectively. Net position, which represents the excess of the University's assets and deferred outflows of resources over its liabilities and deferred inflows of resources, totaled \$279,831 and \$280,297 at June 30, 2018 and 2017, respectively. The University's net position decreased \$466 in fiscal year 2018 and increased \$24,656 in fiscal year 2017.

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Statement of Net Position

The statement of net position presents the University's financial position at June 30, 2018 and 2017, and is summarized as follows. The summarized statement of net position at June 30, 2016, is also presented for comparative purposes.

	June 30,		
	2017		
	2018	(restated)	2016
Current assets	\$ 168,981	\$ 138,768	\$ 137,872
Endowment investments	113,638	108,353	98,100
Capital assets, net	520,224	476,822	393,043
Other assets	49,056	126,533	170,261
Total assets	<u>851,899</u>	<u>850,476</u>	<u>799,276</u>
Deferred outflows of resources	41,804	44,834	22,719
Current liabilities	72,985	81,754	76,827
Long-term debt, noncurrent portion	346,723	352,058	334,027
Other liabilities	170,346	177,107	152,403
Total liabilities	<u>590,054</u>	<u>610,919</u>	<u>563,257</u>
Deferred inflows of resources	23,818	4,094	1,808
Net investment in capital assets	176,307	175,132	138,838
Restricted nonexpendable	77,528	74,891	71,366
Restricted expendable	45,376	47,690	58,022
Unrestricted	(19,380)	(17,416)	(11,296)
Total net position	<u>\$ 279,831</u>	<u>\$ 280,297</u>	<u>\$ 256,930</u>

Current assets consist principally of cash and cash equivalents, grants and accounts receivable, net of allowances, deposits held with trustees, and short-term investments. The increases in current assets at June 30, 2018 as compared to June 30, 2017 of \$30,213 and June 30, 2017 as compared to June 30, 2016 of \$896 principally relate to increases in short-term investments, primarily due to a change in investment strategy, and grants and accounts receivable, net, in both fiscal years, due to timing of cash receipts, partially offset by decreases in cash and cash equivalents in both fiscal years, and deposits held with trustees at June 30, 2017.

Current liabilities are comprised of accounts payable and accrued liabilities, the current portion of long-term debt, unearned advance payments, and amounts due to affiliates. The decrease in current liabilities at June 30, 2018 as compared to June 30, 2017 of \$8,769 results from decreases in accounts payable and accrued liabilities, principally resulting from the winding down of construction and renovation activities, due to affiliates, and current portion of long-term debt, partially offset by an increase in unearned advance payments. The increase in current liabilities at June 30, 2017 as compared to June 30, 2016 of \$4,927 principally relates to increases in accounts payable and accrued liabilities, relating to construction and renovation activity, and due to affiliates, partially offset by a decrease in current portion of long-term debt.

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Excluding deposits held with trustees, which can only be used for debt service and facilities construction, and the current portion of long-term debt, current assets exceeded current liabilities by \$93,010 and \$55,488 at June 30, 2018 and 2017, respectively. The University had \$100,002 and \$89,773 in cash and cash equivalents and short-term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2018 and 2017, respectively. The net increase in cash and cash equivalents and short-term investments at June 30, 2018 of \$10,229 principally relates to the decrease in noncurrent investments, due to a change in investment strategy, gifts and bequests for other than capital purposes, advance payments from grants, and reimbursement from capital grants of a portion of the expenditures for the rehabilitation and renovation of Makerspace at NJIT, partially offset by an increase in grants and contracts receivable. Cash and cash equivalents and short-term investments remained relatively constant in fiscal year 2017.

Endowment investments include gifts from donors, the corpus of which is to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Endowment investments increased 4.9% and 10.5% during fiscal years 2018 and 2017, respectively, reflecting growth from new gifts, realized net investment gains, a net increase in the fair value of investments at June 30, 2018 and 2017, endowment spending in both years, and a reclassification of assets to beneficial interest in perpetual trusts for those assets which were held and managed by third parties in fiscal year 2017.

Capital assets, at cost, increased 7.6% and 14.2% during fiscal years 2018 and 2017, respectively. The fiscal year 2018 and 2017 increases primarily result from the construction of a wellness and events center and a state-of-the-art research facility, both of which were completed in fiscal year 2018; continued work on the renovation of Makerspace at NJIT, with expected completion in fiscal year 2019; continued work on the rehabilitation and renovation of various campus facilities; partially offset by the write-off of equipment and other assets no longer in service in both fiscal years, and the write-off of the athletic center in fiscal year 2018. During fiscal year 2018, construction of a new soccer field commenced, with expected completion in fiscal year 2019. During fiscal year 2017, the parking facility and rehabilitation and renovation of an academic facility were completed.

Other assets are comprised of investments, investments – capital construction, deposits held with trustees, beneficial interest in perpetual trusts, and other noncurrent assets. The decrease in other assets of \$77,477 and \$43,728 at June 30, 2018 and 2017, respectively, was principally due to the utilization of investments – capital construction and the collection of Building Our Future receivables, recorded in other assets, for capital expenditures in both fiscal years, and a decrease in deposits held with trustees at June 30, 2018 resulting from the reimbursement of capital expenditures, partially offset by the reclassification of benefit interest in perpetual trusts from endowment investments in fiscal year 2017, and an increase in deposits held with trustees at June 30, 2017 resulting from a Higher Education Capital Improvement Fund (HECIF) capital grant.

Deferred outflows of resources consist of loss on defeasance of debt and certain changes in the net pension liability. The decrease in deferred outflows of resources of \$3,030 at June 30, 2018 and the increase in deferred outflows of resources of \$22,115 at June 30, 2017 principally relate to changes in contributions made on behalf of the University subsequent to the measurement date and certain changes in the net pension liability in both fiscal years, as well as the loss on defeasance of the advance refunding of a portion of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds in fiscal year 2017.

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Total long-term debt at June 30, 2018 and 2017 was \$352,058 and \$358,538, respectively. During fiscal year 2017, the University issued 2017 Series A General Obligation Bonds in the amount of \$77,995. The proceeds of the bonds advance refunded portions of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds and will also finance certain capital acquisitions. The debt is composed of term bonds bearing interest rates from 3.887% to 4.357% maturing at various dates through fiscal year 2048.

In fiscal year 2017, the University was awarded a \$19,886 HECIF grant and \$114 from a second round of grant funding from the 2012 Building Our Future Bond Act for classroom and lab renovations. Chief among the projects will be the creation of Makerspace at NJIT, a state-of-the-art facility that will heed the call for innovation, invention, and production in today's burgeoning science, technology, engineering, and math economy. In addition, during fiscal year 2017 the State refunded \$6,051 of the University's existing HECIF debt.

Two-thirds of the fiscal year 2017 HECIF award was recorded as a capital grant, of which \$12,369 is included as deposits held with trustees at June 30, 2018. The University is responsible for the remaining one-third of the debt service payments and related program expenses. The HECIF debt bears interest rates between 3.00% and 5.50% and matures in fiscal year 2037.

At June 30, 2018 and 2017, the University's bond ratings and outlook were as follows:

	Moody's Investors Service	Standard & Poor's
Long-Term Rating	A1	A
Rating Outlook	Stable	Stable

Other liabilities consist of net pension liability, other noncurrent liabilities, and U.S. government grants refundable. The decrease in other liabilities at June 30, 2018 of \$6,761 and increase of \$24,704 at June 30, 2017 principally relate to changes in the net pension liability in both fiscal years, the reduction in U.S. government grants refundable in both fiscal years, and the recording of a pollution remediation liability in fiscal year 2018.

Deferred inflows of resources consist of gain on defeasance of debt, certain changes in the net pension liability, and certain changes in annuity funds liability. The increase in deferred inflows of resources of \$19,724 and \$2,286 at June 30, 2018 and 2017, respectively, principally relates to certain changes in the net pension liability in both fiscal years, as well as the gain on the HECIF debt refunding and certain changes in annuity funds liability in fiscal year 2017.

Net investment in capital assets represents the University's interests in land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress, less related depreciation and amortization, and the debt incurred to finance their acquisition. Net investment in capital assets increased \$1,175 and \$36,294 during fiscal years 2018 and 2017, respectively, principally due to the increase in capital assets discussed above and a net decrease in long-term debt in fiscal year 2018, partially offset by depreciation expense in both fiscal years and a net increase in long-term debt in fiscal year 2017.

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Restricted nonexpendable net position represents the original value of additions to the University's donor-restricted endowments and the fair value of beneficial interest in perpetual trusts. Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, endowment income, and other restricted resources. As discussed above, donor-restricted endowment funds represent gifts from donors that are to be invested in perpetuity.

Restricted net position increased \$323 during fiscal year 2018, primarily due to increases in restricted nonexpendable scholarships and fellowships and instructional and other as a result of additions to permanent endowments, and restricted expendable scholarships and fellowships and instructional and other, principally due to investment income; partially offset by a decrease in restricted expendable net position for capital projects, resulting from expenditures of capital grant funds. Restricted net position decreased \$6,807 during fiscal year 2017, primarily due to decreases in restricted expendable net position for capital projects, resulting from the expenditures of capital grant funds; partially offset by increases in restricted nonexpendable scholarships and fellowships and instructional and other as a result of additions to permanent endowments, and restricted expendable scholarships and fellowships and instructional and other, principally due to investment income.

Unrestricted net position is all other net position that is available for general operations in support of the University's mission. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Board, has designated a portion of the unrestricted net position for the following specified purposes. The June 30, 2016 unrestricted net position is also presented for comparative purposes.

	June 30,		
	2017		
	2018	(restated)	2016
Designated unrestricted net position:			
Quasi-endowments	\$ 18,091	\$ 15,452	\$ 12,384
Instructional and other	4,513	3,811	2,902
Construction and capital programs	38,106	29,600	31,770
Wellness and Events Center construction	11,963	15,308	10,000
State bond funds required match	92	256	9,925
Debt service	12,228	6,542	6,546
Pollution remediation	2,259	-	-
Outstanding purchase orders	8,558	8,558	7,398
	<u>95,810</u>	<u>79,527</u>	<u>80,925</u>
Undesignated unrestricted net position:			
Pension related	(137,953)	(124,766)	(116,512)
Operations	22,763	27,823	24,291
	<u>\$ (19,380)</u>	<u>\$ (17,416)</u>	<u>\$ (11,296)</u>

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Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results and the non-operating and other revenues and expenses of the University.

The components of revenues for the fiscal years ended June 30, 2018 and 2017 are as follows. The components of revenues for the fiscal year ended June 30, 2016 are also presented for comparative purposes:

	Fiscal Years Ended June 30,		
	2018	2017 (restated)	2016
Operating revenues:			
Student tuition and fees, net	\$ 131,796	\$ 132,660	\$ 135,189
Federal, State, and other grants and contracts	131,120	121,104	108,338
Auxiliary enterprises, net	16,389	15,927	15,721
Other operating revenues	5,561	5,823	3,974
Total operating revenues	<u>284,866</u>	<u>275,514</u>	<u>263,222</u>
Non-operating and other revenues:			
State appropriations	124,010	96,529	87,532
Gifts and bequests, capital grants and gifts, and additions to permanent endowments	7,738	21,099	9,893
Investment income	12,157	15,449	17
Other non-operating revenues, net	2,125	2,152	4,084
Total non-operating and other revenues	<u>146,030</u>	<u>135,229</u>	<u>101,526</u>
Total revenues	<u>\$ 430,896</u>	<u>\$ 410,743</u>	<u>\$ 364,748</u>

The components of expenses for the fiscal years ended June 30, 2018 and 2017 are as follows. The components of expenses for the fiscal year ended June 30, 2016 are also presented for comparative purposes:

	Fiscal Years Ended June 30,		
	2018	2017	2016
Operating expenses:			
Instruction	\$ 118,983	\$ 109,424	\$ 104,479
Research programs	90,223	80,326	71,428
Public service	2,286	2,022	2,077
Academic support	34,804	31,328	30,438
Student services	30,280	25,837	24,866
Institutional support	61,160	56,990	52,346
Operation and maintenance of plant	30,668	25,155	20,367
Scholarships and fellowships	10,045	9,321	9,967
Depreciation	31,073	26,887	25,568
Auxiliary enterprises	9,397	9,111	8,299
Total operating expenses	<u>418,919</u>	<u>376,401</u>	<u>349,835</u>
Non-operating expenses – interest expense	12,443	9,686	9,135
Total expenses	<u>\$ 431,362</u>	<u>\$ 386,087</u>	<u>\$ 358,970</u>

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Student tuition and fees; Federal, State, and other grants and contracts; and State appropriations are the primary sources of funding for the University's operating expenses.

Student tuition and fees totaled \$131,796, \$132,660 and \$135,189, net of scholarship allowances of \$60,272, \$54,560, and \$51,132 in fiscal years 2018, 2017, and 2016, respectively. The fiscal years 2018 and 2017 decreases were attributable to an increase in enrollment in both years and tuition and mandatory fees increases of 2.85% and 2.0%, respectively, more than offset by an increase in scholarship allowance in both fiscal years.

Auxiliary enterprises revenues, net of scholarship allowances of \$5,463, \$4,710, and \$4,554 in fiscal years 2018, 2017, and 2016, respectively, increased 2.9% to \$16,389 in fiscal year 2018, principally due to increased occupancy and residence hall charges, and remained relatively constant at \$15,927 in fiscal year 2017.

In accordance with GASB requirements, State appropriations are reported as non-operating revenues despite the fact that their purpose is to fund operating activities.

The components of State appropriations are as follows:

	Fiscal Years Ended June 30,		
	2018	2017	2016
Direct appropriation for general operating purposes	\$ 35,440	\$ 35,440	\$ 35,440
Direct appropriation for Makerspace operating support	10,000	-	-
FICA and fringe benefits paid by the State for University employees	40,971	40,232	39,117
Other postemployment benefits	17,417	-	-
Fringe benefit equalization adjustment	20,182	20,857	12,975
	<u>\$ 124,010</u>	<u>\$ 96,529</u>	<u>\$ 87,532</u>

The fiscal year 2018 State appropriations increase was primarily the result of the implementation of GASB 75 and additional appropriation for Makerspace operating support. The fiscal year 2017 State appropriations increase was the result of increases in the fringe benefit equalization adjustment to the State's fringe benefit rate and FICA and fringe benefits paid by the State.

Federal, State, and other grants and contracts revenues, which include facilities and administrative costs recovery, primarily fund the University's research and development activities and student financial assistance programs, and are comprised of the following:

	Fiscal Years Ended June 30,		
	2018	2017	2016
Federal grants and contracts	\$ 100,769	\$ 92,582	\$ 80,635
State grants and contracts	25,297	23,545	23,590
Other grants and contracts	5,054	4,977	4,113
	<u>\$ 131,120</u>	<u>\$ 121,104</u>	<u>\$ 108,338</u>

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Federal grants and contracts revenues increased 8.8% and 14.8% in fiscal years 2018 and 2017, respectively, due to increases in research grants and contracts and student financial assistance grants. State grants and contracts revenues increased 7.4% in fiscal year 2018 due to an increase in student financial assistance grants, partially offset by a decrease in research grants and contracts after remaining relatively constant in fiscal year 2017, reflecting a decrease in research grants and contracts, partially offset by an increase in student financial assistance grants. Other grants and contracts revenues remained relatively constant in fiscal year 2018 and increased 21.0% in fiscal year 2017.

Private support from corporations, foundations, alumni, and other donors is an important factor in the University's growth and development. Gifts and bequests totaled \$4,792 and \$3,511, and capital grants and gifts amounted to \$648 and \$13,964, in fiscal years 2018 and 2017, respectively. The decrease in capital grants and gifts was principally due to the receipt of the HECIF award in fiscal year 2017. Additions to permanent endowments were \$2,298 and \$3,624 in fiscal years 2018 and 2017, respectively.

Investment income includes interest and dividends, as well as realized and unrealized gains and losses. During fiscal years 2018 and 2017, investment income of \$12,157 and \$15,449 was due to interest and dividends, realized net gain on sale of investments, and a net decrease and a net increase in the fair value of investments at June 30, 2018 and 2017, respectively.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$194,112, \$175,910, and \$169,750 in fiscal years 2018, 2017, and 2016, respectively. The increase of 10.3% in fiscal year 2018 is primarily due to the recording of OPEB expense; increased salaries and fringe benefits and pension expense; consulting services, primarily relating to student recruiting; and computer software maintenance and license fees. The increase of 3.6% in fiscal year 2017 is primarily due to increased fringe benefits due to the fringe benefit equalization adjustment, increased classroom renovation expense and consulting services.

Research and programs expense increased 12.3% to \$90,223 and 12.5% to \$80,326 in fiscal years 2018 and 2017, respectively, primarily as a result the recording of OPEB expense in fiscal year 2018 and an increase in Federal research and programs expenditures in both fiscal years.

Public service expense increased 13.1% to \$2,286 in fiscal year 2018, primarily as a result of increases in legal fees in connection with City of Newark real estate tax exemptions, pension expense, allowance for doubtful accounts receivable, and the recording of OPEB expense, after remaining relatively constant in fiscal year 2017.

Institutional support expense increased 7.3% to \$61,160 in fiscal year 2018, primarily due to the recording of OPEB expense and increased 8.9% to \$56,990 in fiscal year 2017, primarily due to an increase in salaries and fringe benefits, due to increased personnel and the fringe benefit equalization adjustment.

Operation and maintenance of plant expense increased 21.9% to \$30,668 in fiscal year 2018 and 23.5% to \$25,155 in fiscal year 2017. The fiscal year 2018 increase is primarily due to the recording of a pollution remediation liability and OPEB expense and increases in pension expense, salaries and fringe benefits, and utility costs, partially offset by decreases in consulting services and disposal costs. The

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fiscal year 2017 increase is primarily due to increases in facilities repair and maintenance costs, salaries and fringe benefits, consulting services, and utility costs.

Auxiliary enterprises expense increased 3.1% to \$9,397 in fiscal year 2018, primarily due to the recording of OPEB expense and increased 9.8% to \$9,111 in fiscal year 2017, primarily due to an increase in residence halls operating and maintenance costs.

During fiscal years 2018 and 2017, the University incurred long-term debt interest costs of \$15,161 and \$13,861, of which \$2,718 and \$4,175, respectively, was capitalized and will be amortized over the estimated useful lives of the associated capital assets.

Summary and Outlook

The University is in a sound financial position at June 30, 2018. Overall enrollment increased for the fiscal 2018 academic year. The University continues to pursue its strategy of enhancing its research and development activities. The University's fundraising activities are successful, and have generated a significant endowment.

The University completed its negotiations with UCAN for the Adjunct and Graduate Student & Research Employees collective bargaining agreements in fiscal year 2018. All eight bargaining unit contracts are due to expire on June 30, 2019. Negotiations for new contracts will commence shortly and are anticipated to come to mutually favorable conclusions.

The University's endowment is managed with a broad-based asset allocation. The University's endowment investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return, via a group of managers, each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and the use of alternative investments.

As part of its long range plan, the University expects that its activities will continue to increase the total operating budget. As a result of the State's reduction in funding for higher education over the past several fiscal years, management initiated steps to increase alternative funding sources and to reduce expenses, including increases in enrollment, cost containment initiatives, a more aggressive research and development program, a more intensive fund raising program, and increases in tuition and fees. Included in the University's strategic plan are a greater emphasis on expanded outreach programs, increased scholarships, the establishment of new programs and extension sites in order to generate increases in enrollment, and the hiring of new faculty members who have a stronger inclination to become involved in research activities in addition to their teaching responsibilities in order to expand its research and development program. The University's efforts in these resource generating and expense management initiatives have been and are anticipated to continue to be successful.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2018 and 2017

As part of the approved State budget for fiscal year 2019, the University will receive \$3.7 million in funding for the Medical Devices Innovation Cluster.

In mid-September 2018, Standard & Poor's affirmed its bond rating, noting, "The outlook on all ratings is stable. The rating reflects the University's sustained enrollment growth, solid selectivity, and retention rates and a stable and seasoned senior management team."

Management has been and will continue to be an active participant in the State's planning process, in order to ensure that its voice is heard and the University's needs are properly presented and considered in the State's financial deliberations.

All in all, the University's management is of the opinion that the University's financial condition is strong.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Net Position
(Dollars in thousands)
At June 30, 2018 and 2017

	2018	2017 (restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,477	\$ 21,042
Short-term investments	86,525	68,731
Grants and accounts receivable, net	58,426	38,888
Deposits held with trustees	8,321	8,006
Other current assets	2,232	2,101
Total current assets	<u>168,981</u>	<u>138,768</u>
Noncurrent assets:		
Endowment investments	113,638	108,353
Investments	2,354	20,788
Beneficial interest in perpetual trusts	4,237	4,076
Investments – capital construction	22,073	63,317
Deposits held with trustees	15,584	24,287
Other assets	4,808	14,065
Capital assets, net of accumulated depreciation of \$397,905 and \$376,284, respectively	520,224	476,822
Total noncurrent assets	<u>682,918</u>	<u>711,708</u>
Total assets	<u>851,899</u>	<u>850,476</u>
Deferred outflows of resources		
	<u>41,804</u>	<u>44,834</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	47,847	55,372
Long-term debt, current portion	5,335	6,480
Unearned advance payments	14,942	13,357
Due to affiliates	4,861	6,545
Total current liabilities	<u>72,985</u>	<u>81,754</u>
Noncurrent liabilities:		
Long-term debt	346,723	352,058
Other noncurrent liabilities	16,838	13,860
Net pension liability	153,057	162,353
U.S. government grants refundable	451	894
Total noncurrent liabilities	<u>517,069</u>	<u>529,165</u>
Total liabilities	<u>590,054</u>	<u>610,919</u>
Deferred inflows of resources		
	<u>23,818</u>	<u>4,094</u>
Net Position		
Net investment in capital assets	176,307	175,132
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	64,971	62,868
Instructional and other	12,557	12,023
Expendable:		
Capital projects	15,281	19,968
Scholarships and fellowships	16,469	12,829
Instructional and other	10,702	10,605
Research and programs	1,417	944
Debt service	1,180	2,500
Loans	327	844
Unrestricted	<u>(19,380)</u>	<u>(17,416)</u>
Total net position	<u>\$ 279,831</u>	<u>\$ 280,297</u>

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

NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)
For the years ended June 30, 2018 and 2017

	2018	2017 (restated)
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$60,272 and \$54,560, respectively	\$ 131,796	\$ 132,660
Federal grants and contracts	100,769	92,582
State grants and contracts	25,297	23,545
Other grants and contracts	5,054	4,977
Auxiliary enterprises, net of scholarship allowances of \$5,463 and \$4,710, respectively	16,389	15,927
Other operating revenues	5,561	5,823
Total operating revenues	<u>284,866</u>	<u>275,514</u>
Operating expenses		
Instruction	118,983	109,424
Research and programs	90,223	80,326
Public service	2,286	2,022
Academic support	34,804	31,328
Student services	30,280	25,837
Institutional support	61,160	56,990
Operation and maintenance of plant	30,668	25,155
Scholarships and fellowships	10,045	9,321
Depreciation	31,073	26,887
Auxiliary enterprises	9,397	9,111
Total operating expenses	<u>418,919</u>	<u>376,401</u>
Operating loss	<u>(134,053)</u>	<u>(100,887)</u>
Non-operating revenues (expenses)		
State appropriations	124,010	96,529
Gifts and bequests	4,792	3,511
Interest expense	(12,443)	(9,686)
Investment income	12,157	15,449
Other non-operating revenues, net	2,125	2,152
Net non-operating revenues	<u>130,641</u>	<u>107,955</u>
(Loss) income before other revenues	<u>(3,412)</u>	<u>7,068</u>
Other revenues		
Capital grants and gifts	648	13,964
Additions to permanent endowments	2,298	3,624
Total other revenues	<u>2,946</u>	<u>17,588</u>
(Decrease) increase in net position	<u>(466)</u>	<u>24,656</u>
Net position, beginning of year	280,297	256,930
Cumulative effect of accounting change	-	(1,289)
Net position, end of year	<u>\$ 279,831</u>	<u>\$ 280,297</u>

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

NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Cash Flows
(Dollars in thousands)
For the years ended June 30, 2018 and 2017

	2018	2017 (restated)
Cash flows from operating activities		
Student tuition and fees	\$ 132,968	\$ 137,667
Grants and contracts	120,907	118,430
Payments for salaries and benefits	(200,449)	(201,770)
Payments for goods and services	(101,305)	(98,797)
Payments for scholarships and fellowships	(10,045)	(9,321)
Loans collected from students	299	657
Auxiliary enterprises	16,334	15,927
University programs	176	388
Affiliates	(1,682)	833
Other receipts	6,402	6,900
Net cash used by operating activities	<u>(36,395)</u>	<u>(29,086)</u>
Cash flows from noncapital financing activities		
State appropriations	55,009	52,883
Gifts and bequests for other than capital purposes	6,295	3,279
Additions to permanent endowments	1,843	2,956
Other receipts	3,704	2,414
Net cash provided by noncapital financing activities	<u>66,851</u>	<u>61,532</u>
Cash flows from capital financing activities		
Proceeds from capital debt	-	90,053
Other receipts (payments)	8,786	22,538
Mortgage payments received	322	139
Capital grants and gifts	39	13,754
Purchase of capital assets	(84,267)	(96,846)
Refunding of bonds	-	(68,214)
Principal paid on long-term debt	(5,887)	(9,719)
Interest paid on long-term debt	(14,245)	(15,408)
Purchase of investments – capital construction	(22,073)	(26,071)
Sale of investments – capital construction	63,328	64,542
Deposits with trustees	32,293	(44,246)
Withdrawals from trustees	(23,905)	35,345
Net cash used by capital financing activities	<u>(45,609)</u>	<u>(34,133)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	185,580	89,733
Interest and dividends on investments	5,226	4,921
Purchase of investments	(183,218)	(151,303)
Net cash provided (used) by investing activities	<u>7,588</u>	<u>(56,649)</u>
Net decrease in cash and cash equivalents	<u>(7,565)</u>	<u>(58,336)</u>
Cash and cash equivalents, beginning of year	21,042	79,378
Cash and cash equivalents, end of year	<u>\$ 13,477</u>	<u>\$ 21,042</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (134,053)	\$ (100,887)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	31,073	26,887
Noncash operating expenses	73,721	58,184
Changes in assets and liabilities:		
Grants and accounts receivable	(12,142)	(4,534)
Other assets, current and noncurrent	57	(416)
Accounts payable and accrued liabilities	5,090	(9,547)
Unearned advance payments	1,543	392
Due to affiliates	(1,684)	835
Net cash used by operating activities	<u>\$ (36,395)</u>	<u>\$ (29,086)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 61,411	\$ 40,867
Gifts and bequests for other than capital purposes	130	232
Investment income	24	416
Gifts for capital purposes	1,764	210
Additions to permanent endowments	455	668
Capital assets	(12,151)	10,737

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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies

New Jersey Institute of Technology (NJIT), a public research university, includes six collegiate units: Newark College of Engineering, Ying Wu College of Computing, College of Architecture and Design, College of Science and Liberal Arts, Martin Tuchman School of Management, and Albert Dorman Honors College; a graduate division; a continuing education program; and a number of research centers. Fields of study include engineering, computer science, architecture, applied sciences, management, statistics, and actuarial science. NJIT offers programs and courses leading to bachelors, masters, and doctoral degrees, and also conducts an extensive research program.

The New Jersey Institute of Technology Act of 1995 established NJIT as a body corporate and politic and determined that the exercise of NJIT's powers was a public and essential government function. NJIT has its origins in an 1881 New Jersey statute.

Foundation at New Jersey Institute of Technology (Foundation) is a component unit of NJIT. The Foundation raises and manages funds to support the further development and growth of programs at NJIT. Because of the significance of its operational and financial relationships with NJIT and because it exclusively benefits NJIT, the Foundation's financial statements are combined and reported on a blended basis with those of NJIT. Copies of the Foundation's financial statements can be obtained by writing to Foundation at New Jersey Institute of Technology, University Heights, Newark, New Jersey 07102, Attention: Development and Alumni Relations.

New Jersey Innovation Institute, Inc. (NJII) is a component unit of NJIT. NJII applies the intellectual and technological resources of NJIT to challenges identified by industry partners in order to spur product creation and enhancement, develop solutions for sector-wide and/or company-focused challenges, and serve as a catalyst for regional economic growth. Because of the significance of its operational and financial relationships with NJIT, NJII's financial statements are combined and reported on a blended basis with those of NJIT. Copies of NJII's financial statements can be obtained by writing to New Jersey Innovation Institute, Inc., c/o New Jersey Institute of Technology, University Heights, Newark, New Jersey 07102.

Ten urban renewal limited liability companies (UREs) are component units of NJIT. The UREs operate residential buildings for NJIT student Greek organizations. Because of the significance of their operational and financial relationships with NJIT, the UREs' financial statements are combined and reported on a blended basis with those of NJIT.

Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 85, *Omnibus 2017*, NJIT, which is financially dependent on the State of New Jersey (the State), is considered to be a component unit of the State for its financial reporting purposes. Accordingly, the financial statements of NJIT, the Foundation, NJII, and the UREs (collectively, the University) are included in the State's Comprehensive Annual Financial Report.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

(a) Basis of Presentation

The University's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the GASB. All significant transactions between NJIT, the Foundation, NJIT, and the UREs have been eliminated.

The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which addresses accounting and financial reporting for postemployment benefits other than pensions that are provided to employees of governmental employers. Under N.J.S.A. 52:14-17.32, the State is required to pay for the other postemployment benefits (OPEB) benefit coverage for eligible retirees. The effect of the adoption of GASB 75 was the recording of OPEB expense and State appropriations revenue in fiscal year 2018. The implementation of GASB 75 had no impact on the July 1, 2017 net position. The application of GASB 75 was recorded in fiscal year 2018 because this was the earliest date for which recognition was practical, based on available information.

The effect of the adoption of GASB 75 was the recording of OPEB expense and State appropriations revenue, as follows:

	Prior to Adoption of GASB 75	Adoption of GASB 75	Subsequent to Adoption of GASB 75
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018:			
Operating expenses			
Instruction	\$ 112,925	\$ 6,058	\$ 118,983
Research and programs	87,959	2,264	90,223
Public service	2,203	83	2,286
Academic support	32,954	1,850	34,804
Student services	28,501	1,779	30,280
Institutional support	57,343	3,817	61,160
Operation and maintenance of plant	29,209	1,459	30,668
Auxiliary enterprises	9,290	107	9,397
Non-operating revenues (expenses)			
State appropriations	106,593	17,417	124,010

The University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts. The financial reporting impact resulting from the adoption of

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

GASB 81 was a restatement of the prior year financial statements to reclassify restricted nonexpendable net position and additions to permanent endowments to deferred inflows of resources and reflect an adjustment to investment income and unrestricted net position, as follows:

	As previously reported	Adjustments	As restated
Statement of Net Position at June 30, 2017:			
Deferred inflows of resources	\$ 3,308	\$ 786	\$ 4,094
Nonexpendable scholarships and fellowships	63,318	(1,074)	62,244
Unrestricted net position	(17,690)	288	(17,402)
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017:			
Investment income	15,161	288	15,449
Additions to permanent endowments	3,409	215	3,624
Net position, beginning of year	256,930	(1,289)	255,641
Net position, end of year	281,083	(786)	280,297
Statement of Cash Flows for the year ended June 30, 2017:			
Noncash transactions: additions to permanent endowments	453	215	668

(b) Use of Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the statement of net position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The University considers money market funds, investments with original maturities of three months or less, and investments in sweep accounts with original maturities of twelve months or less to be cash equivalents, except for those included in endowment investments and deposits held with trustees.

(d) Fair Value Measurement

The University's investments are measured at fair value using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are based on market assumptions. The fair value hierarchy is comprised of the following three levels of inputs, of which the first two are considered observable and the last unobservable:

- Level 1: Quoted prices in active markets for identical assets.
- Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not as active, or other inputs that are observable or can be corroborated by observable market data.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2018 and 2017

Level 3: Significant unobservable inputs that are supported by little or no market activity.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement. The categorization of an investment is based upon its pricing transparency and liquidity and does not necessarily correspond to the University's perceived risk of that investment.

(e) Investments and Deposits Held with Trustees

Investments and deposits held with trustees include investments in marketable equity securities, debt instruments, and mutual funds and are carried at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based principally on the Net Asset Values (NAV) reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could occur. Such changes could materially affect the amounts reported in the statement of net position.

(f) Beneficial Interest in Perpetual Trusts

Beneficial Interest in Perpetual Trusts are donor-established and funded trusts, which are not in the possession of, nor under the control of the University. Under the terms of the trusts, the University has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity or for the life of the trust. Annual distributions from the trusts are reported as investment income and adjustments to the beneficial interest to reflect changes in the fair value (if any) are reported as net increase (decrease) in the fair value of investments in the statement of revenues, expenses, and changes in net position, respectively.

(g) Capital Assets

Capital assets are carried at cost or, in the case of gifts, fair value at date of donation. Expenditures for replacements are capitalized, and the replaced items are retired. Gains or losses resulting from disposal of property are included in other non-operating revenues, net.

Depreciation is calculated on the straight-line basis. The University's capital assets policy establishes the following capitalization thresholds and estimated useful lives:

	Capitalization Threshold	Estimated Useful Life
Land improvements	\$ 50,000	20 years
Buildings and building improvements	50,000	20 to 40 years
Software	50,000	5 to 10 years
Equipment and other assets	5,000	3 to 10 years

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

(h) Due to Affiliates

Due to affiliates consists of amounts the University is holding as agent for the following entities:

	June 30,	
	2018	2017
NJEDGE.Net	\$ 3,423	\$ 5,142
Student organizations	1,190	1,025
Other organizations	248	378
	\$ 4,861	\$ 6,545

(i) Classification of Net Position

The University classifies its resources into three net position categories:

- Net investment in capital assets is comprised of land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress of the University, net of depreciation and amortization and the indebtedness incurred to finance their acquisition and construction. Title to capital assets acquired through research grants and contracts remains with the University at the conclusion of the grant or contract period with the permission of the grantor.
- Restricted nonexpendable net position is comprised of endowment and beneficial interest in perpetual trusts funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Beneficial interest in perpetual trusts represent funds for which the University is the beneficiary whose assets are not under its control.

Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes.

- Unrestricted net position is derived principally from student tuition and fees, gifts and bequests, and investment income, and is expended to meet the objectives of the University. The University designates portions of its unrestricted net position for certain specific purposes (see Note 12).

The University's policy is to first utilize available restricted expendable, and then unrestricted, resources in the conduct of its operations.

(j) Classification of Revenue and Expense

Operating revenues are those that result from the provision of services related to the University's principal purposes of instruction and research, and are generally associated with exchange transactions. Non-operating revenues result from activities that are not directly related to the University's principal purposes, but that exist in order to support them, and generally consist of

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

nonexchange transactions. Other revenues arise from nonexchange transactions, which provide funding for acquisitions of capital assets and additions to permanent endowments.

Interest expense is reported as a non-operating activity.

(k) Revenue Recognition

Student tuition and fees revenues are recognized in the period earned. Student tuition and fees collected in advance of the fiscal year-end are recorded as unearned advance payments in the statement of net position.

Grants and contracts revenues are recognized when the related expenditures are incurred. The unexpended portion of advance grant payments is recorded as unearned advance payments in the statement of net position.

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, which are based on average cost.

Gifts and bequests are recorded upon receipt by the University. Pledges, other than endowment, are recognized as gift income and recorded at their present value. Additions to permanent endowments are recognized upon their receipt.

(l) Facilities and Administrative Costs Recovery

Facilities and administrative costs are recovered at rates specified under the various grants and contracts or at a predetermined rate negotiated with the U.S. Department of Health and Human Services, the University's cognizant Federal agency, and are recorded as grants and contracts revenues as expenditures are incurred.

(m) Auxiliary Activities

Auxiliary activities consist primarily of residence hall and parking operations.

(n) Fringe Benefits Paid by the State

Certain fringe benefits for the University's employees are paid by the State. Such amounts (\$78,570 and \$61,089 in fiscal years 2018 and 2017, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

(o) Risk Management

The University carries commercial insurance covering its risks of loss related to real and personal property, personal injuries, torts, errors and omissions, environmental damage, and natural and other unforeseen disasters.

(p) Tax Status

NJIT, the Foundation, and NJII have received determination letters from the Internal Revenue Service stating that they are organizations as described in Sections 115(a)(2), 501(c)(3), and 501(c)(3), respectively, of the Internal Revenue Code (the Code) and, therefore, are exempt from Federal income taxes under Section 501(a) of the Code on income generated by activities that are substantially related to their tax-exempt purposes. NJIT, the Foundation, and NJII have determined that they do not generate any material revenues from an unrelated trade or business; accordingly, a tax provision has not been calculated within these financial statements. The UREs, which are wholly owned limited liability companies, have the same tax status as NJIT.

(q) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Cash and Cash Equivalents, Investments, and Deposits Held with Trustees

Cash and cash equivalents, comprised of cash and money market funds, total \$13,477 and \$21,042 at cost and fair value at June 30, 2018 and 2017, respectively.

The cost and fair value of investments and deposits held with trustees, and their fair value measurements within the fair value hierarchy, are as follows:

	June 30, 2018					
	Cost	Fair Value	Fair Value Measurements			
Level 1			Level 2	Level 3		
Investments:						
Money market funds	\$ 24,357	\$ 24,357	\$ -	\$ 24,357	\$ -	\$ -
Certificate of deposit	500	500	-	500	-	-
U.S. Treasury and						
Government agency bonds	35	25	25	-	-	-
Corporate equity securities	61,895	71,909	58,049	13,860	-	-
Mutual equity funds	16,403	17,902	16,317	1,585	-	-
Mutual bond funds	82,648	80,063	71,238	8,825	-	-
Hedge and other investment funds	26,023	29,834	-	-	5,089	24,745
	<u>211,861</u>	<u>224,590</u>	<u>145,629</u>	<u>49,127</u>	<u>5,089</u>	<u>24,745</u>
Deposits held with trustees:						
Money market funds	23,905	23,905	-	23,905	-	-
	<u>\$235,766</u>	<u>\$248,495</u>	<u>\$145,629</u>	<u>\$73,032</u>	<u>\$5,089</u>	<u>\$24,745</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

	June 30, 2017					
	Cost	Fair Value	Fair Value Measurements			
			Level 1	Level 2	Level 3	NAV
Investments:						
Money market funds	\$43,415	\$43,415	\$ -	\$43,415	\$ -	\$ -
Certificates of deposit	7,500	7,500	-	7,500	-	-
U.S. Treasury and government agency bonds	7,286	7,296	7,296	-	-	-
Commercial paper	6,439	6,492	-	6,492	-	-
Corporate equity securities	47,559	58,786	58,786	-	-	-
Corporate debt securities	8,403	8,353	8,353	-	-	-
Mutual equity bonds	24,517	25,299	25,299	-	-	-
Mutual bond funds	76,090	76,174	76,174	-	-	-
Hedge and other investment funds	24,467	27,874	-	-	4,052	23,822
	<u>245,676</u>	<u>261,189</u>	<u>175,908</u>	<u>57,407</u>	<u>4,052</u>	<u>23,822</u>
Deposits held with trustees:						
Money market funds	32,293	32,293	-	32,293	-	-
	<u>\$277,969</u>	<u>\$293,482</u>	<u>\$175,908</u>	<u>\$89,700</u>	<u>\$4,052</u>	<u>\$23,822</u>

At June 30, 2017, endowment investments included \$2,516 of NJIT related funds.

Hedge and other investment funds are comprised of directional and multi-strategy funds, private equity, and real assets. The University is committed to invest an additional \$4,100 in these funds over the next several fiscal years.

Investments – capital construction represent the proceeds of the 2017 Series A and 2015 Series A bonds (see Note 6). These funds are separately invested, and are designated for the acquisition of certain capital projects and the costs of construction of the Wellness and Events Center.

Deposits held with trustees represent restricted funds held by The Bank of New York Mellon under terms of the revenue bond and debt agreements with the New Jersey Educational Facilities Authority (NJEFA), and by U.S. Bank under terms of the general obligation bond agreements (see Note 6).

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments or guidelines established by NJIT’s Board of Trustees and the Foundation’s Board of Overseers. The University’s investment strategy is to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return. The following are the University’s aggregate allocation guidelines by asset class: equities, up to 70%; real assets, up to 20%; multi-strategy hedges, up to 25%; and fixed income instruments, up to 35%. There are further allocation guidelines for specific investment categories within each asset class. The University may also invest in below investment grade bonds as equity substitutes within the overall allocation for equities.

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Custodial credit risk – deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits that are in that institution's possession. The University's investment policy does not address custodial credit risk - deposits. Cash and cash equivalents have a bank balance of \$16,612 and \$24,843, including cash held by depositories of \$966 and \$1,295 at June 30, 2018 and 2017, respectively, of which \$851 and \$848 are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents of \$500 at both June 30, 2018 and 2017 are insured by the Securities Investor Protection Corporation (SIPC); amounts in excess are neither collateralized nor insured.

Custodial credit risk – investments is the risk that, in the event of the failure of a counterparty, the University will not be able to recover the value of the investments that are in that counterparty's possession. The University's investment policy does not address custodial credit risk – investments. The University's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the University's name. At June 30, 2018 and 2017, \$248,495 and \$293,482, respectively, of investments and deposits held with trustees are either insured or held by the University or its agent 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 University's investment policy places no limitation on the ratings for debt instruments. U.S. Treasury and government agency bonds are considered to have no credit risk. The money market funds and mutual bond funds included in the University's investment portfolio are not rated. At June 30, 2018, the University had no investments in commercial paper or corporate debt securities. The University's investments in commercial paper and corporate debt securities at June 30, 2017 are rated as follows by Standard & Poor's:

	<u>Rating</u>	<u>2017</u>
Commercial paper	A-1+	\$ 3,494
Commercial paper	A-1	2,998
Total commercial paper		6,492
Corporate debt securities	AA-	252
Corporate debt securities	A+	1,348
Corporate debt securities	A	500
Corporate debt securities	A-	1,672
Corporate debt securities	BBB+	2,080
Corporate debt securities	BBB	2,501
Total corporate debt securities		8,353
		\$ 14,845

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. There is no limit on the amount the University may invest in any issuer. The University's investments are diversified and are not currently exposed to this risk.

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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 does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018 and 2017, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

	June 30, 2018			
	Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	5 to 10
Money market funds	\$ 60,868	\$ 60,868	\$ -	\$ -
Certificate of deposit	500	500	-	-
U.S. Treasury and government agency bonds	25	25	-	-
Mutual bond funds	80,063	7,953	48,580	23,530
	<u>\$ 141,456</u>	<u>\$ 69,346</u>	<u>\$ 48,580</u>	<u>\$ 23,530</u>

	June 30, 2017			
	Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	5 to 10
Money market funds	\$ 95,789	\$ 95,789	\$ -	\$ -
Certificates of deposit	7,500	7,500	-	-
U.S. Treasury and government agency bonds	7,296	1,629	4,273	1,394
Commercial paper	6,492	6,492	-	-
Corporate debt securities	8,353	6,931	1,422	-
Mutual bond funds	76,174	24,490	39,591	12,093
	<u>\$ 201,604</u>	<u>\$ 142,831</u>	<u>\$ 45,286</u>	<u>\$ 13,487</u>

A portion of the University's endowment investments are held in an endowment investment pool. The cost and fair value of the pooled investments are as follows:

	June 30,			
	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 2,195	\$ 2,195	\$ 1,911	\$ 1,911
Corporate equity securities	39,262	49,655	26,991	36,867
Mutual equity funds	14,985	15,127	21,954	22,586
Mutual bond funds	15,378	14,926	15,913	15,557
Hedge and other investment funds	25,826	29,638	24,280	27,690
	<u>\$ 97,646</u>	<u>\$ 111,541</u>	<u>\$ 91,049</u>	<u>\$ 104,611</u>

For the years ended June 30, 2018 and 2017, the average return for the endowment investment pool was 7.4% and 13.1%, respectively.

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The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the fair value per pool unit. The spending rates for the years ended June 30, 2018 and 2017 were 4.6% and 4.7%, respectively. The University complies with the State's "Uniform Prudent Management of Institutional Funds Act," which governs the management and use of funds held by it.

3. Capital Assets

The activity in capital assets and accumulated depreciation for the years ended June 30, 2018 and 2017 was as follows:

	June 30, 2017	Additions	Retirements	Placed Into Service	June 30, 2018
Depreciable assets:					
Land improvements	\$ 12,080	\$ -	\$ (661)	\$ 903	\$ 12,322
Buildings and building improvements	597,537	893	(9,299)	125,694	714,825
Equipment and other assets	124,760	11,480	(1,547)	14,170	148,863
	<u>734,377</u>	<u>12,373</u>	<u>(11,507)</u>	<u>140,767</u>	<u>876,010</u>
Accumulated depreciation:					
Land improvements	5,197	576	(588)	-	5,185
Buildings and building improvements	283,600	19,855	(7,320)	-	296,135
Equipment and other assets	87,487	10,642	(1,544)	-	96,585
	<u>376,284</u>	<u>31,073</u>	<u>(9,452)</u>	<u>-</u>	<u>397,905</u>
	358,093	(18,700)	(2,055)	140,767	478,105
Nondepreciable assets:					
Land	18,375	-	-	-	18,375
Construction in progress	100,354	64,157	-	(140,767)	23,744
	<u>\$ 476,822</u>	<u>\$ 45,457</u>	<u>\$ (2,055)</u>	<u>\$ -</u>	<u>\$ 520,224</u>

	June 30, 2016	Additions	Retirements	Placed Into Service	June 30, 2017
Depreciable assets:					
Land improvements	\$ 12,218	\$ -	\$ (1,593)	\$ 1,455	\$ 12,080
Buildings and building improvements	527,115	334	(399)	70,487	597,537
Equipment and other assets	113,712	8,819	(3,624)	5,853	124,760
	<u>653,045</u>	<u>9,153</u>	<u>(5,616)</u>	<u>77,795</u>	<u>734,377</u>
Accumulated depreciation:					
Land improvements	5,592	521	(916)	-	5,197
Buildings and building improvements	266,680	17,149	(229)	-	283,600
Equipment and other assets	81,875	9,217	(3,605)	-	87,487
	<u>354,147</u>	<u>26,887</u>	<u>(4,750)</u>	<u>-</u>	<u>376,284</u>
	298,898	(17,734)	(866)	77,795	358,093
Nondepreciable assets:					
Land	18,375	-	-	-	18,375
Construction in progress	75,770	102,379	-	(77,795)	100,354
	<u>\$ 393,043</u>	<u>\$ 84,645</u>	<u>\$ (866)</u>	<u>\$ -</u>	<u>\$ 476,822</u>

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4. Supplementary Statement of Net Position Detail

	June 30,	
	2018	2017 (restated)
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 53,368	\$ 34,248
Student accounts receivable	3,029	3,906
Program services accounts receivable	1,839	1,159
Other grants and accounts receivable	2,659	2,272
Pledges receivable, current portion	753	796
Student loans receivable, current portion	304	276
Accrued interest receivable	19	131
	<u>61,971</u>	<u>42,788</u>
Less: allowance for doubtful accounts	3,545	3,900
	<u>\$ 58,426</u>	<u>\$ 38,888</u>
Other assets, noncurrent:		
Building Our Future Bonds proceeds receivable	\$ 330	\$ 8,856
Student loans receivable, net	398	725
Mortgages receivable	3,095	3,417
Pledges receivable, net	248	259
Other	737	808
	<u>\$ 4,808</u>	<u>\$ 14,065</u>
Deferred outflows of resources:		
Loss on defeasance of debt	\$ 4,139	\$ 4,564
Pension related	37,665	40,270
	<u>\$ 41,804</u>	<u>\$ 44,834</u>
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 12,361	\$ 10,217
Accrued interest expense	7,489	6,244
Accounts payable – construction	10,713	22,864
Accounts payable – other	14,806	12,527
Other noncurrent liabilities, current portion	2,478	3,520
	<u>\$ 47,847</u>	<u>\$ 55,372</u>
Deferred inflows of resources:		
Gain on defeasance of debt	\$ 507	\$ 625
Annuity funds related	750	786
Pension related	22,561	2,683
	<u>\$ 23,818</u>	<u>\$ 4,094</u>

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5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2018 and 2017 was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion
Long-term debt	\$ 341,796	\$ -	\$ (5,887)	\$ 335,909	\$ 4,721
Unamortized net premium	16,742	-	(593)	16,149	614
Total long-term debt	<u>358,538</u>	<u>-</u>	<u>(6,480)</u>	<u>352,058</u>	<u>5,335</u>
Retirement incentive programs	9,821	627	(2,796)	7,652	1,715
Annuity funds liability	773	155	(170)	758	176
Insurance liability reserve	1,442	-	(25)	1,417	-
Pollution remediation liability	-	2,259	-	2,259	-
Compensated absences	2,938	498	(459)	2,977	435
Other	2,406	2,766	(919)	4,253	152
Total other noncurrent liabilities	<u>17,380</u>	<u>6,305</u>	<u>(4,369)</u>	<u>19,316</u>	<u>2,478</u>
Net pension liability	162,353	13,928	(23,224)	153,057	-
U.S. government grants refundable	894	20	(463)	451	-
	<u>\$ 539,165</u>	<u>\$ 20,253</u>	<u>\$ (34,536)</u>	<u>\$ 524,882</u>	<u>\$ 7,813</u>
	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
Long-term debt	\$ 325,103	\$ 90,053	\$ (73,360)	\$ 341,796	\$ 5,888
Unamortized net premium	19,462	-	(2,720)	16,742	592
Total long-term debt	<u>344,565</u>	<u>90,053</u>	<u>(76,080)</u>	<u>358,538</u>	<u>6,480</u>
Retirement incentive programs	10,130	1,637	(1,946)	9,821	2,524
Annuity funds liability reserve	904	121	(252)	773	136
Insurance liability reserve	1,442	-	-	1,442	-
Compensated absences	3,336	16	(414)	2,938	415
Other	712	1,925	(231)	2,406	445
Total other noncurrent liabilities	<u>16,524</u>	<u>3,699</u>	<u>(2,843)</u>	<u>17,380</u>	<u>3,520</u>
Net pension liability	135,999	29,743	(3,389)	162,353	-
U.S. government grants refundable	1,960	41	(1,107)	894	-
	<u>\$ 499,048</u>	<u>\$ 123,536</u>	<u>\$ (83,419)</u>	<u>\$ 539,165</u>	<u>\$ 10,000</u>

The current portion of other noncurrent liabilities is included in accounts payable and accrued liabilities.

Included in annuity funds liability is a net increase in the fair value of investments of \$12 and \$300 at June 30, 2018 and 2017, respectively.

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6. Long-Term Debt

Long-term debt is composed of:

	June 30,	
	2018	2017
General Obligation Bonds:		
2017 Series A issue:		
Term bonds (interest rates from 3.887% to 4.357%, final maturity in fiscal year 2048)	\$ 77,995	\$ 77,995
2015 Series A issue:		
Serial bonds (interest rates from 3.00% to 5.00%, due on various dates through fiscal year 2032)	12,520	12,520
Step coupon bonds (interest rates from 2.50% to 5.50%, final maturity in fiscal year 2036)	15,080	15,080
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2046)	89,080	89,080
2012 Series A issue:		
Serial bonds (interest rates of 4.00% and 5.00%, due on various dates through fiscal year 2028)	3,795	3,795
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2043)	41,685	41,685
2012 Series B issue:		
Serial bonds (interest rates from 2.17% to 3.723%, due on various dates through fiscal year 2026)	12,525	15,025
Term bond (interest rate at 3.323%, maturity in fiscal year 2025)	5,630	5,630
Revenue bonds:		
2010 Series H issue:		
Serial bonds (interest rates from 3.75% to 5.00%, due on various dates through fiscal year 2026)	8,135	8,135
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2032)	21,205	21,205
2010 Series I issue:		
Term bonds (interest rate at 6.41%, final maturity in fiscal year 2041)	20,450	20,450
Other Long-Term Debt:		
Higher Education Capital Improvement Fund	23,707	25,271
Equipment Leasing Fund	957	1,122
TD Master Leases	1,185	2,399
New Jersey Economic Development Authority note	1,366	1,506
Other	594	898
	<u>335,909</u>	<u>341,796</u>
Unamortized net premium on obligations	16,149	16,742
	<u>352,058</u>	<u>358,538</u>
Less: current portion	5,335	6,480
	<u>\$ 346,723</u>	<u>\$ 352,058</u>

The interest rates on all of the University's long-term debt are fixed.

The 2017 Series A Bonds were issued by the University for the purpose of financing the acquisition of certain capital projects and advance refunding portions of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds. The advance refunding resulted in a fiscal

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year loss on defeasance of \$3,622. Aggregate debt service payments over the next thirty fiscal years will be increased by \$42,326, representing an economic loss (difference between the present value of the old and new debt service payments) of \$5,735.

The University defeased portions of the 2010 Series H Bonds, 2012 Series A Bonds, and 2012 Series B Bonds by depositing funds into escrow accounts totaling \$63,604, which is sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. These defeased bonds are not considered outstanding obligations of the University, and, therefore, neither the escrow account nor the defeased indebtedness are included in the accompanying statement of net position. At June 30, 2018 and 2017, there was approximately \$37,010 and \$41,160, respectively, of defeased debt outstanding to bondholders, which is expected to be fully redeemed by July 2022.

The 2017 Series A Bonds are subject to optional redemption prior to maturity on or after July 1, 2027 at a price of 100%.

The 2015 Series A Bonds were issued by the University to provide funds to finance, in part, the costs of constructing a wellness and events center and a parking facility. The bonds were issued at a premium of \$13,556, which is being amortized against interest expense over the life of the bonds. The 2015 Series A Serial Bonds and Term Bonds are subject to optional redemption prior to maturity on or after July 1, 2025, and the 2015 Series A Step Coupon Bonds are subject to optional redemption prior to maturity on or after July 1, 2020 at a price of 100%.

The 2012 Series A Bonds were issued by the University to provide funds to finance, in part, the costs of constructing the Warren Street Village. The bonds were issued at a premium of \$6,463, of which \$3,738 remained after the advance refunding in fiscal year 2017 of a portion of the 2012 Series A Bonds, which is being amortized against interest expense over the life of the bonds. The 2012 Series A Bonds are subject to optional redemption prior to maturity on or after July 1, 2022 at a price of 100%.

The 2012 Series B Bonds were issued by the University for the purpose of advance refunding a prior issue of revenue bonds. The 2012 Series B Bonds are subject to optional redemption prior to maturity at any time at a price equal to the greater of 100% or the sum of the present value of the remaining scheduled payments of principal and interest.

The 2010 Series H and 2010 Series I Bonds were issued by NJEFA pursuant to an agreement with the University for the purpose of advance refunding a prior issue of revenue bonds and financing, in whole or in part, the costs of the acquisition, rehabilitation, and renovation of an academic facility and of campus deferred maintenance. The 2010 Series H Bonds were issued at a premium of \$2,489, of which \$683 remained after the advance refunding in fiscal year 2017 of a portion of the 2010 Series H Bonds, which is being amortized against interest expense over the life of the bonds.

The 2010 Series H Bonds maturing on or before July 1, 2020 are not subject to optional redemption prior to maturity. The 2010 Series H Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity on or after July 1, 2020 at a price of 100%.

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The 2010 Series I Bonds have been designated as “Build America Bonds”. Up to thirty-five percent of the interest payments will be paid by the Federal government. For the fiscal years ended June 30, 2018 and 2017, \$429 and \$427, respectively, of Federal government interest payments are included in interest expense and in other non-operating revenues, net in the statement of revenues, expenses, and changes in net position. The 2010 Series I Bonds are subject to optional redemption prior to maturity on or after July 1, 2020 at a price of 100%.

The Higher Education Capital Improvement Fund (HECIF) debt was issued by NJEFA to provide funds for certain construction and facilities improvements at the State’s public institutions of higher education. In fiscal year 2017, the State allocated \$6,481 of new HECIF debt to the University and refunded \$6,051 of the University’s existing HECIF debt, resulting in a gain of \$473. The University is responsible for one-third of its allocated debt service payments and related program service expenses. The HECIF debt bears interest rates from 3.00% to 5.50% and matures at various dates through fiscal year 2037.

The Equipment Leasing Fund (ELF) debt was issued by NJEFA to provide funds to finance certain equipment at the State’s public institutions of higher education. The University is responsible for twenty-five percent of the debt service payments and related program expenses. The ELF debt matures in fiscal year 2023.

The New Jersey Economic Development Authority note, which matures in fiscal year 2028, is noninterest bearing and payable monthly. Imputed interest expense totaled \$62 and \$67 in fiscal years 2018 and 2017, respectively.

The TD Master Lease was entered into for the purpose of financing the costs of an upgrade to the University’s information technology and research infrastructure. The TD debt bears an interest rate of 1.72% with final maturity in fiscal year 2019.

At June 30, 2018, deposits held with trustees included \$1,180 for principal payments on revenue bonds due on July 1, 2018. Payments due on long-term debt, including mandatory sinking fund payments on the bonds, are as follows for the fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,985	\$ 15,348	\$ 20,333
2020	4,939	15,183	20,122
2021	5,976	15,157	21,133
2022	7,297	14,936	22,233
2023	8,002	14,670	22,672
2024 to 2028	39,479	69,202	108,681
2029 to 2033	53,779	59,946	113,725
2034 to 2038	65,352	44,696	110,048
2039 to 2043	72,790	27,975	100,765
2044 to 2047	72,130	8,362	80,492
	<u>\$ 334,729</u>	<u>\$ 285,475</u>	<u>\$ 620,204</u>

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The University has a line of credit agreement with a bank permitting it to borrow up to \$24,000 at the London Interbank Offered Rate (LIBOR) plus the applicable margin (from 0.9% to 1.2%) at the time of utilization. There were no borrowings against the agreement in fiscal year 2018.

Deferred loss on refunding associated with the University's long-term debt totaled \$4,139 and \$4,564, net of accumulated amortization of \$1,755 and \$1,375, at June 30, 2018 and 2017, respectively.

Deferred gain on refunding associated with the University's long-term debt totaled \$507 and \$625, net of accumulated amortization of \$399 and \$281, at June 30, 2018 and 2017, respectively.

Interest charges incurred in fiscal years 2018 and 2017 totaled \$15,161 and \$13,861, respectively. Of these amounts, \$2,718 and \$4,175 were capitalized in fiscal years 2018 and 2017, respectively.

7. Compensated Absences

Eligible employees accrue vacation leave based upon time employed with a maximum accumulation at June 30 of 10 to 50 days. In addition, eligible employees who retire are paid 50% of their unused sick time up to a maximum of \$15 per employee.

At June 30, 2018 and 2017, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$6,773 and \$6,237, respectively, and unused sick time of \$435 and \$415, respectively. At June 30, 2018 and 2017, other noncurrent liabilities include \$2,542 and \$2,523, respectively, of unused sick time. In fiscal years 2018 and 2017, payments for unused sick time totaled \$459 and \$414, respectively.

8. Retirement Programs

General Information about Pension Plans

The University participates in several retirement plans covering its employees – the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), the Teachers' Pension and Annuity Fund (TPAF), and the Alternate Benefit Program (ABP), which are administered by the State of New Jersey, Division of Pensions and Benefits (the Division), New Jersey Institute of Technology Supplemental Benefit Program and Trust (the Supplemental Program) administered by the University's Board of Trustees, and the NJII 401(k) Plan (the NJII Plan) administered by United of Omaha Life Insurance Company. PERS, PFRS, and TPAF are defined benefit pension plans and ABP, the Supplemental Program, and the NJII Plan are defined contribution pension plans. Generally, all employees, except certain part-time employees, participate in one of these plans.

The State issues a publicly available Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS, PFRS, and TPAF fiduciary net position. These reports can be obtained 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, or obtained at www.state.nj.us/treasury/pensions/financial-reports.shtml.

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Defined Benefit Plans

Public Employees' Retirement System

PERS is a cost sharing multi-employer defined benefit pension plan, which provides coverage to substantially all full-time employees and certain part-time employees of the State or public agencies who are not members of another State-administered retirement system.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, life insurance, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except for health care benefits, which vest after 25 years of service, or under the disability provisions of PERS. Benefits are determined by member's tier (based on date of enrollment), as defined in the PERS plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The current employee contribution rate is 7.34% of base salary. Employer contributions are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State's contribution on behalf of the University (State Contribution) to PERS was \$3,280 and \$6,455 for the fiscal years ended June 30, 2018 and 2017, respectively, which is recognized as deferred outflows of resources in the statement of net position.

The University participated in the State's early retirement incentive programs and is responsible for retirement incentive program contributions to PERS, which were \$217 and \$211 for the years ended June 30, 2018 and 2017, respectively.

Police and Firemen's Retirement System

PFRS is a cost sharing multiple-employer defined benefit pension plan, which provides coverage for substantially all permanent, full-time police officers and firefighters in the State.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service. Benefits are determined by member's tier (based on date of enrollment), as defined in the PFRS plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The current employee contribution rate is 10% of base salary. Employer contributions are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State Contribution to PFRS was \$1,266 and \$1,303 for the fiscal years ended June 30, 2018 and 2017, respectively, which is recognized as deferred outflows of resources in the statement of net position.

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Teachers' Pension and Annuity Fund

TPAF is a cost sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of the University's contributions, excluding any of the University's early retirement incentive contributions. The University does not have any active members in TPAF.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A 18A:66. TPAF provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability provision of TPAF. Members are always fully vested in 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. Benefits are based on member's tier (based on date of enrollment), as defined in the TPAF plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. The State Contribution is based on an actuarially determined rate, and includes funding for basic retirement allowances and noncontributory death benefits for all participating employers. For the fiscal years ended June 30, 2018 and 2017, the University recognized both state appropriation revenue and pension expense of \$122 and \$155, respectively, for contributions by the State.

The University participated in the State's early retirement incentive programs and is responsible for retirement incentive program contributions to TPAF, which were \$59 and \$58 for the years ended June 30, 2018 and 2017, respectively.

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2017 and 2016.

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal years ended June 30, 2018 and 2017, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2018	\$ 130,378	\$ 22,679	\$ 153,057
2017	\$ 138,898	\$ 23,455	\$ 162,353
Proportionate share of the net pension liability (%)			
2018	0.508%	0.516%	
2017	0.473%	0.498%	

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	PERS	PFRS	Total
Deferred outflows of resources			
2018	\$ 33,570	\$ 4,095	\$ 37,665
2017	\$ 35,810	\$ 4,460	\$ 40,270
Deferred inflows of resources			
2018	\$ 19,000	\$ 3,561	\$ 22,561
2017	\$ 693	\$ 1,990	\$ 2,683
Net pension expense			
2018	\$ 12,026	\$ 1,160	\$ 13,186
2017	\$ 7,476	\$ 778	\$ 8,254

The University's proportionate share of each respective plan's 2017 and 2016 net pension liability was based on the State Contribution to the respective plans from July 1, 2016 to June 30, 2017 and July 1, 2015 to June 30, 2016, respectively, relative to the total contributions from all participating employers.

The components of pension related deferred outflows of resources and deferred inflows of resources as of June 30, 2018 and June 30, 2017 are as follows:

Deferred outflows of resources

	June 30, 2018		
	PERS	PFRS	Total
Differences between expected and actual experience	\$ 2,987	\$ -	\$ 2,987
Net difference between projected and actual earnings on pension plan investments	828	415	1,243
Changes in assumptions	17,054	1,358	18,412
Changes in proportion	9,421	1,056	10,477
Contributions paid subsequent to June 30, 2017	3,280	1,266	4,546
	<u>\$ 33,570</u>	<u>\$ 4,095</u>	<u>\$ 37,665</u>
	June 30, 2017		
	PERS	PFRS	Total
Differences between expected and actual experience	\$ 2,956	\$ -	\$ 2,956
Net difference between projected and actual earnings on pension plan investments	2,295	731	3,026
Changes in assumptions	20,761	1,827	22,588
Changes in proportion	3,343	599	3,942
Contributions paid subsequent to June 30, 2016	6,455	1,303	7,758
	<u>\$ 35,810</u>	<u>\$ 4,460</u>	<u>\$ 40,270</u>

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Deferred inflows of resources

	June 30, 2018		
	PERS	PFRS	Total
Differences between expected and actual experience	\$ -	\$ 294	\$ 294
Changes in assumptions	18,458	1,929	20,387
Changes in proportion	542	1,338	1,880
	<u>\$ 19,000</u>	<u>\$ 3,561</u>	<u>\$ 22,561</u>

	June 30, 2017		
	PERS	PFRS	Total
Differences between expected and actual experience	\$ -	\$ 203	\$ 203
Changes in proportion	693	1,787	2,480
	<u>\$ 693</u>	<u>\$ 1,990</u>	<u>\$ 2,683</u>

The State is legally obligated to fund TPAF on behalf of the University. The University's proportionate share of deferred outflows of resources, deferred inflows of resources, and the collective net pension liability of \$1,754 and \$2,068 as of June 30, 2017 and 2016, respectively, are reported by the State.

The \$4,546 and \$7,758 reported as deferred outflows of resources related to pensions resulting from State Contributions paid subsequent to June 30, 2017 and 2016, respectively, are recorded as deferred outflows of resources as of June 30, 2018 and 2017, respectively, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019 and fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in pension expense as follows:

	PERS	PFRS	Total
2019	\$ 4,187	\$ (26)	\$ 4,161
2020	4,883	85	4,968
2021	3,485	(188)	3,297
2022	(244)	(424)	(668)
2023	(1,021)	(179)	(1,200)
	<u>11,290</u>	<u>(732)</u>	<u>10,558</u>
Contributions paid subsequent to June 30, 2017	3,280	1,266	4,546
	<u>\$ 14,570</u>	<u>\$ 534</u>	<u>\$ 15,104</u>

Defined Benefit Actuarial Assumptions

The University's net pension liability as of June 30, 2018 for each plan was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The University's net pension liability as of June 30, 2017 for each plan was determined by an actuarial valuation as

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of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for each plan was determined using the following actuarial assumptions:

	2018		
	PERS	PFRS	TPAF
Valuation date	7/1/2016	7/1/2016	7/1/2016
Measurement date	6/30/2017	6/30/2017	6/30/2017
Inflation rate	2.25%	2.25%	2.25%
Salary increases:			
Through 2026	1.65% - 4.15% based on age	2.10% - 8.98% based on age	Varies based on experience
Thereafter	2.65% - 5.15% based on age	3.10% - 9.98% based on age	Varies based on experience
Investment rate of return	7.00%	7.00%	7.00%
Municipal bond rate – 2017	3.58%	3.58%	3.58%
Discount rate – 2017	5.00%	6.14%	4.25%
Experience study dates	7/1/2011-6/30/2014	7/1/2010-6/30/2013	7/1/2012-6/30/2015
	2017		
	PERS	PFRS	TPAF
Valuation date	7/1/2015	7/1/2015	7/1/2015
Measurement date	6/30/2016	6/30/2016	6/30/2016
Inflation rate	3.08%	3.08%	2.50%
Salary increases:			
Through 2026	1.65% - 4.15% based on age	2.10% - 8.98% based on age	Varies based on experience
Thereafter	2.65% - 5.15% based on age	3.10% - 9.98% based on age	Varies based on experience
Investment rate of return	7.65%	7.65%	7.65%
Municipal bond rate – 2016	2.85%	2.85%	2.85%
Discount rate – 2016	3.98%	5.55%	3.22%
Experience study dates	7/1/2011-6/30/2014	7/1/2010-6/30/2013	7/1/2012-6/30/2015

For the June 30, 2017 and 2016 measurement dates, PERS pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Tables for male and female active participants (set back four years for males and females). In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

For the June 30, 2017 and 2016 measurement dates, PFRS pre-retirement mortality rates were based on the RP-2000 Pre-retirement Mortality Tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014

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projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years for 2017 and two years for 2016 using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years for 2017 and two years for 2016 using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality tables were based on special mortality tables used for the period after disability retirement.

For the June 30, 2017 and 2016 measurement dates, TPAF pre-retirement, post-retirement and disability mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

Discount Rate

The discount rates in the above tables used to measure the total pension liabilities for PERS, PFRS, and TPAF, respectively, are single blended discount rates based on the long-term expected rate of return on pension plan investments and the municipal bond rates specified in the tables. The municipal bond rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

For the June 30, 2017 measurement date, 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based upon those assumptions, each plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040, 2057, and 2036 for PERS, PFRS, and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 2057, and 2036 for PERS, PFRS, and TPAF, respectively, and the municipal bond rate was applied to projected benefit payments after these dates in determining the total pension liability for each plan.

For the June 30, 2016 measurement date, 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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based upon those assumptions, each plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034, 2050, and 2029 for PERS, PFRS, and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 2050, and 2029 for PERS, PFRS, and TPAF, respectively, and the municipal bond rate was applied to projected benefit payments after these dates in determining the total pension liability for each plan.

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Long-Term Expected Rate of Return

The long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, each pension plan's board of trustees, and the actuaries. Best estimates of real rates of return for each major asset class included in each of PERS, PFRS, and TPAF's target asset allocations as of June 30, 2018 and 2017 are as follows:

Asset Class	2018	
	PERS, PFRS, and TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Buyouts/venture capital	8.25%	13.08%
Cash equivalents	5.50%	1.00%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Emerging markets equity	6.50%	11.64%
Equity related real estate	6.25%	9.23%
Global diversified credit	5.00%	7.10%
Investment grade credit	10.00%	3.78%
Non-U.S. developed markets equity	11.50%	9.00%
Public high yield	2.50%	6.82%
Private real asset	2.50%	11.83%
U.S. equity	30.00%	8.19%
U.S. Treasuries	3.00%	1.87%

Asset Class	2017			
	PERS and PFRS		TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%	5.00%	0.39%
Mortgages	2.00%	1.67%	2.00%	2.38%
High yield bonds	2.00%	4.56%	2.00%	4.70%
Inflation-indexed bonds	1.50%	3.44%	1.50%	1.41%
Broad U.S. equities	26.00%	8.53%	26.00%	5.14%
Developed foreign equities	13.25%	6.83%	13.25%	5.91%
Emerging markets equity	6.50%	9.95%	6.50%	8.16%
Private equity	9.00%	12.40%	9.00%	8.97%
Hedge funds/absolute return	12.50%	4.68%	-	-
Real estate (property)	2.00%	6.91%	5.25%	3.64%
Real estate (REITS)	5.25%	5.63%	-	-
Commodities	0.50%	5.45%	0.50%	2.87%
U.S. Treasuries	1.50%	1.74%	-	-
Investment grade credit	8.00%	1.79%	-	-
Global debt ex U.S.	5.00%	(0.25)%	-	-
U.S. government bonds	-	-	1.50%	1.28%
U.S. credit bonds	-	-	13.00%	2.76%
Timber	-	-	1.00%	3.86%
Farmland	-	-	1.00%	4.39%
Hedge funds - multi-strategy	-	-	5.00%	3.70%
Hedge funds - equity hedge	-	-	3.75%	4.72%
Hedge funds - distressed	-	-	3.75%	3.49%

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Discount Rate Sensitivity

The University's proportionate share of the net pension liability as of June 30, 2018 and 2017, calculated using the respective discount rate, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate are as follows:

	June 30, 2018			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	4.00%	\$ 151,593	5.14%	\$ 26,840
Current discount rate	5.00%	130,378	6.14%	22,679
1% increase	6.00%	112,758	7.14%	19,268

	June 30, 2017			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	2.98%	\$ 162,680	4.55%	\$ 27,944
Current discount rate	3.98%	138,898	5.55%	23,455
1% increase	4.98%	119,314	6.55%	19,806

Defined Contribution Pension Plans

Alternate Benefits Program

ABP is a defined contribution retirement program administered by the Division for eligible full-time employees in accordance with N.J.S.A. 52:18A.

Membership is mandatory for eligible employees. ABP provides retirement, life insurance, long-term disability benefits and post-retirement health care benefits. Employee contributions are immediately vested and non-forfeitable. Employer contributions vest after one year of service and become non-forfeitable. Disability benefits vest after one year of service, life insurance benefits vest after ten years of service, and health care benefits vest after 25 years of service. Benefits are determined by the amount of individual accumulations and the retirement income option selected.

The current employee contribution rate is 5% of base salary. Employees may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8% of base salary up to \$141. For the fiscal years ended June 30, 2018 and 2017, the University's contributions to ABP were \$7,707 and \$8,012, respectively.

New Jersey Institute of Technology Supplemental Benefit Program and Trust

The Supplemental Program is a defined contribution plan administered by the University's Board of Trustees for ABP participants whose base salary is in excess of \$141, but not in excess of the

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Federal limit. All plan assets are held in trust. Employer contributions vest after one year of service and become non-forfeitable.

Employer contributions are at the discretion of the University, while employees may not contribute. The University's contributions were \$735 and \$800 in fiscal years 2018 and 2017, respectively.

NJII SEP IRA and 401(k) Plans

Employees eligible to participate in the NJII 401(k) Plan are able to contribute up to 5% of base salary, with an employer safe harbor matching contribution equal to 160% of the elective deferral that does not exceed the 5% of base compensation. The NJII 401(k) Plan is administered by United of Omaha Life Insurance Company. Employee contributions and employer safe harbor contributions and earnings are immediately 100% vested. NJII's contributions to the NJII 401(k) Plan were \$481 and \$426 in fiscal years 2018 and 2017, respectively.

9. Other Postemployment Benefits

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

The Plan is a single-employer defined benefit OPEB plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: PERS, ABP, or PFRS. In addition, N.J.S.A. 52-14-17.26 provides that for purposes of the Plan, an employee of the University shall be deemed to be an employee of the State. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB 75.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB 75.

Total OPEB liability and OPEB expense

As of June 30, 2018, the State recorded a liability of \$296,057, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with

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the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2018, the University's share was 3.620% and 1.053% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2018, the University recognized OPEB expense of \$17,417. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$17,417.

Actuarial assumptions and other inputs

The State's liability associated with the University at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017. The following actuarial assumptions were utilized:

Inflation rate	2.50%
Salary increases:	
Through 2026	1.55% - 8.98%
Thereafter	2.00% - 9.98%
Discount rate	3.58%

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

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

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies of the State's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the TPAF – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2015).

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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10. Investment Income

Investment income is comprised of the following for the fiscal years ended June 30:

	2018	2017 (restated)
Interest and dividends	\$ 5,087	\$ 3,472
Realized net gain on sale of investments	9,706	4,625
Net (decrease) increase in the fair value of investments	(2,636)	7,352
	<u>\$ 12,157</u>	<u>\$ 15,449</u>

Investment income of \$227 and \$424 was capitalized in fiscal years 2018 and 2017, respectively.

11. Condensed Combining Financial Statement Information

The condensed combining statements of net position, of revenues, expenses, and changes in net position, and of cash flows for NJIT, the Foundation, NJII, and the UREs at June 30, 2018 and for the year then ended are as follows:

	At June 30, 2018					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Cash and cash equivalents	\$ 13,036	\$ 2,516	\$ 441	\$ 2	\$ (2,518)	\$ 13,477
Other current assets	152,627	634	2,221	24	(2)	155,504
Due from NJIT	-	-	3,220	-	(3,220)	-
Capital assets, net	497,909	-	510	21,805	-	520,224
Other noncurrent assets	44,555	118,139	-	-	-	162,694
Investment in UREs	21,820	-	-	-	(21,820)	-
Total assets	<u>729,947</u>	<u>121,289</u>	<u>6,392</u>	<u>21,831</u>	<u>(27,560)</u>	<u>851,899</u>
Deferred outflows of resources	41,804	-	-	-	-	41,804
Due to NJII	3,220	-	-	-	(3,220)	-
Due to Foundation	2,408	108	-	-	(2,516)	-
Other current liabilities	68,761	187	4,030	11	(4)	72,985
Noncurrent liabilities	516,487	582	-	-	-	517,069
Total liabilities	<u>590,876</u>	<u>877</u>	<u>4,030</u>	<u>11</u>	<u>(5,740)</u>	<u>590,054</u>
Deferred inflows of resources	23,068	750	-	-	-	23,818
Net investment in capital assets	153,992	-	510	21,805	-	176,307
Restricted nonexpendable	-	77,528	-	-	-	77,528
Restricted expendable	23,980	21,391	5	-	-	45,376
Unrestricted	(20,165)	20,743	1,847	15	(21,820)	(19,380)
Total net position	<u>\$ 157,807</u>	<u>\$ 119,662</u>	<u>\$ 2,362</u>	<u>\$ 21,820</u>	<u>\$ (21,820)</u>	<u>\$ 279,831</u>

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	For the Year Ended June 30, 2018					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Gifts and bequests	\$ -	\$ 7,604	\$ 21	\$ -	\$ (7,625)	\$ -
Grants from Foundation	7,830	-	-	-	(7,830)	-
Other operating revenues	257,020	2,639	25,330	1,593	(1,716)	284,866
Total operating revenues	264,850	10,243	25,351	1,593	(17,171)	284,866
Depreciation	30,130	-	29	914	-	31,073
Grants to NJIT	-	8,879	-	-	(8,879)	-
Grants to NJII	-	215	-	-	(215)	-
Grants to NJIT student fraternities	-	100	-	-	(100)	-
Other operating expenses	368,432	2,992	23,812	1,950	(9,340)	387,846
Total operating expenses	398,562	12,186	23,841	2,864	(18,534)	418,919
Operating (loss) profit	(133,712)	(1,943)	1,510	(1,271)	1,363	(134,053)
Gifts and bequests	-	-	-	-	4,792	4,792
Investment income	3,672	8,472	-	-	13	12,157
Other non-operating revenues, net	119,200	37	-	5	(5,550)	113,692
Capital grants and gifts	-	-	-	366	282	648
Additions to permanent endowments	-	2,298	-	-	-	2,298
(Decrease) increase in net position	(10,840)	8,864	1,510	(900)	900	(466)
Net position, beginning of year	168,647	110,798	852	22,720	(22,720)	280,297
Net position, end of year	\$ 157,807	\$ 119,662	\$ 2,362	\$ 21,820	\$ (21,820)	\$ 279,831

	For the Year Ended June 30, 2018					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Net cash provided (used) by:						
Operating activities	\$ (21,954)	\$ (6,025)	\$ 312	\$ (370)	\$ (8,358)	\$ (36,395)
Noncapital financing activities	56,942	1,880	-	370	7,659	66,851
Capital financing activities	(45,424)	-	(224)	-	39	(45,609)
Investing activities	2,783	4,792	-	-	13	7,588
Net (decrease) increase in cash and cash equivalents	(7,653)	647	88	-	(647)	(7,565)
Cash and cash equivalents, beginning of year	20,689	1,869	353	2	(1,871)	21,042
Cash and cash equivalents, end of year	\$ 13,036	\$ 2,516	\$ 441	\$ 2	\$ (2,518)	\$ 13,477

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

The condensed combining statements of net position, of revenues, expenses, and changes in net position, and of cash flows for NJIT, the Foundation, NJII, and the UREs at June 30, 2017, as restated, and for the year then ended are as follows:

	At June 30, 2017 (restated)					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Cash and cash equivalents	\$ 20,689	\$ 1,869	\$ 353	\$ 2	\$ (1,871)	\$ 21,042
Other current assets	114,178	606	2,935	16	(9)	117,726
Due from NJIT	-	-	160	-	(160)	-
Due from Foundation	945	-	-	-	(945)	-
Capital assets, net	453,967	-	136	22,719	-	476,822
Other noncurrent assets	122,182	112,704	-	-	-	234,886
Investment in UREs	22,720	-	-	-	(22,720)	-
Total assets	<u>734,681</u>	<u>115,179</u>	<u>3,584</u>	<u>22,737</u>	<u>(25,705)</u>	<u>850,476</u>
Deferred outflows of resources	44,834	-	-	-	-	44,834
Due to NJII	160	-	-	-	(160)	-
Due to NJIT	-	2,814	-	-	(2,814)	-
Other current liabilities	78,872	144	2,732	17	(11)	81,754
Noncurrent liabilities	528,528	637	-	-	-	529,165
Total liabilities	<u>607,560</u>	<u>3,595</u>	<u>2,732</u>	<u>17</u>	<u>(2,985)</u>	<u>610,919</u>
Deferred inflows of resources	3,308	786	-	-	-	4,094
Net investment in capital assets	152,277	-	136	22,719	-	175,132
Restricted nonexpendable	-	74,891	-	-	-	74,891
Restricted expendable	29,181	18,479	30	-	-	47,690
Unrestricted	(12,811)	17,428	686	1	(22,720)	(17,416)
Total net position	<u>\$ 168,647</u>	<u>\$ 110,798</u>	<u>\$ 852</u>	<u>\$ 22,720</u>	<u>\$ (22,720)</u>	<u>\$ 280,297</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

	For the Year Ended June 30, 2017 (restated)					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Gifts and bequests	\$ -	\$ 8,505	\$ 641	\$ -	\$ (9,146)	\$ -
Grants from Foundation	10,925	-	-	-	(10,925)	-
Other operating revenues	258,684	-	18,814	1,558	(3,542)	275,514
Total operating revenues	269,609	8,505	19,455	1,558	(23,613)	275,514
Depreciation	25,961	-	12	914	-	26,887
Grants to NJIT	-	10,925	-	-	(10,925)	-
Grants to NJII	-	120	-	-	(120)	-
Grants to NJIT student fraternities	-	139	-	-	(139)	-
Other operating expenses	333,385	3,089	18,659	1,830	(7,449)	349,514
Total operating expenses	359,346	14,273	18,671	2,744	(18,633)	376,401
Operating (loss) profit	(89,737)	(5,768)	784	(1,186)	(4,980)	(100,887)
Gifts and bequests	-	-	-	-	3,511	3,511
Investment income	3,296	12,153	-	-	-	15,449
Other non-operating revenues, net	86,699	86	-	(1)	2,211	88,995
Capital grants and gifts	13,519	-	-	292	153	13,964
Additions to permanent endowments	-	3,624	-	-	-	3,624
Increase (decrease) in net position	13,777	10,095	784	(895)	895	24,656
Net position, beginning of year	154,870	101,992	68	23,615	(23,615)	256,930
Cumulative effect of accounting change	-	(1,289)	-	-	-	(1,289)
Net position, end of year	\$ 168,647	\$ 110,798	\$ 852	\$ 22,720	\$ (22,720)	\$ 280,297

	For the Year Ended June 30, 2017					
	NJIT	Foundation	NJII	UREs	Reclassifications / Eliminations	Combined
Net cash provided (used) by:						
Operating activities	\$ (19,404)	\$ (3,266)	\$ (545)	\$ (291)	\$ (5,580)	\$ (29,086)
Noncapital financing activities	50,683	3,041	-	291	7,517	61,532
Capital financing activities	(34,028)	-	(105)	-	-	(34,133)
Investing activities	(54,937)	(1,712)	-	-	-	(56,649)
Net decrease in cash and cash equivalents	(57,686)	(1,937)	(650)	-	1,937	(58,336)
Cash and cash equivalents, beginning of year	78,375	3,806	1,003	2	(3,808)	79,378
Cash and cash equivalents, end of year	\$ 20,689	\$ 1,869	\$ 353	\$ 2	\$ (1,871)	\$ 21,042

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2018 and 2017

12. Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2018	2017
		(restated)
Designated unrestricted net position:		
Quasi-endowments	\$ 18,091	\$ 15,452
Instructional and other	4,513	3,811
Construction and capital programs	38,106	29,600
Wellness and events center construction	11,963	15,308
State bonds funds required match	92	256
Debt service	12,228	6,542
Pollution remediation	2,259	-
Outstanding purchase orders	8,558	8,558
	<u>95,810</u>	<u>79,527</u>
Undesignated unrestricted net position		
Pension related	(137,953)	(124,766)
Operations	22,763	27,823
	<u>\$ (19,380)</u>	<u>\$ (17,416)</u>

13. Commitments and Contingencies

At June 30, 2018, open purchase orders totaled \$52,139, primarily for construction and capital program and research expenditures.

In the normal course of business, the University is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the University's financial position.

The University has a number of sites that are subject to pollution remediation. The estimates relating to these current and potential detrimental effects of existing pollution by participating in pollution remediation activities warranted increase in reserves.

The University administers Federal and State grants and contracts, reimbursements from which are subject to review and audit by the respective sponsoring agencies. Such audits could result in disallowances and other adjustments. The University believes disallowances, if any, would not significantly affect the accompanying financial statements.

14. Subsequent Event

On December 27, 2018, the University entered into a bond agreement and an interest rate lock agreement with TD Bank, N.A. to refund \$28,360 of outstanding NJEFA Revenue Bonds, Series 2010H, on a forward delivery basis, with an anticipated bond purchase to close on April 2, 2020.

Required Supplementary Information
(unaudited)

Schedules of Proportionate Share of the
Net Pension Liability – Last 10 Years

Schedules of Employer
Contributions – Last 10 Years

Schedules of Proportionate Share of the Total Other
Postemployment Benefits Liability – Last 10 Years

NEW JERSEY INSTITUTE OF TECHNOLOGY
Required Supplementary Information (unaudited)
Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years*
(Dollars in thousands)
June 30, 2018

	2018		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.508%	0.516%	0.00%
NJIT's proportionate share of net pension liability	\$ 130,378	\$ 22,679	\$ -
NJIT's covered payroll (for the year ended as of the measurement date)	\$ 24,911	\$ 2,625	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 1,754
NJIT's proportionate share of the net pension liability as a percentage of its covered payroll	523.38%	863.96%	0.00%
Plan fiduciary net position as a percentage of total pension liability	21.18%	25.99%	25.41%
	2017		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.473%	0.498%	0.00%
NJIT's proportionate share of net pension liability	\$ 138,898	\$ 23,455	\$ -
NJIT's covered payroll (for the year ended as of the measurement date)	\$ 24,111	\$ 2,654	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 2,068
NJIT's proportionate share of the net pension liability as a percentage of its covered payroll	576.08%	883.76%	0.00%
Plan fiduciary net position as a percentage of total pension liability	19.02%	24.70%	22.33%
	2016		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.476%	0.535%	0.00%
NJIT's proportionate share of net pension liability	\$ 113,033	\$ 22,966	\$ -
NJIT's covered payroll (for the year ended as of the measurement date)	\$ 24,038	\$ 2,391	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 7,578
NJIT's proportionate share of the net pension liability as a percentage of its covered payroll	470.23%	960.52%	0.00%
Plan fiduciary net position as a percentage of total pension liability	24.96%	29.07%	28.71%
	2015		
	PERS	PFRS	TPAF
NJIT's proportion of net liability	0.455%	0.509%	0.00%
NJIT's proportionate share of net pension liability	\$ 91,665	\$ 18,071	\$ -
NJIT's covered payroll (for the year ended as of the measurement date)	\$ 23,781	\$ 2,249	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 8,415
NJIT's proportionate share of the net pension liability as a percentage of its covered payroll	385.45%	803.51%	0.00%
Plan fiduciary net position as a percentage of total pension liability	30.06%	34.70%	33.64%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Required Supplementary Information (unaudited)
Schedules of Employer Contributions – Last 10 Years*
(Dollars in thousands)
June 30, 2018

	2018	
	PERS	PFRS
Contractually required contribution	\$ 3,280	\$ 1,266
Contributions in relation to the contractually required contribution	3,280	1,266
Contribution deficiency (excess)	\$ -	\$ -
NJIT's covered payroll (as of fiscal year end)	\$ 23,093	\$ 2,249
Contributions as a percentage of covered payroll	14.20%	56.29%
	2017	
	PERS	PFRS
Contractually required contribution	\$ 4,327	\$ 881
Contributions in relation to the contractually required contribution	4,327	881
Contribution deficiency (excess)	\$ -	\$ -
NJIT's covered payroll (as of fiscal year end)	\$ 24,911	\$ 2,625
Contributions as a percentage of covered payroll	17.37%	33.56%
	2016	
	PERS	PFRS
Contractually required contribution	\$ 2,836	\$ 551
Contributions in relation to the contractually required contribution	2,836	551
Contribution deficiency (excess)	\$ -	\$ -
NJIT's covered payroll (as of fiscal year end)	\$ 24,111	\$ 2,654
Contributions as a percentage of covered payroll	11.76%	20.76%
	2015	
	PERS	PFRS
Contractually required contribution	\$ 736	\$ 545
Contributions in relation to the contractually required contribution	736	545
Contribution deficiency (excess)	\$ -	\$ -
NJIT's covered payroll (as of fiscal year end)	\$ 24,038	\$ 2,391
Contributions as a percentage of covered payroll	3.06%	22.79%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Required Supplementary Information (unaudited)
Schedules of Proportionate Share of the Total Other Postemployment Benefits
(OPEB) Liability – Last 10 Years*
(Dollars in thousands)
June 30, 2018

	<u>2018</u>
NJIT's proportion of the total OPEB liability	0.00%
NJIT's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability attributable to NJIT	296,057
Total OPEB liability	<u>\$ 296,057</u>
NJIT's covered payroll (for the year ended as of the measurement date)	\$ 121,298
NJIT's proportionate share of the collective total OPEB liability as a percentage of its covered payroll	0.00%

** This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*