

NEW JERSEY INSTITUTE OF TECHNOLOGY

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

June 30, 2016 and 2015

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2016 and 2015

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 net position of the business-type activities of New Jersey Institute of Technology as of June 30, 2016 and 2015, and the changes in its net 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 and the Schedules of Employer Contributions – Last 10 Years included on pages 47 and 48 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. However, 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, and the Schedules of Employer Contributions – Last 10 Years information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "GRANT THORNTON LLP". The signature is written in a cursive, flowing style.

Iselin, New Jersey
October 21, 2016

NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2016 and 2015

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 (the Foundation), New Jersey Innovation Institute, Inc. (NJII), and ten urban renewal limited liability companies (the UREs) (collectively, the University) at and for the years ended June 30, 2016 and 2015. This discussion 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 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.

NJIT is a public, student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. In fiscal year 2016, 410 full-time faculty members served 11,325 students. NJIT offers a diverse range of degree programs in an array of engineering and technology disciplines, computer and information science, architecture, applied sciences, management, statistics and actuarial science, including Ph.D. programs in nineteen professional areas, masters programs in fifty-nine specialties, and fifty baccalaureate degree programs. 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, 2016 and 2015, 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).

Effective July 1, 2015, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value, establishes a framework for measuring fair value, provides additional fair value application guidance, and enhances disclosures of fair value measurements.

Financial Highlights

The University's financial position at June 30, 2016 and 2015 was sound, with total assets of \$799,276 and \$770,653, total deferred outflows of resources of \$22,719 and \$6,534, total liabilities of \$563,257 and \$521,464, and total deferred inflows of resources of \$1,808 and \$4,571, 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 \$256,930 and \$251,152 at June 30, 2016 and 2015, respectively. The University's net position increased \$5,778 in fiscal year 2016, primarily due to an excess of net nonoperating and other revenues over the operating loss. The University's net position decreased \$69,123 in fiscal year 2015, primarily due to the cumulative effect of change in accounting principle as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, offset by an excess of net nonoperating and other revenues over the operating loss.

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Statement of Net Position

The statement of net position presents the University's financial position at June 30, 2016 and 2015, and is summarized as follows. The summarized statement of net position at June 30, 2014, is also presented for comparative purposes.

	June 30,		
	2016	2015	2014
Current assets	\$ 137,872	\$ 115,743	\$ 101,594
Endowment investments	98,100	99,233	98,197
Capital assets, net	393,043	338,984	318,194
Other assets	<u>170,261</u>	<u>216,693</u>	<u>93,499</u>
Total assets	<u>799,276</u>	<u>770,653</u>	<u>611,484</u>
Deferred outflows of resources	<u>22,719</u>	<u>6,534</u>	<u>2,362</u>
Current liabilities	76,827	56,740	56,035
Long term debt, noncurrent portion	334,027	343,361	223,474
Other liabilities	<u>152,403</u>	<u>121,363</u>	<u>13,644</u>
Total liabilities	<u>563,257</u>	<u>521,464</u>	<u>293,153</u>
Deferred inflows of resources	<u>1,808</u>	<u>4,571</u>	<u>418</u>
Net investment in capital assets	138,838	118,359	104,903
Restricted nonexpendable	71,366	67,766	64,748
Restricted expendable	58,022	79,636	77,674
Unrestricted	<u>(11,296)</u>	<u>(14,609)</u>	<u>72,950</u>
Total net position	<u>\$ 256,930</u>	<u>\$ 251,152</u>	<u>\$ 320,275</u>

Current assets consist principally of cash and cash equivalents, grants and accounts receivable, net, deposits held with trustees, and short term investments. The increase in current assets at June 30, 2016 as compared to June 30, 2015 of \$22,129 principally relates to increases in cash and cash equivalents, deposits held with trustees, and grants and accounts receivable, net. The increase in current assets at June 30, 2015 as compared to June 30, 2014 of \$14,149 principally relates to increases in short term investments, grants and accounts receivable, net, deposits held with trustees, and cash and cash equivalents.

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 increase in current liabilities at June 30, 2016 of \$20,087 principally relates to increases in accounts payable and accrued liabilities and unearned advance payments. The increase in current liabilities at June 30, 2015 of \$705 principally relates to increases in unearned advance payments, current portion of long term debt, and due to affiliates, partially offset by a decrease in accounts payable and accrued liabilities.

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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 \$58,104 and \$57,365 at June 30, 2016 and 2015, respectively. The University had \$89,734 and \$70,877 in cash and cash equivalents and short term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2016 and 2015, respectively. The net increase in cash and cash equivalents and short term investments at June 30, 2016 and 2015 of \$18,857 and \$6,942, respectively, principally relates to reimbursement from capital grants of a portion of the expenditures for the rehabilitation and renovation of an academic facility and advance payments from grants in fiscal year 2016, and increased tuition and fees cash collections in both fiscal years.

Endowment investments include gifts from donors that are to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Except for quasi-endowments, which can be expended at the discretion of NJIT, only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments decreased 1.1% and increased 1.1% during fiscal years 2016 and 2015, respectively, reflecting growth from new gifts, realized net investment gains, net decreases in the fair value of investments at June 30, 2016 and 2015, and endowment spending.

Capital assets increased 11.4% and 6.4% at cost during fiscal years 2016 and 2015, respectively. The fiscal year 2016 and 2015 increases result primarily from the construction in progress of a parking facility, a wellness and events center, and a state-of-the-art research facility; continued work on the rehabilitation and renovation of an academic facility; and campus facilities renovations; partially offset by the write-off of equipment and other assets no longer in service. The parking facility was completed in early fiscal year 2017, and completion of the wellness and events center and state-of-the-art research facility is expected in fiscal year 2018.

Other assets are comprised of investments, investments – capital construction, deposits held with trustees, and other noncurrent assets. The decrease in other assets at June 30, 2016 of \$46,432 was principally due to the utilization of investments – capital construction and deposits held with trustees and the collection of Building Our Future receivables, recorded in other assets, for capital expenditures. The increase in other assets at June 30, 2015 of \$123,194 principally relates to an increase in investments - capital construction, attributable to the 2015 Series A bond proceeds, partially offset by a decrease in deposits held with trustees.

Deferred outflows of resources consist of loss on defeasance of debt and certain changes in the net pension liability. The increase in deferred outflows of resources of \$16,185 and \$4,172 at June 30, 2016 and 2015, respectively, are principally the result of changes in actuarial assumptions and increases in the University's proportionate share of the net pension liability.

Total long term debt at June 30, 2016 and 2015 totaled \$344,565 and \$353,327, respectively. In fiscal year 2015, the University issued 2015 Series A General Obligation Bonds in the amount of \$116,680 to finance, in part, the construction of the parking facility and the wellness and events center referred to above.

Other liabilities consist of net pension liability, other noncurrent liabilities, and U.S. government grants refundable. The increase in other liabilities at June 30, 2016 of \$31,040 principally relates to increases in net pension liability and other noncurrent liabilities, primarily the result of a new faculty

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separation incentive program. The increase in other liabilities at June 30, 2015 of \$107,719 principally relates to the recording of the University's net pension liability, partially offset by a decrease in other noncurrent liabilities.

Deferred inflows of resources consist of gain on defeasance of debt and certain changes in the net pension liability. The decrease in deferred inflows of resources of \$2,763 at June 30, 2016 and the increase in deferred inflows of resources of \$4,153 at June 30, 2015 principally relates to certain changes in the net pension liability.

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 \$20,479 and \$13,456 during fiscal years 2016 and 2015, respectively, principally due to the increase in capital assets discussed above, partially offset by depreciation expense in both fiscal years 2016 and 2015, a net decrease in long term debt during fiscal year 2016, and a net increase in long term debt during fiscal year 2015.

Restricted nonexpendable net position represents the original value of additions to the University's endowment and annuity funds. 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 sources. As discussed above, donor-restricted endowment funds represent gifts from donors that are to be invested in perpetuity. Annuity funds are given to the University to be invested with the stipulation that the University pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime, after which period the remaining funds become part of the University's endowment or are used for the purpose designated by the donor.

Restricted net position decreased \$18,014 during fiscal year 2016, primarily due to decreases in restricted expendable net position for capital projects, resulting from the expenditures of capital grant funds; restricted expendable net positions for scholarships and fellowships and instructional and other, principally due to the net decrease in the fair value of investments at June 30, 2016; partially offset by an increase in restricted nonexpendable net position for scholarships and fellowships and instructional and other as a result of additions to permanent endowments. Restricted net position increased \$4,980 during fiscal year 2015, primarily due to increases in restricted nonexpendable net position for scholarships and fellowships as a result of additions to permanent endowments; net realized investment gains; restricted expendable net position for capital projects, primarily resulting from a capital grant; and restricted expendable net position for debt service; partially offset by a decrease in restricted expendable net position for scholarships and fellowships, primarily due to the net decrease in the fair value of investments at June 30, 2015.

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 has designated a portion of the unrestricted net position for the following specified purposes. The June 30, 2014 unrestricted net position is also presented for comparative purposes.

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	June 30,		
	2016	2015	2014
Designated unrestricted net position:			
Quasi-endowments	\$ 12,384	\$ 13,141	\$ 13,413
Instructional and other	2,902	3,790	2,578
Construction and capital programs	31,770	22,265	18,655
Wellness and events center construction	10,000	5,000	-
State bond funds required match	9,925	16,140	6,000
Debt service	6,546	4,804	4,558
Outstanding purchase orders	7,398	5,000	4,000
	<u>80,925</u>	<u>70,140</u>	<u>49,204</u>
Undesignated unrestricted net position:			
Pension related	(116,512)	(109,399)	-
Operations	24,291	24,650	23,746
	<u>\$ (11,296)</u>	<u>\$ (14,609)</u>	<u>\$ 72,950</u>

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 nonoperating and other revenues and expenses of the University.

The components of revenues for the fiscal years ended June 30, 2016 and 2015 are as follows. The components of revenues for the fiscal year ended June 30, 2014 are also presented for comparative purposes:

	Fiscal Year Ended June 30,		
	2016	2015	2014
Operating revenues:			
Student tuition and fees, net	\$ 135,189	\$ 122,749	\$ 112,253
Federal, State, and other grants and contracts	108,338	94,091	91,877
Auxiliary enterprises, net	15,721	14,357	13,337
Other operating revenues	3,974	3,267	3,070
Total operating revenues	<u>263,222</u>	<u>234,464</u>	<u>220,537</u>
Nonoperating and other revenues:			
State appropriations	87,532	80,890	92,086
Gifts and bequests, capital grants and gifts, and additions to permanent endowments	9,893	28,113	78,789
Investment income	17	2,294	14,701
Other nonoperating revenues, net	4,084	3,411	820
Total nonoperating and other revenues	<u>101,526</u>	<u>114,708</u>	<u>186,396</u>
Total revenues	<u>\$ 364,748</u>	<u>\$ 349,172</u>	<u>\$ 406,933</u>

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The components of expenses for the fiscal years ended June 30, 2016 and 2015 are as follows. The components of expenses for the fiscal year ended June 30, 2014 are also presented for comparative purposes:

	Fiscal Year Ended June 30,		
	2016	2015	2014
Operating expenses:			
Instruction	\$ 104,479	\$ 91,111	\$ 97,995
Research and programs	71,428	56,243	56,938
Public service	2,077	1,989	1,612
Academic support	30,438	27,091	27,294
Student services	24,866	21,444	20,426
Institutional support	52,346	45,683	40,522
Operation and maintenance of plant	20,367	20,449	19,751
Scholarships and fellowships	9,967	10,175	10,936
Depreciation	25,568	22,178	19,406
Auxiliary enterprises	8,299	8,569	9,937
Total operating expenses	<u>349,835</u>	<u>304,932</u>	<u>304,817</u>
Nonoperating expenses - interest expense	<u>9,135</u>	<u>9,386</u>	<u>8,502</u>
Total expenses	<u>\$ 358,970</u>	<u>\$ 314,318</u>	<u>\$ 313,319</u>

Student tuition and fees, auxiliary enterprises, and State appropriations are the primary sources of funding for the University's operating expenses.

Student tuition and fees totaled \$135,189, \$122,749, and \$112,253, net of scholarship allowances of \$51,132, \$46,588, and \$42,885 in fiscal years 2016, 2015, and 2014, respectively. The fiscal year 2016 and 2015 increases are attributable to a strategic growth in enrollment and tuition and mandatory fees increases of 2.9% and 2.5%, respectively.

Auxiliary enterprises revenues, net of scholarship allowances of \$4,554, \$4,227, and \$3,936 in fiscal years 2016, 2015, and 2014, respectively, increased 9.5% to \$15,721 in fiscal year 2016 and 7.6% to \$14,357 in fiscal year 2015, principally due to increased occupancy and residence hall charges in both fiscal years and the reopening of Redwood Hall in fiscal year 2015.

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

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The components of State appropriations are as follows:

	Fiscal Year Ended June 30,		
	2016	2015	2014
Direct appropriations for general operating purposes	\$ 35,440	\$ 37,696	\$ 37,696
FICA and fringe benefits paid by the State for			
University employees	39,117	37,551	33,661
Fringe benefit equalization adjustment	<u>12,975</u>	<u>5,643</u>	<u>20,729</u>
	<u>\$ 87,532</u>	<u>\$ 80,890</u>	<u>\$ 92,086</u>

The fiscal year 2016 increase in State appropriations was the result of an equalization adjustment to the State's fringe benefit rate and an increase in fringe benefits paid by the State, partially offset by a decrease in the direct appropriations for general operating purposes. The fiscal year 2015 decrease in State appropriations was primarily the result of an equalization adjustment to the State's fringe benefit rate.

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 Year Ended June 30,		
	2016	2015	2014
Federal grants and contracts, including ARRA awards of \$341, \$1,059, and \$8,666, respectively	\$ 80,635	\$ 67,804	\$ 66,908
State grants and contracts	23,590	22,092	21,012
Other grants and contracts	<u>4,113</u>	<u>4,195</u>	<u>3,957</u>
	<u>\$ 108,338</u>	<u>\$ 94,091</u>	<u>\$ 91,877</u>

Federal grants and contracts revenues increased 18.9% and 1.3% in fiscal years 2016 and 2015, respectively, due to increases in research grants and contracts and student financial assistance grants. State grants and contracts revenues increased 6.8% and 5.1% in fiscal years 2016 and 2015, respectively, due to increases in research grants and contracts and student financial assistance grants. Other grants and contracts revenues decreased 2.0% and increased 6.0% in fiscal years 2016 and 2015, respectively.

Private support from corporations, foundations, alumni, and other donors is an important factor in the University's growth and development. Gifts and bequests totaled \$2,468 and \$3,672, and capital grants and gifts amounted to \$3,240 and \$21,470, in fiscal years 2016 and 2015, respectively. The fiscal year 2016 decrease in capital grants and gifts was principally due to the receipt of a Building Our Future award in fiscal year 2015. Additions to permanent endowments were \$4,185 and \$2,971 in fiscal years 2016 and 2015, respectively.

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Investment income includes interest and dividends, as well as realized and unrealized gains and losses. During fiscal years 2016 and 2015, investment income of \$17 and \$2,294 was due to interest and dividends, realized net gain on sale of investments, and net decreases in the fair value of investments at June 30, 2016 and 2015.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$169,750, \$149,821, and \$156,651 in fiscal years 2016, 2015, and 2014, respectively. The increase of 13.3% in fiscal year 2016 is primarily due to increased salaries and fringe benefits due to the faculty separation incentive program, the fringe benefit equalization adjustment, and pension expense; increased consulting services expense and computer software maintenance and licenses expense. The decrease of 4.4% in fiscal year 2015 is primarily due to decreased salaries and fringe benefits due to the fringe benefit equalization adjustment and the faculty separation incentive program expense recorded in the prior year, as well as a decrease in scholarships and fellowships, partially offset by an increase in pension expense.

Research and programs expense increased 27.0% to \$71,428 in fiscal year 2016, primarily as a result of increases in Federal and State research and programs expenditures, and decreased 1.2% to \$56,243 in fiscal year 2015, primarily as a result of decreases in salaries and fringe benefits, due to the fringe benefit equalization adjustment, consulting and professional services expense, and a reclassification of pre-college program expenses to public service expense; partially offset by increases in pension expense and Federal and State research and programs expenditures.

Public service expense remained relatively constant in fiscal year 2016 after increasing 23.4% to \$1,989 in fiscal year 2015. The fiscal year 2015 increase was primarily due to a reclassification of pre-college program expenses from research and programs expense and an increase in pension expense, partially offset by a reduction in service center expenses.

Institutional support expense increased 14.6% to \$52,346 and 12.7% to \$45,683 in fiscal years 2016 and 2015, respectively, primarily due to increases in salaries and fringe benefits, due to increased personnel and pension expense, increases in the allowance for doubtful student accounts, and consulting and professional services expense in both fiscal years, and the fringe benefit equalization adjustment in fiscal year 2016.

Operation and maintenance of plant expense remained relatively constant in fiscal year 2016, after increasing 3.5% to \$20,449 in fiscal year 2015, primarily due to an increase in pension expense.

Auxiliary enterprises expense decreased 3.2% to \$8,299 in fiscal year 2016, primarily due to decreases in consulting and professional services expense and operation and maintenance costs, and decreased 13.8% to \$8,569 in fiscal year 2015, primarily due to a decrease in operation and maintenance costs, partially offset by an increase in pension expense.

During fiscal years 2016 and 2015, the University incurred long term debt interest costs of \$14,148 and \$10,431, of which \$5,013 and \$1,045, respectively, was capitalized and will be amortized over the estimated useful lives of the associated capital assets.

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Summary and Outlook

The University is in a sound financial position at June 30, 2016. Overall enrollment increased 6.4% for the fiscal 2016 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's debt is rated A1 by Moody's Investors Service and A by Standard & Poor's. Moody's affirmed its rating in fiscal year 2015 with a negative outlook, noting "the negative outlook reflects uncertainty around state funding and a heightened risk that NJIT will have to cover an increasing portion of fringe benefits." Moody's further noted the University's "A1 rating reflects the University's niche market as the sole public stand-alone technical research university in the state, resulting in strong student demand. NJIT is relatively well positioned to absorb some funding cuts due to its positive operations, growing enrollment, and net tuition revenue. The rating also incorporates relatively moderate financial resources and liquidity." Standard & Poor's March 2015 report noted "The outlook is stable. The rating reflects the University's strong enterprise profile with a niche in engineering and research, the steady enrollment growth, and a stable and proactive management team. In addition, the University's rating reflects a limited dependence on ongoing funding from New Jersey for operations since it receives considerable state support; we, however, believe that other revenue sources provide the majority of revenue and that these other sources are of sufficient strength and breadth to allow us to rate the University at the same rating as the state."

The University's relations with its employees are good. Contracts are in place with three of the seven labor unions; one contract is being finalized; negotiations with two unions are ongoing; negotiations have not yet commenced with another. It is anticipated that remaining negotiations will come to mutually favorable conclusions.

The University's endowment is prudently 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.

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In fiscal year 2016, the State authorized a second round of grant funding from the 2012 Building Our Future Bond Act, as well as new grant awards from the Higher Education Capital Improvement Fund. The University anticipates receiving \$20 million in fiscal year 2017 for classroom and lab space 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, the investment will continue the University's commitment to the renewal and replacement of its facilities and infrastructure to provide current teaching and research facilities for our students, faculty, and staff. The University will be responsible for a portion of the debt service payments and related program expenses.

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 sound.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Net Position
(Dollars in thousands)
At June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 79,378	\$ 60,660
Short term investments	10,356	10,217
Grants and accounts receivable, net	33,235	31,626
Deposits held with trustees	13,479	11,604
Other current assets	<u>1,424</u>	<u>1,636</u>
Total current assets	<u>137,872</u>	<u>115,743</u>
Noncurrent assets:		
Endowment investments	98,100	99,233
Investments	20,351	18,819
Investments - capital construction	102,037	129,069
Deposits held with trustees	9,913	22,070
Other assets	37,960	46,735
Capital assets, net of accumulated depreciation of \$354,147 and \$331,499, respectively	<u>393,043</u>	<u>338,984</u>
Total noncurrent assets	<u>661,404</u>	<u>654,910</u>
Total assets	<u>\$ 799,276</u>	<u>\$ 770,653</u>
Deferred outflows of resources		
Loss on defeasance of debt, net	\$ 1,696	\$ 1,972
Pension related	<u>21,023</u>	<u>4,562</u>
Total deferred outflows of resources	<u>\$ 22,719</u>	<u>\$ 6,534</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,614	\$ 30,708
Long term debt, current portion	10,538	9,966
Unearned advance payments	12,965	10,714
Due to affiliates	<u>5,710</u>	<u>5,352</u>
Total current liabilities	<u>76,827</u>	<u>56,740</u>
Noncurrent liabilities:		
Long term debt	334,027	343,361
Other noncurrent liabilities	14,444	9,687
Net pension liability	135,999	109,736
U.S. government grants refundable	<u>1,960</u>	<u>1,940</u>
Total noncurrent liabilities	<u>486,430</u>	<u>464,724</u>
Total liabilities	<u>\$ 563,257</u>	<u>\$ 521,464</u>
Deferred inflows of resources		
Gain on defeasance of debt, net	\$ 272	\$ 346
Pension related	<u>1,536</u>	<u>4,225</u>
Total deferred inflows of resources	<u>\$ 1,808</u>	<u>\$ 4,571</u>
Net Position		
Net investment in capital assets	\$ 138,838	\$ 118,359
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	59,983	57,515
Instructional and other	11,383	10,251
Expendable:		
Capital projects	32,885	50,697
Scholarships and fellowships	8,486	11,610
Instructional and other	8,281	9,060
Research and programs	855	934
Debt service	6,445	6,275
Loans	1,070	1,060
Unrestricted (note 11)	<u>(11,296)</u>	<u>(14,609)</u>
Total net position	<u>\$ 256,930</u>	<u>\$ 251,152</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$51,132 and \$46,588, respectively	\$ 135,189	\$ 122,749
Federal grants and contracts	80,635	67,804
State grants and contracts	23,590	22,092
Other grants and contracts	4,113	4,195
Auxiliary enterprises, net of scholarship allowances of \$4,554 and \$4,227, respectively	15,721	14,357
Other operating revenues	<u>3,974</u>	<u>3,267</u>
Total operating revenues	<u>263,222</u>	<u>234,464</u>
Operating expenses		
Instruction	104,479	91,111
Research and programs	71,428	56,243
Public service	2,077	1,989
Academic support	30,438	27,091
Student services	24,866	21,444
Institutional support	52,346	45,683
Operation and maintenance of plant	20,367	20,449
Scholarships and fellowships	9,967	10,175
Depreciation	25,568	22,178
Auxiliary enterprises	<u>8,299</u>	<u>8,569</u>
Total operating expenses	<u>349,835</u>	<u>304,932</u>
Operating loss	<u>(86,613)</u>	<u>(70,468)</u>
Nonoperating revenues (expenses)		
State appropriations	87,532	80,890
Gifts and bequests	2,468	3,672
Interest expense	(9,135)	(9,386)
Investment income	17	2,294
Other nonoperating revenues, net	<u>4,084</u>	<u>3,411</u>
Net nonoperating revenues	<u>84,966</u>	<u>80,881</u>
(Loss) income before other revenues	<u>(1,647)</u>	<u>10,413</u>
Other revenues		
Capital grants and gifts	3,240	21,470
Additions to permanent endowments	<u>4,185</u>	<u>2,971</u>
Total other revenues	<u>7,425</u>	<u>24,441</u>
Increase in net position	5,778	34,854
Net position, beginning of year	251,152	320,275
Cumulative effect of change in accounting principal	<u>-</u>	<u>(103,977)</u>
Net position, end of year	<u>\$ 256,930</u>	<u>\$ 251,152</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Student tuition and fees	\$ 133,116	\$ 124,843
Grants and contracts	108,741	90,401
Payments for salaries and benefits	(178,617)	(165,970)
Payments for goods and services	(75,118)	(70,817)
Payments for scholarships and fellowships	(9,967)	(10,175)
Loans issued to students	-	(519)
Loans collected from students	356	289
Auxiliary enterprises	15,686	14,440
University programs	332	2,484
Affiliates	360	789
Other receipts (payments)	<u>3,969</u>	<u>(194)</u>
Net cash used by operating activities	<u>(1,142)</u>	<u>(14,429)</u>
Cash flows from noncapital financing activities		
State appropriations	47,346	49,444
Gifts and bequests for other than capital purposes	3,128	2,599
Additions to permanent endowments	4,013	2,832
Other receipts	<u>11,683</u>	<u>2,803</u>
Net cash provided by noncapital financing activities	<u>66,170</u>	<u>57,678</u>
Cash flows from capital financing activities		
Proceeds from capital debt	-	130,236
Mortgage payments received	126	253
Capital grants and gifts	1,035	21,050
Purchase of capital assets	(63,016)	(45,920)
Principal paid on long term debt	(9,495)	(8,815)
Interest paid on long term debt	(13,259)	(9,589)
Purchase of investments – capital construction	(1,163)	(129,128)
Sale of investments – capital construction	27,983	-
Deposits with trustees	(19,485)	(36,310)
Withdrawals from trustees	<u>29,767</u>	<u>42,084</u>
Net cash used by capital financing activities	<u>(47,507)</u>	<u>(36,139)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	29,567	35,001
Interest and dividends on investments	3,832	1,662
Purchase of investments	<u>(32,202)</u>	<u>(41,860)</u>
Net cash provided (used) by investing activities	<u>1,197</u>	<u>(5,197)</u>
Net increase in cash and cash equivalents	18,718	1,913
Cash and cash equivalents, beginning of year	<u>60,660</u>	<u>58,747</u>
Cash and cash equivalents, end of year	<u>\$ 79,378</u>	<u>\$ 60,660</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (86,613)	\$ (70,468)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	25,568	22,178
Noncash operating expenses	47,648	37,609
Changes in assets and liabilities:		
Grants and accounts receivable	(2,885)	(4,507)
Other assets, current and noncurrent	82	(145)
Accounts payable and accrued liabilities	11,129	(1,288)
Unearned advance payments	3,571	1,403
Due to affiliates	<u>358</u>	<u>789</u>
Net cash used by operating activities	<u>\$ (1,142)</u>	<u>\$ (14,429)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 40,702	\$ 31,346
Gifts and bequests for other than capital purposes	(685)	1,073
Investment income	1	6
Gifts for capital purposes	2,205	420
Additions to permanent endowments	172	139
Capital assets	9,040	(4,000)
Capital leases	1,514	101

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, 2016 and 2015

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 Sciences, 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 (the 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: University Advancement Office.

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 (the 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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, 2016 and 2015

(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, NJII, and the UREs have been eliminated.

Effective July 1, 2015, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value, establishes a framework for measuring fair value, provides additional fair value application guidance, and enhances disclosures of fair value measurements.

(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.
- 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

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) 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 nonoperating 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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

(g) Due to Affiliates

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
NJEDGE.Net	\$ 4,298	\$ 4,291
Student organizations	1,054	873
Other organizations	358	188
	<u>\$ 5,710</u>	<u>\$ 5,352</u>

(h) 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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

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 annuity funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annuity funds consist of gift annuities and charitable remainder unitrusts (Unitrusts) which are given to the University to be invested with the stipulation that the University pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of the agreement, the remaining funds either become part of the University's endowment or are used for the purpose designated by the donor.

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 11).

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

(i) 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. Nonoperating 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 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 nonoperating activity.

(j) 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

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.

(k) *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.

(l) *Auxiliary Activities*

Auxiliary activities consist primarily of residence hall and parking operations.

(m) *Fringe Benefits Paid by the State*

Certain fringe benefits for the University's employees are paid by the State. Such amounts (\$52,092 and \$43,194 in fiscal years 2016 and 2015, respectively) are included in State appropriations. The offsetting expenses are recorded within the appropriate operating expense categories.

(n) *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.

(o) *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. The UREs, which are wholly-owned limited liability companies, have the same tax status as NJIT.

(p) *Reclassifications*

Certain prior year amounts have been reclassified in the Statement of Cash Flows to conform with the current year's presentation.

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2016 and 2015

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

Cash and cash equivalents, comprised of cash and money market funds, total \$79,378 and \$60,660 at fair value (\$79,378 and \$60,660 at cost) at June 30, 2016 and 2015, 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, 2016				
	Cost	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Investments:					
Money market funds	\$ 13,397	\$ 13,397	\$ 12,118	\$ 1,279	\$ -
Certificates of deposit	3,000	3,000	3,000	-	-
U.S. Treasury and government					
agency bonds	23,728	23,945	6,067	17,878	-
Commercial paper	29,623	29,716	-	29,716	-
Corporate equity securities	34,130	40,802	40,802	-	-
Corporate debt securities	43,055	42,730	1,441	41,289	-
Mutual equity funds	24,506	24,831	24,723	108	-
Mutual bond funds	26,711	26,316	26,316	-	-
Hedge and other investment					
funds	<u>24,152</u>	<u>26,107</u>	<u>2,373</u>	<u>-</u>	<u>23,734</u>
	<u>222,302</u>	<u>230,844</u>	<u>116,840</u>	<u>90,270</u>	<u>23,734</u>
Deposits held with trustees:					
Money market funds	<u>23,392</u>	<u>23,392</u>	<u>8,990</u>	<u>14,402</u>	<u>-</u>
	<u>\$ 245,694</u>	<u>\$ 254,236</u>	<u>\$ 125,830</u>	<u>\$ 104,672</u>	<u>\$ 23,734</u>
	June 30, 2015				
	Cost	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Investments:					
Money market funds	\$ 8,234	\$ 8,234	\$ 6,398	\$ 1,836	\$ -
Certificates of deposit	22,350	22,344	-	22,344	-
U.S. Treasury and government					
agency bonds	34,647	34,680	6,453	28,227	-
Commercial paper	32,070	32,083	-	32,083	-
Corporate equity securities	32,847	39,997	39,997	-	-
Corporate debt securities	43,996	43,951	2,859	41,092	-
Mutual equity funds	25,778	27,055	26,938	117	-
Mutual bond funds	23,197	23,332	12,988	10,344	-
Hedge and other investment					
funds	<u>22,362</u>	<u>25,662</u>	<u>2,652</u>	<u>-</u>	<u>23,010</u>
	<u>245,481</u>	<u>257,338</u>	<u>98,285</u>	<u>136,043</u>	<u>23,010</u>
Deposits held with trustees:					
Money market funds	32,363	32,363	7,660	24,703	-
U.S. Treasury and government					
agency bonds	<u>1,310</u>	<u>1,311</u>	<u>-</u>	<u>1,311</u>	<u>-</u>
	<u>33,673</u>	<u>33,674</u>	<u>7,660</u>	<u>26,014</u>	<u>-</u>
	<u>\$279,154</u>	<u>\$291,012</u>	<u>\$105,945</u>	<u>\$162,057</u>	<u>\$ 23,010</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

Endowment investments totaling \$3,684 and \$3,876 at fair value (\$3,305 and \$3,393 at cost) at June 30, 2016 and 2015, respectively, are held and administered by external trustees, while the remainder are held and administered by the University.

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 \$3,850 in these funds over the next several fiscal years.

Investments – capital construction represent the proceeds of the 2015 Series A bonds (see Note 6). These funds are separately invested, and are designated for the costs of construction of a wellness and events center and a parking facility.

Deposits held with trustees represent restricted funds held by U.S. Bank and 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). At June 30, 2015, \$1,310 was required to be maintained in accordance with the mortgage bond indenture agreement.

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.

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 \$84,348 and \$63,265, including cash held by depositories of \$3,376 and \$1,697 at June 30, 2016 and 2015, respectively, of which \$845 and \$841 are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents of \$500 at both June 30, 2016 and 2015 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, 2016 and 2015, \$250,551 and \$287,135, respectively, of investments and deposits held with trustees are either insured or held by the University or its agent in the University's name.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

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. The University's investments in commercial paper and corporate debt securities are rated as follows by Standard & Poor's:

	Rating	June 30,	
		2016	2015
Commercial paper	A-1+	\$ 5,973	\$ -
Commercial paper	A-1	23,743	32,083
Total commercial paper		<u>29,716</u>	<u>32,083</u>
Corporate debt securities	AA+	4,293	4,317
Corporate debt securities	AA	4,268	4,355
Corporate debt securities	AA-	6,338	6,396
Corporate debt securities	A+	2,014	5,098
Corporate debt securities	A	12,629	13,989
Corporate debt securities	A-	7,881	5,761
Corporate debt securities	BBB+	5,299	3,240
Corporate debt securities	BBB	6	792
Corporate debt securities	BBB-	2	3
Total corporate debt securities		<u>42,730</u>	<u>43,951</u>
		<u>\$ 72,446</u>	<u>\$ 76,034</u>

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.

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, 2016 and 2015, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

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June 30, 2016 and 2015

	June 30, 2016			
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	5 to 10
Money market funds	\$ 114,573	\$ 114,573	\$ -	\$ -
Certificates of deposit	3,000	3,000	-	-
U.S. Treasury and government agency bonds	23,945	16,361	4,295	3,289
Commercial paper	29,716	29,716	-	-
Corporate debt securities	42,730	37,721	4,979	30
Mutual bond funds	26,316	10,414	15,443	459
	<u>\$ 240,280</u>	<u>\$ 211,785</u>	<u>\$ 24,717</u>	<u>\$ 3,778</u>
	June 30, 2015			
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	5 to 10
Money market funds	\$ 99,640	\$ 99,640	\$ -	\$ -
Certificates of deposit	22,344	22,344	-	-
U.S. Treasury and government agency bonds	35,991	1,870	30,157	3,964
Commercial paper	32,083	32,083	-	-
Corporate debt securities	43,951	5,705	38,221	25
Mutual bond funds	23,332	10,422	12,752	158
	<u>\$ 257,341</u>	<u>\$ 172,064</u>	<u>\$ 81,130</u>	<u>\$ 4,147</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,			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,716	\$ 1,716	\$ 1,701	\$ 1,701
Corporate equity securities	28,560	34,388	27,638	34,279
Mutual equity funds	14,090	14,054	17,472	18,382
Mutual bond funds	15,279	14,883	11,870	12,029
Hedge and other investment funds	23,848	25,754	22,011	25,288
	<u>\$ 83,493</u>	<u>\$ 90,795</u>	<u>\$ 80,692</u>	<u>\$ 91,679</u>

Endowment investment pool units are assigned to new gifts based upon the value of the pool at the end of the quarter in which the gifts are received. There were 428,964 and 408,426 pool units with a fair unit value of \$211.66 and \$224.47 at June 30, 2016 and 2015, respectively.

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For the years ended June 30, 2016 and 2015, the average (loss) return for the endowment investment pool was (1.4%) and 1.6%, respectively.

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, 2016 and 2015 were 4.9% and 5.0%, 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, 2016 and 2015 was as follows:

	June 30, 2015	Additions	Retirements	Placed Into Service	June 30, 2016
Depreciable assets:					
Land improvements	\$ 12,218	\$ -	\$ -	\$ -	\$ 12,218
Buildings and building improvements	520,186	-	-	6,929	527,115
Equipment and other assets	106,727	8,517	(2,963)	1,431	113,712
	<u>639,131</u>	<u>8,517</u>	<u>(2,963)</u>	<u>8,360</u>	<u>653,045</u>
Accumulated depreciation:					
Land improvements	5,028	564	-	-	5,592
Buildings and building improvements	250,460	16,220	-	-	266,680
Equipment and other assets	76,011	8,784	(2,920)	-	81,875
	<u>331,499</u>	<u>25,568</u>	<u>(2,920)</u>	<u>-</u>	<u>354,147</u>
	307,632	(17,051)	(43)	8,360	298,898
Nondepreciable assets:					
Land	18,375	-	-	-	18,375
Construction in progress	12,977	71,153	-	(8,360)	75,770
	<u>\$ 338,984</u>	<u>\$ 54,102</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ 393,043</u>
	June 30, 2014	Additions	Retirements	Placed Into Service	June 30, 2015
Depreciable assets:					
Land improvements	\$ 11,479	\$ -	\$ -	\$ 739	\$ 12,218
Buildings and building improvements	456,155	-	-	64,031	520,186
Equipment and other assets	98,026	5,609	(2,583)	5,675	106,727
	<u>565,660</u>	<u>5,609</u>	<u>(2,583)</u>	<u>70,445</u>	<u>639,131</u>
Accumulated depreciation:					
Land improvements	4,402	626	-	-	5,028
Buildings and building improvements	235,846	14,614	-	-	250,460
Equipment and other assets	71,650	6,938	(2,577)	-	76,011
	<u>311,898</u>	<u>22,178</u>	<u>(2,577)</u>	<u>-</u>	<u>331,499</u>
	253,762	(16,569)	(6)	70,445	307,632
Nondepreciable assets:					
Land	18,375	-	-	-	18,375
Construction in progress	46,057	37,365	-	(70,445)	12,977
	<u>\$ 318,194</u>	<u>\$ 20,796</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ 338,984</u>

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4. Supplementary Statement of Net Position Detail

	June 30,	
	2016	2015
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 29,347	\$ 27,446
Student accounts receivable	6,286	4,365
Program services accounts receivable	1,175	673
Other grants and accounts receivable	773	1,393
Pledges receivable, current portion	678	1,107
Student loans receivable, current portion	268	289
Accrued interest receivable	283	327
	<u>38,810</u>	<u>35,600</u>
Less: allowance for doubtful accounts	5,575	3,974
	<u>\$ 33,235</u>	<u>\$ 31,626</u>
Other assets, noncurrent:		
Building Our Future Bonds proceeds receivable	\$ 31,297	\$ 39,659
Student loans receivable, net	1,646	1,981
Mortgages receivable	3,556	3,682
Pledges receivable, net	467	1,022
Other	994	391
	<u>\$ 37,960</u>	<u>\$ 46,735</u>
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 15,576	\$ 13,236
Accrued interest expense	7,128	5,659
Accounts payable - construction	12,127	3,087
Accounts payable - other	10,703	6,419
Other noncurrent liabilities, current portion	2,080	2,307
	<u>\$ 47,614</u>	<u>\$ 30,708</u>

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5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Long term debt	\$ 333,159	\$ 1,439	\$ (9,495)	\$ 325,103	\$ 9,708
Unamortized net premium	20,168	75	(781)	19,462	830
Total long term debt	<u>353,327</u>	<u>1,514</u>	<u>(10,276)</u>	<u>344,565</u>	<u>10,538</u>
Retirement incentive programs	5,913	5,755	(1,538)	10,130	1,392
Annuity funds liability	977	262	(335)	904	159
Insurance liability reserve	1,442	-	-	1,442	-
Compensated absences	3,177	477	(318)	3,336	325
Other	485	505	(278)	712	204
Total other noncurrent liabilities	<u>11,994</u>	<u>6,999</u>	<u>(2,469)</u>	<u>16,524</u>	<u>2,080</u>
Net pension liability	109,736	27,717	(1,454)	135,999	-
U.S. government grants refundable	1,940	38	(18)	1,960	-
	<u>\$ 476,997</u>	<u>\$ 36,268</u>	<u>\$ (14,217)</u>	<u>\$ 499,048</u>	<u>\$ 12,618</u>

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Long term debt	\$ 225,193	\$ 116,781	\$ (8,815)	\$ 333,159	\$ 9,185
Unamortized net premium	7,348	13,556	(736)	20,168	781
Total long term debt	<u>232,541</u>	<u>130,337</u>	<u>(9,551)</u>	<u>353,327</u>	<u>9,966</u>
Retirement incentive programs	7,519	134	(1,740)	5,913	1,801
Annuity funds liability	1,116	473	(612)	977	165
Insurance liability reserve	1,441	2	(1)	1,442	-
Compensated absences	3,295	140	(258)	3,177	260
Other	438	3,154	(3,107)	485	81
Total other noncurrent liabilities	<u>13,809</u>	<u>3,903</u>	<u>(5,718)</u>	<u>11,994</u>	<u>2,307</u>
Net pension liability	-	109,736	-	109,736	-
U.S. government grants refundable	1,908	47	(15)	1,940	-
	<u>\$ 248,258</u>	<u>\$ 244,023</u>	<u>\$ (15,284)</u>	<u>\$ 476,997</u>	<u>\$ 12,273</u>

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

Included in annuity funds liability are net decreases of \$137 and \$325 in the fair value of investments at June 30, 2016 and 2015, respectively.

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6. Long Term Debt

Long term debt is composed of:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
General Obligation Bonds:		
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)	5,470	5,470
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2043)	60,025	60,025
2012 Series B issue:		
Serial bonds (interest rates from 0.90% to 3.723%, due on various dates through fiscal year 2026)	25,390	29,615
Term bond (interest rate at 3.323%, maturity in fiscal year 2025)	17,310	17,310
Revenue Bonds:		
2010 Series H issue:		
Serial bonds (interest rates from 3.00% to 5.00%, due on various dates through fiscal year 2026)	28,875	29,760
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
2001 Series H issue:		
Term bonds (interest rate at 6.05%, final maturity in fiscal year 2017)	1,235	2,400
Other Long Term Debt:		
Higher Education Capital Improvement Fund	20,627	21,936
Equipment Leasing Fund	1,280	1,429
TD Master Leases	3,709	4,996
New Jersey Economic Development Authority note	1,657	1,797
Other	<u>1,190</u>	<u>86</u>
	325,103	333,159
Unamortized net premium on obligations	<u>19,462</u>	<u>20,168</u>
	344,565	353,327
Less: current portion	<u>10,538</u>	<u>9,966</u>
	<u>\$ 334,027</u>	<u>\$ 343,361</u>

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

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, 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, 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%.

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, 2016 and 2015, \$428 and \$425, respectively, of Federal government interest payments are included in interest expense and in other nonoperating 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 2001 Series H Bonds were issued by NJEFA pursuant to an agreement with the University to provide funds to finance the costs of constructing a small business incubator facility. The University's mortgage obligations to NJEFA are collateralized by certain land, buildings and building improvements, and equipment. The 2001 Series H Bonds are not subject to optional redemption, except for extraordinary optional redemption as described in the debt agreement.

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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. The University is responsible for one-third of its allocated debt service payments and related program expenses. The HECIF debt bears interest rates from 4.0% to 5.0% and matures at various dates through fiscal year 2034. Subsequent to June 30, 2016, the State refunded \$6,051 of the University's existing HECIF debt. The refunding resulted in a gain of \$473 to be recorded in fiscal year 2017.

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 TD Master Leases were entered into for the purpose of repaying a prior master lease and financing the costs of an upgrade to the University's information technology and research infrastructure. The TD debt bears interest rates of 1.58% and 1.72% with final maturity in fiscal year 2019.

The New Jersey Economic Development Authority (NJEDA) note, which matures in fiscal year 2028, is noninterest bearing and payable monthly. Imputed interest expense totaled \$71 and \$75 in fiscal years 2016 and 2015, respectively.

At June 30, 2016, deposits held with trustees included \$6,445 for principal payments on revenue bonds due on July 1, 2016. Payments due on long term debt, including mandatory sinking fund payments on the revenue bonds, and net of gain on refunding of HECIF debt of \$473, to be recorded in fiscal year 2017, are as follows for the fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,913	\$ 14,338	\$ 24,251
2018	10,115	14,096	24,211
2019	10,432	13,759	24,191
2020	9,581	13,396	22,977
2021	10,241	13,188	23,429
2022 to 2026	51,138	60,116	111,254
2027 to 2031	39,838	51,471	91,309
2032 to 2036	50,212	40,540	90,752
2037 to 2041	63,595	25,961	89,556
2042 to 2045	63,120	8,083	71,203
	<u>\$ 318,185</u>	<u>\$ 254,948</u>	<u>\$ 573,133</u>

The University's line of credit agreement with a bank permitting it to borrow up to \$6,000 at the London Interbank Offered Rate (LIBOR) plus 1.0% at time of utilization was not renewed in fiscal year 2016. There were no borrowings against the agreement in fiscal years 2016 and 2015.

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Deferred loss on refunding associated with the University's long term debt totaled \$1,696 and \$1,972, net of accumulated amortization of \$1,799 and \$1,523, at June 30, 2016 and 2015, respectively.

Deferred gain on refunding associated with the University's long term debt totaled \$272 and \$346, net of accumulated amortization of \$161 and \$87, at June 30, 2016 and 2015, respectively.

Interest charges incurred in fiscal years 2016 and 2015 totaled \$14,148 and \$10,431, respectively. Of these amounts, \$5,013 and \$1,045 were capitalized in fiscal years 2016 and 2015, 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, 2016 and 2015, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$6,407 and \$6,143, respectively, and unused sick time of \$325 and \$260, respectively. At June 30, 2016 and 2015, other noncurrent liabilities include \$3,011 and \$2,917, respectively, of unused sick time. In fiscal years 2016 and 2015, payments for unused sick time totaled \$318 and \$258, 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.nj.gov/treasury/pensions/annrpts.shtml.

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Defined Benefit Plans

Public Employees' Retirement System

PERS is a cost-sharing multiple-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, death, 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 7.06% 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 \$2,836 and \$736 for the fiscal years ended June 30, 2016 and 2015, respectively, which is recognized as a deferred outflow 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 \$205 and \$199 for the years ended June 30, 2016 and 2015, 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 firemen 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 for health care benefits, which vest after 25 years of service, and 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 \$551 and \$545 for the fiscal years ended June 30, 2016 and 2015, respectively, which is recognized as a deferred outflow 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 for health care benefits, which vest after 25 years of service or under the disability provisions 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, 2016 and 2015, respectively, the University recognized both state appropriation revenue and pension expense of \$463 and \$453 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 \$57 and \$56 for the years ended June 30, 2016 and 2015, 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, 2015 and 2014.

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, 2016 and 2015, are as follows:

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	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Proportionate share of the net pension liability (\$)			
2015	\$ 113,033	\$ 22,966	\$ 135,999
2014	\$ 91,665	\$ 18,071	\$ 109,736
Proportionate share of the net pension liability (%)			
2015	0.476 %	0.535 %	
2014	0.455 %	0.509 %	
Deferred outflows of resources			
2015	\$ 17,286	\$ 3,737	\$ 21,023
2014	\$ 3,649	\$ 913	\$ 4,562
Deferred inflows of resources			
2015	\$ 558	\$ 978	\$ 1,536
2014	\$ 2,782	\$ 1,443	\$ 4,225
Net pension expense			
2015	\$ 5,508	\$ 1,605	\$ 7,113
2014	\$ 4,743	\$ 679	\$ 5,422

The University's proportionate share of each respective plan's 2015 and 2014 net pension liability was based on the State Contribution to the respective plans from July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014, 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, 2016 and June 30, 2015 are as follows:

Deferred outflows of resources

	June 30, 2016		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 1,580	\$ -	\$ 1,580
Net difference between projected and actual earnings on pension plan investments	-	62	62
Changes in assumption	8,616	2,355	10,971
Changes in proportion	4,254	769	5,023
Contributions paid subsequent to June 30, 2015	2,836	551	3,387
	<u>\$ 17,286</u>	<u>\$ 3,737</u>	<u>\$ 21,023</u>

	June 30, 2015		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Changes in assumption	\$ 2,022	\$ 368	\$ 2,390
Changes in proportion	891	-	891
Contributions paid subsequent to June 30, 2014	736	545	1,281
	<u>\$ 3,649</u>	<u>\$ 913</u>	<u>\$ 4,562</u>

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Deferred inflows of resources

	June 30, 2016		
	PERS	PFRS	Total
Net difference between projected and actual earnings on pension plan investments	\$ 558	\$ -	\$ 558
Differences between expected and actual experience	-	174	174
Changes in proportion	-	804	804
	<u>\$ 558</u>	<u>\$ 978</u>	<u>\$ 1,536</u>

	June 30, 2015		
	PERS	PFRS	Total
Net difference between projected and actual earnings on pension plan investments	\$ 2,782	\$ 446	\$ 3,228
Changes in proportion	-	997	997
	<u>\$ 2,782</u>	<u>\$ 1,443</u>	<u>\$ 4,225</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 \$7,578 and \$8,415 as of June 30, 2015 and 2014, respectively, are reported by the State.

The \$3,387 and \$1,281 reported as deferred outflows of resources related to pensions resulting from State Contributions paid subsequent to June 30, 2015 and 2014, respectively, are recorded as deferred outflows of resources as of June 30, 2016 and 2015, respectively, and will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2017 and 2016. 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
2017	\$ 2,780	\$ 452	\$ 3,232
2018	2,780	452	3,232
2019	2,780	452	3,232
2020	3,475	563	4,038
2021	<u>2,077</u>	<u>289</u>	<u>2,366</u>
	13,892	2,208	16,100
Contributions paid subsequent to June 30, 2015	<u>2,836</u>	<u>551</u>	<u>3,387</u>
	<u>\$ 16,728</u>	<u>\$ 2,759</u>	<u>\$ 19,487</u>

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Actuarial Assumptions as of June 30, 2015

The University's net pension liability as of June 30, 2015 was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The actuarial valuations used the following actuarial assumptions:

	PERS	PFRS	TPAF
Inflation rate	3.04%	3.04%	2.50%
Salary increases:			
2012-2021	2.15 - 4.40% based on age	2.60 - 9.48% based on age	Varies based on experience
Thereafter	3.15 - 5.40% based on age	3.60 - 10.48% based on age	Varies based on experience
Investment rate of return	7.90%	7.90%	7.90%

PERS mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. PERS actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

PFRS mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB. PFRS actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TPAF mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvements. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvements. TPAF actuarial assumptions used in the July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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Actuarial Assumptions as of June 30, 2014

The University's net pension liability as of June 30, 2014 was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The actuarial valuations used the following actuarial assumptions:

	PERS	PFRS	TPAF
Inflation rate	3.01%	3.01%	2.50%
Salary increases:			
2012-2021	2.15 - 4.40%	3.95 - 8.62%	Varies based
	based on age	based on age	on experience
Thereafter	3.15 - 5.40%	4.95 - 9.62%	Varies based
	based on age	based on age	on experience
Investment rate of return	7.90%	7.90%	7.90%

PERS mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA. PERS actuarial assumptions used in the July 1, 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

PFRS mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year 2011 based on Projection Scale AA. PFRS actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

TPAF mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvements. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvements. TPAF actuarial assumptions used in the July 1, 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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, 2015 are as follows:

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Asset Class	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%	1.04%	5.00%	0.53%
Mortgages	2.10%	1.62%	2.10%	2.54%
High yield bonds	2.00%	4.03%	2.00%	4.57%
Inflation-indexed bonds	1.50%	3.25%	1.50%	1.47%
Broad U.S. equities	27.25%	8.52%	27.25%	5.63%
Developed foreign equities	12.00%	6.88%	12.00%	6.22%
Emerging market equities	6.40%	10.00%	6.40%	8.46%
Private equity	9.25%	12.41%	9.25%	9.15%
Hedge funds/absolute return	12.00%	4.72%	-	-
Real estate (property)	2.00%	6.83%	4.25%	3.97%
Real estate (REITS)	4.25%	5.12%	-	-
Commodities	1.00%	5.32%	1.00%	3.58%
U.S. Treasuries	1.75%	1.64%	-	-
Investment Grade Credit	10.00%	1.79%	-	-
Global Debt ex US	3.50%	-0.40%	-	-
U.S. government bonds	-	-	1.75%	1.39%
U.S. credit bonds	-	-	13.50%	2.72%
Timber	-	-	1.00%	4.09%
Farmland	-	-	1.00%	4.61%
Hedge funds - multi-strategy	-	-	4.00%	4.59%
Hedge funds - equity hedge	-	-	4.00%	5.68%
Hedge funds - distressed	-	-	4.00%	4.30%

Discount Rate

The discount rates used to measure the total pension liability for PERS, PFRS, and TPAF were 4.90%, 5.79%, and 4.13% as of June 30, 2015, and 5.39%, 6.32%, and 4.68% as of June 30, 2014, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher for PERS, PFRS, and TPAF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, each plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033, 2045, and 2027 for PERS, PFRS, and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, 2045, and 2027 for PERS, PFRS, and TPAF, respectively, and the municipal bond

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rate was applied to projected benefit payments after these dates in determining the total pension liability.

Discount Rate Sensitivity

The University's proportionate share of the net pension liability as of June 30, 2015 and 2014, 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, 2015			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	3.90%	\$ 132,473	4.79%	\$ 27,652
Current discount rate	4.90%	113,033	5.79%	22,966
1% increase	5.90%	96,797	6.79%	19,159
	June 30, 2014			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	4.39%	\$ 108,267	5.32%	\$ 21,847
Current discount rate	5.39%	91,665	6.32%	18,071
1% increase	6.39%	77,742	7.32%	14,961

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, death, and disability benefits, including 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, 2016 and 2015, the University's contributions to ABP were \$7,017 and \$7,071.

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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 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 contribution was \$525 in fiscal year 2016. No contribution was made in fiscal year 2015.

NJII SEP IRA and 401(k) Plans

Eligible employees of NJII participated in the NJII SEP IRA through August 31, 2015 and the NJII 401(k) Plan, which became effective September 1, 2015.

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 was \$228 in fiscal year 2016.

The NJII SEP IRA was a defined contribution plan and was administered by Security Benefits. Employer contributions were at the discretion of NJII and were immediately vested and non-forfeitable, while employees were not able to contribute. NJII's contributions to the SEP IRA were \$19 and \$58 in fiscal years 2016 and 2015, respectively.

9. Investment Income

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 2,581	\$ 1,827
Realized net gain on sale of investments	615	5,098
Net decrease in the fair value of investments	<u>(3,179)</u>	<u>(4,631)</u>
	<u>\$ 17</u>	<u>\$ 2,294</u>

Investment income of \$1,119 and \$91 was capitalized in fiscal years 2016 and 2015, respectively.

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10. 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, 2016 and for the year then ended are as follows:

	June 30, 2016					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Cash and cash equivalents	\$ 78,375	\$ 3,806	\$ 1,003	\$ 2	\$ (3,808)	\$ 79,378
Other current assets	56,205	514	1,769	6	-	58,494
Due from NJII and UREs	-	-	-	-	-	-
Due from affiliates	-	-	-	3	(3)	-
Due from NJIT	-	-	2,117	-	(2,117)	-
Capital assets, net	369,367	-	43	23,633	-	393,043
Other noncurrent assets	172,278	98,583	-	-	(2,500)	268,361
Investment in UREs	23,615	-	-	-	(23,615)	-
Total assets	<u>699,840</u>	<u>102,903</u>	<u>4,932</u>	<u>23,644</u>	<u>(32,043)</u>	<u>799,276</u>
Deferred outflows of resources	<u>22,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,719</u>
Due to Foundation	3,806	-	-	-	(3,806)	-
Due to NJIT	-	-	-	-	-	-
Due to NJII and UREs	2,119	-	-	-	(2,119)	-
Other current liabilities	74,271	166	2,364	29	(3)	76,827
Noncurrent liabilities	485,685	745	2,500	-	(2,500)	486,430
Total liabilities	<u>565,881</u>	<u>911</u>	<u>4,864</u>	<u>29</u>	<u>(8,428)</u>	<u>563,257</u>
Deferred inflows of resources	<u>1,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,808</u>
Net investment in capital assets	115,162	-	43	23,633	-	138,838
Restricted nonexpendable	-	71,366	-	-	-	71,366
Restricted expendable	41,313	16,514	195	-	-	58,022
Unrestricted	(1,605)	14,112	(170)	(18)	(23,615)	(11,296)
Total net position	<u>\$ 154,870</u>	<u>\$ 101,992</u>	<u>\$ 68</u>	<u>\$ 23,615</u>	<u>\$ (23,615)</u>	<u>\$ 256,930</u>

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	For the Year Ended June 30, 2016					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Gifts and bequests	\$ -	\$ 5,580	\$ 285	\$ -	\$ (5,865)	\$ -
Grants from Foundation	8,555	-	-	-	(8,555)	-
Other operating revenues	254,614	2,728	11,372	1,517	(7,009)	263,222
Total operating revenues	<u>263,169</u>	<u>8,308</u>	<u>11,657</u>	<u>1,517</u>	<u>(21,429)</u>	<u>263,222</u>
Depreciation	24,651	-	3	914	-	25,568
Grants to NJIT	-	8,555	-	-	(8,555)	-
Grants to NJIT student fraternities	-	126	-	-	(126)	-
Grants to NJII	-	595	-	-	(595)	-
Other operating expenses	316,628	2,839	11,477	1,909	(8,586)	324,267
Total operating expenses	<u>341,279</u>	<u>12,115</u>	<u>11,480</u>	<u>2,823</u>	<u>(17,862)</u>	<u>349,835</u>
Operating (loss) profit	(78,110)	(3,807)	177	(1,306)	(3,567)	(86,613)
Gifts and bequests	-	-	-	-	2,468	2,468
Investment income (loss)	1,624	(1,607)	-	-	-	17
Other nonoperating revenues, net	83,273	33	-	422	(1,247)	82,481
Capital grants and gifts	10	-	-	-	3,230	3,240
Additions to permanent endowments	-	4,185	-	-	-	4,185
Increase (decrease) in net position	<u>6,797</u>	<u>(1,196)</u>	<u>177</u>	<u>(884)</u>	<u>884</u>	<u>5,778</u>
Net position, beginning of year	<u>148,073</u>	<u>103,188</u>	<u>(109)</u>	<u>24,499</u>	<u>(24,499)</u>	<u>251,152</u>
Net position, end of year	<u>\$ 154,870</u>	<u>\$ 101,992</u>	<u>\$ 68</u>	<u>\$ 23,615</u>	<u>\$ (23,615)</u>	<u>\$ 256,930</u>

	For the Year Ended June 30, 2016					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Net cash provided by (used by):						
Operating activities	\$ (1,869)	\$ (2,979)	\$ (1,325)	\$ (422)	\$ 5,453	\$ (1,142)
Noncapital financing activities	67,066	4,053	2,000	422	(7,371)	66,170
Capital financing activities	(48,486)	-	(46)	-	1,025	(47,507)
Investing activities	1,380	(183)	-	-	-	1,197
Net increase (decrease) in cash and cash equivalents	18,091	891	629	-	(893)	18,718
Cash and cash equivalents, beginning of year	<u>60,284</u>	<u>2,915</u>	<u>374</u>	<u>2</u>	<u>(2,915)</u>	<u>60,660</u>
Cash and cash equivalents, beginning of year	<u>\$ 78,375</u>	<u>\$ 3,806</u>	<u>\$ 1,003</u>	<u>\$ 2</u>	<u>\$ (3,808)</u>	<u>\$ 79,378</u>

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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, 2015 and for the year then ended are as follows:

	June 30, 2015					Combined
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	
Cash and cash equivalents	\$ 60,284	\$ 2,915	\$ 374	\$ 2	\$ (2,915)	\$ 60,660
Other current assets	53,753	981	336	13	-	55,083
Due from NJII and UREs	120	-	-	-	(120)	-
Capital assets, net	314,437	-	-	24,547	-	338,984
Other noncurrent assets	216,155	100,271	-	-	(500)	315,926
Investment in UREs	24,499	-	-	-	(24,499)	-
Total assets	<u>669,248</u>	<u>104,167</u>	<u>710</u>	<u>24,562</u>	<u>(28,034)</u>	<u>770,653</u>
Deferred outflows of resources	<u>6,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,534</u>
Due to Foundation	2,915	-	-	-	(2,915)	-
Due to NJIT	-	-	95	25	(120)	-
Other current liabilities	56,311	167	224	38	-	56,740
Noncurrent liabilities	463,912	812	500	-	(500)	464,724
Total liabilities	<u>523,138</u>	<u>979</u>	<u>819</u>	<u>63</u>	<u>(3,535)</u>	<u>521,464</u>
Deferred inflows of resources	<u>4,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,571</u>
Net investment in capital assets	93,812	-	-	24,547	-	118,359
Restricted nonexpendable	-	67,766	-	-	-	67,766
Restricted expendable	58,897	20,639	100	-	-	79,636
Unrestricted	(4,636)	14,783	(209)	(48)	(24,499)	(14,609)
Total net position	<u>\$ 148,073</u>	<u>\$ 103,188</u>	<u>\$ (109)</u>	<u>\$ 24,499</u>	<u>\$ (24,499)</u>	<u>\$ 251,152</u>

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	For the Year Ended June 30, 2015					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Gifts and bequests	\$ -	\$ 5,269	\$ 573	\$ -	\$ (5,842)	\$ -
Grants from Foundation	6,372	-	-	-	(6,372)	-
Other operating revenues	<u>232,286</u>	<u>2,318</u>	<u>1,699</u>	<u>1,255</u>	<u>(3,094)</u>	<u>234,464</u>
Total operating revenues	<u>238,658</u>	<u>7,587</u>	<u>2,272</u>	<u>1,255</u>	<u>(15,308)</u>	<u>234,464</u>
Depreciation	21,264	-	-	914	-	22,178
Grants to NJIT	-	6,216	-	-	(6,216)	-
Grants to NJIT student fraternities	-	153	-	-	(153)	-
Other operating expenses	<u>280,402</u>	<u>3,132</u>	<u>2,381</u>	<u>819</u>	<u>(3,980)</u>	<u>282,754</u>
Total operating expenses	<u>301,666</u>	<u>9,501</u>	<u>2,381</u>	<u>1,733</u>	<u>(10,349)</u>	<u>304,932</u>
Operating (loss) profit	(63,008)	(1,914)	(109)	(478)	(4,959)	(70,468)
Gifts and bequests	-	-	-	-	3,672	3,672
Investment income	660	1,634	-	-	-	2,294
Other nonoperating revenues, net	74,565	55	-	(4,686)	4,981	74,915
Capital grants and gifts	20,000	-	-	-	1,470	21,470
Additions to permanent endowments	-	2,971	-	-	-	2,971
Increase (decrease) in net position	32,217	2,746	(109)	(5,164)	5,164	34,854
Net position, beginning of year	219,833	100,442	-	29,663	(29,663)	320,275
Cumulative effect of change in accounting principle	<u>(103,977)</u>	-	-	-	-	<u>(103,977)</u>
Net position, end of year	<u>\$ 148,073</u>	<u>\$ 103,188</u>	<u>\$ (109)</u>	<u>\$ 24,499</u>	<u>\$ (24,499)</u>	<u>\$ 251,152</u>

	For the Year Ended June 30, 2015					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Net cash provided by (used by):						
Operating activities	\$ (14,588)	\$ (3,113)	\$ (126)	\$ 520	\$ 2,878	\$ (14,429)
Noncapital financing activities	59,354	2,887	500	(851)	(4,212)	57,678
Capital financing activities	(37,188)	-	-	-	1,049	(36,139)
Investing activities	<u>(6,041)</u>	<u>844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,197)</u>
Net increase (decrease) in cash and cash equivalents	1,537	618	374	(331)	(285)	1,913
Cash and cash equivalents, beginning of year	<u>58,747</u>	<u>2,297</u>	<u>-</u>	<u>333</u>	<u>(2,630)</u>	<u>58,747</u>
Cash and cash equivalents, end of year	<u>\$ 60,284</u>	<u>\$ 2,915</u>	<u>\$ 374</u>	<u>\$ 2</u>	<u>\$ (2,915)</u>	<u>\$ 60,660</u>

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2016 and 2015

11. Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2016	2015
Designated unrestricted net position:		
Quasi-endowments	\$ 12,384	\$ 13,141
Instructional and other	2,902	3,790
Construction and capital programs	31,770	22,265
Wellness and Events Center construction	10,000	5,000
State bond funds required match	9,925	16,140
Debt service	6,546	4,804
Outstanding purchase orders	<u>7,398</u>	<u>5,000</u>
	80,925	70,140
Undesignated unrestricted net position:		
Pension related	(116,512)	(109,399)
Operations	<u>24,291</u>	<u>24,650</u>
	<u>\$ (11,296)</u>	<u>\$ (14,609)</u>

12. Commitments and Contingencies

At June 30, 2016, open purchase orders totaled \$100,687, 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.

Required Supplementary Information

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

Schedules of Employer
Contributions – Last 10 Years

NEW JERSEY INSTITUTE OF TECHNOLOGY

Required Supplementary Information

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

(Dollars in thousands)

June 30, 2016

Reporting fiscal year (Actuarial Valuation Date, June 30,)	NJIT's proportion of the net pension liability		NJIT's covered employee payroll	NJIT's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			

Public Employees' Retirement System (PERS)

2016 (2015)	0.476%	\$ 113,033	\$ 24,038	470.23%	24.96%
2015 (2014)	0.455%	\$ 91,665	\$ 23,781	385.45%	30.06%

Police and Firemen's Retirement System (PFRS)

2016 (2015)	0.535%	\$ 22,966	\$ 2,391	960.52%	29.07%
2015 (2014)	0.509%	\$ 18,071	\$ 2,249	803.51%	34.70%

Reporting fiscal year (Actuarial Valuation Date, June 30,)	NJIT's proportion of the net pension liability		State's proportionate share of the net pension liability attributable to NJIT	NJIT's covered employee payroll	NJIT's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$				

Teachers' Pension and Annuity Fund (TPAF)

2016 (2015)	0.000%	\$ -	\$ 7,578	\$ -	0.00%	28.71%
2015 (2014)	0.000%	\$ -	\$ 8,415	\$ -	0.00%	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
Schedules of Employer Contributions – Last 10 Years*
(Dollars in thousands)
June 30, 2016

Reporting fiscal year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	NJIT's covered employee payroll	Contributions as a percentage of employee covered payroll
Public Employees' Retirement System (PERS)					
2016	\$ 9,452	\$ 2,836	\$ 6,616	\$ 24,111	11.76%
2015	\$ 736	\$ 736	\$ -	\$ 24,038	3.06%
Police and Firemen's Retirement System (PFRS)					
2016	\$ 1,838	\$ 551	\$ 1,287	\$ 2,654	20.76%
2015	\$ 545	\$ 545	\$ -	\$ 2,391	22.79%

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