

NEW JERSEY INSTITUTE OF TECHNOLOGY

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

June 30, 2017 and 2016

NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2017 and 2016

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017 and 2016, 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 49 and 50 be presented to supplement the basic financial statements. Such supplementary information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years, 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.



Iselin, New Jersey
October 20, 2017

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Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of New Jersey Institute of Technology (NJIT), Foundation at New Jersey Institute of Technology (Foundation), New Jersey Innovation Institute, Inc. (NJII), and ten urban renewal limited liability companies (UREs) (collectively, the University) at and for the years ended June 30, 2017 and 2016. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Since its founding in 1881, NJIT has been transformed from a local technical school to one of America's top tier national research universities. While moving steadily to increasingly higher levels of excellence in educational performance, NJIT has become a research and development hub, participating in entrepreneurial development and building business partnerships through research and development initiatives. NJIT 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.

One of the nation's leading public polytechnic universities, NJIT is a student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research with emphasis on applied and multi-disciplinary areas, in contributing to the economic development of the State of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. With enrollment of over 11,400 undergraduate and graduate students in fiscal year 2017, NJIT offers small-campus intimacy with the resources of a major public research university. 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-one 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, 2017 and 2016, 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).

Financial Highlights

The University's financial position at June 30, 2017 and 2016 was sound, with total assets of \$850,476 and \$799,276, total deferred outflows of resources of \$44,834 and \$22,719, total liabilities of \$610,919 and \$563,257, and total deferred inflows of resources of \$3,308 and \$1,808, 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 \$281,083 and \$256,930 at June 30, 2017 and 2016, respectively. The University's net position increased \$24,153 and \$5,778 in fiscal years 2017 and 2016, respectively, primarily due to an excess of net non-operating 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, 2017 and 2016, and is summarized as follows. The summarized statement of net position at June 30, 2015, is also presented for comparative purposes.

	June 30,		
	2017	2016	2015
Current assets	\$ 138,768	\$ 137,872	\$ 115,743
Endowment investments	112,429	98,100	99,233
Capital assets, net	476,822	393,043	338,984
Other assets	<u>122,457</u>	<u>170,261</u>	<u>216,693</u>
Total assets	<u>850,476</u>	<u>799,276</u>	<u>770,653</u>
Deferred outflows of resources	<u>44,834</u>	<u>22,719</u>	<u>6,534</u>
Current liabilities	81,754	76,827	56,740
Long-term debt, noncurrent portion	352,058	334,027	343,361
Other liabilities	<u>177,107</u>	<u>152,403</u>	<u>121,363</u>
Total liabilities	<u>610,919</u>	<u>563,257</u>	<u>521,464</u>
Deferred inflows of resources	<u>3,308</u>	<u>1,808</u>	<u>4,571</u>
Net investment in capital assets	175,132	138,838	118,359
Restricted nonexpendable	75,327	71,366	67,766
Restricted expendable	48,314	58,022	79,636
Unrestricted	<u>(17,690)</u>	<u>(11,296)</u>	<u>(14,609)</u>
Total net position	<u>\$ 281,083</u>	<u>\$ 256,930</u>	<u>\$ 251,152</u>

Current assets consist principally of cash and cash equivalents, grants and accounts receivable, net of allowances, deposits held with trustees, and short-term investments. The increase in current assets at June 30, 2017 as compared to June 30, 2016 of \$896 principally relates to increases in short-term investments and grants and accounts receivable, net, partially offset by decreases in cash and cash equivalents and deposits held with trustees. 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.

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, 2017 as compared to June 30, 2016 of \$4,927 principally relates to increases in accounts payable and accrued liabilities and due to affiliates, partially offset by a decrease in current portion of long-term debt. The increase in current liabilities at June 30, 2016 as compared to June 30, 2015 of \$20,087 principally relates to increases in accounts payable and accrued liabilities and unearned advance payments.

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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 \$55,488 and \$58,104 at June 30, 2017 and 2016, respectively. The University had \$89,773 and \$89,734 in cash and cash equivalents and short-term investments to fund current operations, facilities rehabilitation projects, and other activities at June 30, 2017 and 2016, respectively. Cash and cash equivalents and short-term investments remained relatively constant in fiscal year 2017. The net increase in cash and cash equivalents and short-term investments at June 30, 2016 of \$18,857 principally relates to reimbursements from capital grants of a portion of the expenditures for the rehabilitation and renovation of an academic facility and advance payments from grants, and increased tuition and fees cash collections.

Endowment investments include gifts from donors, the corpus of which is to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Endowment investments increased 14.6% and decreased 1.1% during fiscal years 2017 and 2016, respectively, reflecting growth from new gifts, realized net investment gains, a net increase in the fair value of investments at June 30, 2017 and a net decrease in the fair value of investments at June 30, 2016, and endowment spending in both years.

Capital assets, at cost, increased 14.2% and 11.4% during fiscal years 2017 and 2016, respectively. The fiscal year 2017 and 2016 increases primarily result from the construction of a parking facility, a wellness and events center, and a state-of-the-art research facility; commencement of Makerspace at NJIT renovations during fiscal year 2017; continued work on the rehabilitation and renovation of an academic facility; and other campus facilities renovations; partially offset by the write-off of equipment and other assets no longer in service, in both fiscal years. The parking facility and the rehabilitation and renovation of an academic facility were completed in 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 of \$47,804 and \$46,432 at June 30, 2017 and 2016, respectively, was principally due to the utilization of investments – capital construction and the collection of Building Our Future receivables, recorded in other assets, for capital expenditures in both fiscal years, and an increase in deposits held with trustees at June 30, 2017 resulting from a Higher Education Capital Improvement Fund (HECIF) capital grant and a decrease in deposits held with trustees at June 30, 2016 resulting from the reimbursement of capital expenditures.

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 \$22,115 and \$16,185 at June 30, 2017 and 2016, respectively, principally relates to contributions made on behalf of the University subsequent to the measurement date and certain changes in the net pension liability in both fiscal years, as well as the loss on defeasance of the advance refunding of a portion of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds.

Total long-term debt at June 30, 2017 and 2016 was \$358,538 and \$344,565, respectively. During fiscal year 2017, the University issued 2017 Series A General Obligation Bonds in the amount of \$77,995. The proceeds of the bonds advance refunded portions of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds and will also finance certain capital acquisitions. The

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debt is composed of term bonds bearing interest rates from 3.887% to 4.357% maturing at various dates through fiscal year 2048.

In fiscal year 2017, the University was awarded a \$19,886 HECIF grant and \$114 from a second round of grant funding from the 2012 Building Our Future Bond Act for classroom and lab renovations. Chief among the projects will be the creation of Makerspace at NJIT, a state-of-the-art facility that will heed the call for innovation, invention, and production in today's burgeoning science, technology, engineering, and math economy. In addition, during fiscal year 2017 the State refunded \$6,051 of the University's existing HECIF debt, resulting in a gain of \$473, which is included in deferred inflows of resources.

Two-thirds of the fiscal year 2017 HECIF award was recorded as a capital grant, of which \$19,666 is included as deposits held with trustees at June 30, 2017. The University is responsible for the remaining one-third of the debt service payments and related program expenses. The HECIF debt bears interest rates between 3.00% and 5.50% and matures in fiscal year 2037.

During fiscal year 2017, the University's rating outlook from Moody's Investors Service was upgraded to stable. At June 30, 2017 and 2016, the University's bond ratings and outlook were as follows:

	June 30, 2017	
	Moody's	
	Investors Service	Standard & Poor's
Long term rating	A1	A
Rating outlook	Stable	Stable
	June 30, 2016	
	Moody's	
	Investors Service	Standard & Poor's
Long term rating	A1	A
Rating outlook	Negative	Stable

Other liabilities consist of net pension liability, other noncurrent liabilities, and U.S. government grants refundable. The increase in other liabilities at June 30, 2017 of \$24,704 principally relates to an increase in net pension liability. 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 separation incentive program.

Deferred inflows of resources consist of gain on defeasance of debt and certain changes in the net pension liability. The increase in deferred inflows of resources of \$1,500 at June 30, 2017 and the decrease of deferred inflows of resources of \$2,763 at June 30, 2016 principally relates to certain changes in the net pension liability in both fiscal years, as well as the gain on the HECIF debt refunding in fiscal year 2017.

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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 \$36,294 and \$20,479 during fiscal years 2017 and 2016, respectively, principally due to the increase in capital assets discussed above, partially offset by depreciation expense in both fiscal years 2017 and 2016, a net increase in long-term debt during fiscal year 2017, and a net decrease in long-term debt during fiscal year 2016.

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 resources. 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 \$5,747 during fiscal year 2017, primarily due to decreases in restricted expendable net position for capital projects, resulting from the expenditures of capital grant funds; partially offset by increases in restricted nonexpendable scholarships and fellowships and instructional and other as a result of additions to permanent endowments, and restricted expendable scholarships and fellowships and instructional and other, principally due to the net increase in the fair value of investments at June 30, 2017. Restricted net position decreased \$18,014 during fiscal year 2016, primarily due to decreases in restricted expendable net position for capital projects, resulting from expenditures of capital grant funds; restricted expendable net positions for scholarships and fellowships and instruction 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.

Unrestricted net position is all other net position that is available for general operations in support of the University's mission. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Board, has designated a portion of the unrestricted net position for the following specified purposes. The June 30, 2015 unrestricted net position is also presented for comparative purposes.

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	June 30,		
	2017	2016	2015
Designated unrestricted net position:			
Quasi-endowments	\$ 15,452	\$ 12,384	\$ 13,141
Instructional and other	3,811	2,902	3,790
Construction and capital programs	29,600	31,770	22,265
Wellness and Events Center construction	15,308	10,000	5,000
State bond funds required match	256	9,925	16,140
Debt service	6,542	6,546	4,804
Outstanding purchase orders	8,558	7,398	5,000
	<u>79,527</u>	<u>80,925</u>	<u>70,140</u>
Undesignated unrestricted net position:			
Pension related	(124,766)	(116,512)	(109,399)
Operations	27,549	24,291	24,650
	<u>\$ (17,690)</u>	<u>\$ (11,296)</u>	<u>\$ (14,609)</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 non-operating and other revenues and expenses of the University.

The components of revenues for the fiscal years ended June 30, 2017 and 2016 are as follows. The components of revenues for the fiscal year ended June 30, 2015 are also presented for comparative purposes:

	Fiscal Years Ended June 30,		
	2017	2016	2015
Operating revenues:			
Student tuition and fees, net	\$ 132,660	\$ 135,189	\$ 122,749
Federal, State, and other grants and contracts	121,104	108,338	94,091
Auxiliary enterprises, net	15,927	15,721	14,357
Other operating revenues	5,823	3,974	3,267
Total operating revenues	<u>275,514</u>	<u>263,222</u>	<u>234,464</u>
Non-operating and other revenues:			
State appropriations	96,529	87,532	80,890
Gifts and bequests, capital grants and gifts, and additions to permanent endowments	20,884	9,893	28,113
Investment income	15,161	17	2,294
Other non-operating revenues, net	2,152	4,084	3,411
Total non-operating and other revenues	<u>134,726</u>	<u>101,526</u>	<u>114,708</u>
Total revenues	<u>\$ 410,240</u>	<u>\$ 364,748</u>	<u>\$ 349,172</u>

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The components of expenses for the fiscal years ended June 30, 2017 and 2016 are as follows. The components of expenses for the fiscal year ended June 30, 2015 are also presented for comparative purposes:

	Fiscal Years Ended June 30,		
	2017	2016	2015
Operating expenses:			
Instruction	\$ 109,424	\$ 104,479	\$ 91,111
Research and programs	80,326	71,428	56,243
Public service	2,022	2,077	1,989
Academic support	31,328	30,438	27,091
Student services	25,837	24,866	21,444
Institutional support	56,990	52,346	45,683
Operation and maintenance of plant	25,155	20,367	20,449
Scholarships and fellowships	9,321	9,967	10,175
Depreciation	26,887	25,568	22,178
Auxiliary enterprises	9,111	8,299	8,569
Total operating expenses	<u>376,401</u>	<u>349,835</u>	<u>304,932</u>
Non-operating expenses - interest expense	<u>9,686</u>	<u>9,135</u>	<u>9,386</u>
Total expenses	<u>\$ 386,087</u>	<u>\$ 358,970</u>	<u>\$ 314,318</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 \$132,660, \$135,189, and \$122,749, net of scholarship allowances of \$54,560, \$51,132, and \$46,588 in fiscal years 2017, 2016, and 2015, respectively. The fiscal year 2017 decrease is attributable to an increase in enrollment and tuition and mandatory fees increase of 2.0%, more than offset by an increase in scholarship allowance. The fiscal year 2016 increase is attributable to an increase in enrollment and tuition and mandatory fees of 2.9%.

Auxiliary enterprises revenues, net of scholarship allowances of \$4,710, \$4,554, and \$4,227 in fiscal years 2017, 2016, and 2015, respectively, remained relatively constant at \$15,927 in fiscal year 2017 and increased 9.5% to \$15,721 in fiscal year 2016, principally due to increased occupancy and residence hall charges.

In accordance with GASB requirements, State appropriations are reported as non-operating 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 Years Ended June 30,		
	2017	2016	2015
Direct appropriations for general operating purposes	\$ 35,440	\$ 35,440	\$ 37,696
FICA and fringe benefits paid by the State for University employees	40,232	39,117	37,551
Fringe benefit equalization adjustment	20,857	12,975	5,643
	<u>\$ 96,529</u>	<u>\$ 87,532</u>	<u>\$ 80,890</u>

The fiscal years 2017 and 2016 increases in State appropriations were the result of an equalization adjustment to the State's fringe benefit rate and an increase in fringe benefits paid by the State in both fiscal years, partially offset by a decrease in the direct appropriations for general operating purposes in fiscal year 2016.

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

	Fiscal Years Ended June 30,		
	2017	2016	2015
Federal grants and contracts	\$ 92,582	\$ 80,635	\$ 67,804
State grants and contracts	23,545	23,590	22,092
Other grants and contracts	4,977	4,113	4,195
	<u>\$ 121,104</u>	<u>\$ 108,338</u>	<u>\$ 94,091</u>

Federal grants and contracts revenues increased 14.8% and 18.9% in fiscal years 2017 and 2016, respectively, due to increases in research grants and contracts and student financial assistance grants. State grants and contracts revenues remained relatively constant in fiscal year 2017, reflecting a decrease in research grants and contracts, partially offset by an increase in student financial assistance grants, and increased 6.8% in fiscal year 2016 due to increases in research grants and contracts and student financial assistance grants. Other grants and contracts revenues increased 21.0% in fiscal year 2017 and decreased 2.0% in fiscal year 2016.

Private support from corporations, foundations, alumni, and other donors is an important factor in the University's growth and development. Gifts and bequests totaled \$3,511 and \$2,468, and capital grants and gifts amounted to \$13,964 and \$3,240, in fiscal years 2017 and 2016, respectively. Additions to permanent endowments were \$3,409 and \$4,185 in fiscal years 2017 and 2016, respectively.

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Investment income includes interest and dividends, as well as realized and unrealized gains and losses. During fiscal years 2017 and 2016, investment income of \$15,161 and \$17 was due to interest and dividends, realized net gain on sale of investments, and a net increase and a net decrease in the fair value of investments at June 30, 2017 and 2016, respectively.

Instruction, academic support, student services, and scholarships and fellowships expenses totaled \$175,910, \$169,750, and \$149,821 in fiscal years 2017, 2016, and 2015, respectively. The increase of 3.6% in fiscal year 2017 is primarily due to increased fringe benefits due to the fringe benefit equalization adjustment; increased classroom renovation expense and consulting services. 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.

Research and programs expense increased 12.5% to \$80,326 and 27.0% to \$71,428 in fiscal years 2017 and 2016, respectively, primarily as a result of an increase in Federal research and programs expenditures in both fiscal years and an increase in State research program expenditures in fiscal year 2016.

Public service expense remained relatively constant in fiscal years 2017 and 2016.

Institutional support expense increased 8.9% to \$56,990 in fiscal year 2017, primarily due to an increase in salaries and fringe benefits, due to increased personnel and the fringe benefit equalization adjustment. Institutional support expense increased 14.6% to \$52,346 in fiscal year 2016, primarily due to an increase in salaries and fringe benefits, due to increased personnel and pension expense and the fringe benefit equalization adjustment, and increases in the allowance for doubtful student accounts and consulting and professional services expense.

Operation and maintenance of plant expense increased 23.5% to \$25,155 in fiscal year 2017 after remaining relatively constant in fiscal year 2016. The fiscal year 2017 increase is primarily due to increases in facilities repair and maintenance costs, salaries and fringe benefits, consulting services, and utility costs.

Auxiliary enterprises expense increased 9.8% to \$9,111 in fiscal year 2017, primarily due to an increase in residence hall operation and maintenance costs, and 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.

During fiscal years 2017 and 2016, the University incurred long-term debt interest costs of \$13,861 and \$14,148, of which \$4,175 and \$5,013, 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, 2017. Overall enrollment increased for the fiscal 2017 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.

Six of the seven bargaining unit contracts, with the exception of the Rutgers Council of AAUP Chapters, AAUP-AFT, AFL-CIO (UCAN) students/researchers contract, have been settled with effective dates through June 30, 2019. The University is currently in negotiations with the UCAN students/researchers unit for a successor agreement. Also, in the latter part of fiscal year 2017, NJIT and UCAN acknowledged UCAN as the exclusive representative of a bargaining unit for adjunct instructors. Negotiations have commenced with this new unit.

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

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

As part of the approved State budget for fiscal year 2018, the University will receive \$10 million in funding for Makerspace at NJIT.

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

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

NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Net Position
(Dollars in thousands)
At June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,042	\$ 79,378
Short-term investments	68,731	10,356
Grants and accounts receivable, net	38,888	33,235
Deposits held with trustees	8,006	13,479
Other current assets	2,101	1,424
Total current assets	<u>138,768</u>	<u>137,872</u>
Noncurrent assets:		
Endowment investments	112,429	98,100
Investments	20,788	20,351
Investments - capital construction	63,317	102,037
Deposits held with trustees	24,287	9,913
Other assets	14,065	37,960
Capital assets, net of accumulated depreciation of \$376,284 and \$354,147, respectively	<u>476,822</u>	<u>393,043</u>
Total noncurrent assets	<u>711,708</u>	<u>661,404</u>
Total assets	<u>850,476</u>	<u>799,276</u>
Deferred outflows of resources		
Loss on defeasance of debt, net	4,564	1,696
Pension related	<u>40,270</u>	<u>21,023</u>
Total deferred outflows of resources	<u>44,834</u>	<u>22,719</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	55,372	47,614
Long-term debt, current portion	6,480	10,538
Unearned advance payments	13,357	12,965
Due to affiliates	<u>6,545</u>	<u>5,710</u>
Total current liabilities	<u>81,754</u>	<u>76,827</u>
Noncurrent liabilities:		
Long-term debt	352,058	334,027
Other noncurrent liabilities	13,860	14,444
Net pension liability	162,353	135,999
U.S. government grants refundable	894	1,960
Total noncurrent liabilities	<u>529,165</u>	<u>486,430</u>
Total liabilities	<u>610,919</u>	<u>563,257</u>
Deferred inflows of resources		
Gain on defeasance of debt, net	625	272
Pension related	<u>2,683</u>	<u>1,536</u>
Total deferred inflows of resources	<u>3,308</u>	<u>1,808</u>
Net Position		
Net investment in capital assets	175,132	138,838
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	63,318	59,983
Instructional and other	12,009	11,383
Expendable:		
Capital projects	19,968	32,885
Scholarships and fellowships	13,453	8,486
Instructional and other	10,605	8,281
Research and programs	944	855
Debt service	2,500	6,445
Loans	844	1,070
Unrestricted (Note 11)	<u>(17,690)</u>	<u>(11,296)</u>
Total net position	<u>\$ 281,083</u>	<u>\$ 256,930</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$54,560 and \$51,132, respectively	\$ 132,660	\$ 135,189
Federal grants and contracts	92,582	80,635
State grants and contracts	23,545	23,590
Other grants and contracts	4,977	4,113
Auxiliary enterprises, net of scholarship allowances of \$4,710 and \$4,554, respectively	15,927	15,721
Other operating revenues	<u>5,823</u>	<u>3,974</u>
Total operating revenues	<u>275,514</u>	<u>263,222</u>
Operating expenses		
Instruction	109,424	104,479
Research and programs	80,326	71,428
Public service	2,022	2,077
Academic support	31,328	30,438
Student services	25,837	24,866
Institutional support	56,990	52,346
Operation and maintenance of plant	25,155	20,367
Scholarships and fellowships	9,321	9,967
Depreciation	26,887	25,568
Auxiliary enterprises	<u>9,111</u>	<u>8,299</u>
Total operating expenses	<u>376,401</u>	<u>349,835</u>
Operating loss	<u>(100,887)</u>	<u>(86,613)</u>
Non-operating revenues (expenses)		
State appropriations	96,529	87,532
Gifts and bequests	3,511	2,468
Interest expense	(9,686)	(9,135)
Investment income	15,161	17
Other non-operating revenues, net	<u>2,152</u>	<u>4,084</u>
Net non-operating revenues	<u>107,667</u>	<u>84,966</u>
Income (loss) before other revenues	<u>6,780</u>	<u>(1,647)</u>
Other revenues		
Capital grants and gifts	13,964	3,240
Additions to permanent endowments	<u>3,409</u>	<u>4,185</u>
Total other revenues	<u>17,373</u>	<u>7,425</u>
Increase in net position	24,153	5,778
Net position, beginning of year	<u>256,930</u>	<u>251,152</u>
Net position, end of year	<u>\$ 281,083</u>	<u>\$ 256,930</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Student tuition and fees	\$ 137,667	\$ 133,116
Grants and contracts	118,430	108,741
Payments for salaries and benefits	(201,770)	(178,617)
Payments for goods and services	(98,797)	(75,118)
Payments for scholarships and fellowships	(9,321)	(9,967)
Loans collected from students	657	356
Auxiliary enterprises	15,927	15,686
University programs	388	332
Affiliates	833	360
Other receipts	<u>6,900</u>	<u>3,969</u>
Net cash used by operating activities	<u>(29,086)</u>	<u>(1,142)</u>
Cash flows from noncapital financing activities		
State appropriations	52,883	47,346
Gifts and bequests for other than capital purposes	3,279	3,128
Additions to permanent endowments	2,956	4,013
Other receipts	<u>2,414</u>	<u>11,683</u>
Net cash provided by noncapital financing activities	<u>61,532</u>	<u>66,170</u>
Cash flows from capital financing activities		
Proceeds from capital debt	90,053	-
Other receipts (payments)	22,538	-
Mortgage payments received	139	126
Capital grants and gifts	13,754	1,035
Purchase of capital assets	(96,846)	(63,016)
Refunding of bonds	(68,214)	-
Principal paid on long-term debt	(9,719)	(9,495)
Interest paid on long-term debt	(15,408)	(13,259)
Purchase of investments – capital construction	(26,071)	(1,163)
Sale of investments – capital construction	64,542	27,983
Deposits with trustees	(44,246)	(19,485)
Withdrawals from trustees	<u>35,345</u>	<u>29,767</u>
Net cash used by capital financing activities	<u>(34,133)</u>	<u>(47,507)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	90,342	29,567
Interest and dividends on investments	4,721	3,832
Purchase of investments	<u>(151,712)</u>	<u>(32,202)</u>
Net cash (used) provided by investing activities	<u>(56,649)</u>	<u>1,197</u>
Net (decrease) increase in cash and cash equivalents	(58,336)	18,718
Cash and cash equivalents, beginning of year	<u>79,378</u>	<u>60,660</u>
Cash and cash equivalents, end of year	<u>\$ 21,042</u>	<u>\$ 79,378</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (100,887)	\$ (86,613)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	26,887	25,568
Noncash operating expenses	58,184	47,648
Changes in assets and liabilities:		
Grants and accounts receivable	(4,534)	(2,885)
Other assets, current and noncurrent	(416)	82
Accounts payable and accrued liabilities	(9,547)	11,129
Unearned advance payments	392	3,571
Due to affiliates	<u>835</u>	<u>358</u>
Net cash used by operating activities	<u>\$ (29,086)</u>	<u>\$ (1,142)</u>
Noncash transactions:		
State appropriations for fringe benefits	\$ 40,867	\$ 40,702
Gifts and bequests for other than capital purposes	232	(685)
Investment income	416	1
Gifts for capital purposes	210	2,205
Additions to permanent endowments	453	172
Capital assets	10,737	9,040
Capital leases	-	1,514

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, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

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

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

Foundation at New Jersey Institute of Technology (Foundation) is a component unit of NJIT. The Foundation raises and manages funds to support the further development and growth of programs at NJIT. Because of the significance of its operational and financial relationships with NJIT and because it exclusively benefits NJIT, the Foundation's financial statements are combined and reported on a blended basis with those of NJIT. Copies of the Foundation's financial statements can be obtained by writing to Foundation at New Jersey Institute of Technology, University Heights, Newark, New Jersey 07102, Attention: 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 (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, 2017 and 2016

(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.

(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. 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.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2017 and 2016

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 non-operating revenues, net.

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

	<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>2017</u>	<u>2016</u>
NJEDge.Net	\$ 5,142	\$ 4,298
Student organizations	1,025	1,054
Other organizations	378	358
	<u>\$ 6,545</u>	<u>\$ 5,710</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 grants and contracts remains with the University at the conclusion of the grant or contract period with the permission of the grantor.

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2017 and 2016

- 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. Non-operating revenues result from activities that are not directly related to the University's principal purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other revenues arise from nonexchange transactions, which provide funding for acquisitions of capital assets and additions to permanent endowments.

Interest expense is reported as a non-operating activity.

(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, 2017 and 2016

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 (\$61,089 and \$52,092 in fiscal years 2017 and 2016, 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. NJIT, the Foundation, and NJII have determined that they do not generate any material revenues from an unrelated trade or business; accordingly, a tax provision has not been calculated within these financial statements. The UREs, which are wholly-owned limited liability companies, have the same tax status as NJIT.

(p) *Reclassifications*

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

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2017 and 2016

At June 30, 2017, endowment investments include \$2,516 of NJIT related funds. Endowment investments totaling \$4,076 and \$3,684 at fair value (\$3,395 and \$3,305 at cost) at June 30, 2017 and 2016, 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 \$2,927 in these funds over the next several fiscal years.

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

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

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

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 \$24,843 and \$84,348, including cash held by depositories of \$1,295 and \$3,376 at June 30, 2017 and 2016, respectively, of which \$848 and \$845 are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents of \$500 at both June 30, 2017 and 2016 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, 2017 and 2016, \$293,482 and \$250,552, 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, 2017 and 2016

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,	
		2017	2016
Commercial paper	A-1+	\$ 3,494	\$ 5,973
Commercial paper	A-1	<u>2,998</u>	<u>23,743</u>
Total commercial paper		<u>6,492</u>	<u>29,716</u>
Corporate debt securities	AA+	5	4,293
Corporate debt securities	AA	5	4,268
Corporate debt securities	AA-	274	6,338
Corporate debt securities	A+	1,353	2,014
Corporate debt securities	A	505	12,629
Corporate debt securities	A-	1,692	7,881
Corporate debt securities	BBB+	2,097	5,299
Corporate debt securities	BBB	2,506	6
Corporate debt securities	BBB-	<u>3</u>	<u>2</u>
Total corporate debt securities		<u>8,440</u>	<u>42,730</u>
		<u>\$ 14,932</u>	<u>\$ 72,446</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,

NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2017 and 2016

2017 and 2016, fixed income investments included in cash and cash equivalents, investments, and deposits held with trustees have the following maturities:

	June 30, 2017			
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	5 to 10
Money market funds	\$ 95,789	\$ 95,789	\$ -	\$ -
Certificates of deposit	7,500	7,500	-	-
U.S. Treasury and government agency bonds	7,377	1,638	4,311	1,428
Commercial paper	6,492	6,492	-	-
Corporate debt securities	8,440	6,941	1,470	29
Mutual bond funds	76,454	24,501	39,691	12,262
	<u>\$ 202,052</u>	<u>\$ 142,861</u>	<u>\$ 45,472</u>	<u>\$ 13,719</u>

	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>

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,			
	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,911	\$ 1,911	\$ 1,716	\$ 1,716
Corporate equity securities	26,991	36,867	28,560	34,388
Mutual equity funds	21,954	22,586	14,090	14,054
Mutual bond funds	15,913	15,557	15,279	14,883
Hedge and other investment funds	24,280	27,690	23,848	25,754
	<u>\$ 91,049</u>	<u>\$ 104,611</u>	<u>\$ 83,493</u>	<u>\$ 90,795</u>

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For the years ended June 30, 2017 and 2016, the average return for the endowment investment pool was 13.1% and (1.4%), 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, 2017 and 2016 were 4.7% and 4.9%, 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, 2017 and 2016 was as follows:

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

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4. Supplementary Statement of Net Position Detail

	June 30,	
	2017	2016
Grants and accounts receivable:		
Federal and State grants and accounts receivable	\$ 34,248	\$ 29,347
Student accounts receivable	3,906	6,286
Program services accounts receivable	1,159	1,175
Other grants and accounts receivable	2,272	773
Pledges receivable, current portion	796	678
Student loans receivable, current portion	276	268
Accrued interest receivable	131	283
	<u>42,788</u>	<u>38,810</u>
Less: allowance for doubtful accounts	3,900	5,575
	<u>\$ 38,888</u>	<u>\$ 33,235</u>
Other assets, noncurrent:		
Building Our Future Bonds proceeds receivable	\$ 8,856	\$ 31,297
Student loans receivable, net	725	1,646
Mortgages receivable	3,417	3,556
Pledges receivable, net	259	467
Other	808	994
	<u>\$ 14,065</u>	<u>\$ 37,960</u>
Accounts payable and accrued liabilities:		
Salaries and fringe benefits	\$ 10,217	\$ 15,576
Accrued interest expense	6,244	7,128
Accounts payable - construction	22,864	12,127
Accounts payable - other	12,527	10,703
Other noncurrent liabilities, current portion	3,520	2,080
	<u>\$ 55,372</u>	<u>\$ 47,614</u>

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5. Noncurrent Liabilities

The activity in noncurrent liabilities for the years ended June 30, 2017 and 2016 was as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
Long-term debt	\$ 325,103	\$ 90,053	\$ (73,360)	\$ 341,796	\$ 5,888
Unamortized net premium	19,462	-	(2,720)	16,742	592
Total long-term debt	<u>344,565</u>	<u>90,053</u>	<u>(76,080)</u>	<u>358,538</u>	<u>6,480</u>
Retirement incentive programs	10,130	1,637	(1,946)	9,821	2,524
Annuity funds liability	904	121	(252)	773	136
Insurance liability reserve	1,442	-	-	1,442	-
Compensated absences	3,336	16	(414)	2,938	415
Other	712	1,925	(231)	2,406	445
Total other noncurrent liabilities	<u>16,524</u>	<u>3,699</u>	<u>(2,843)</u>	<u>17,380</u>	<u>3,520</u>
Net pension liability	135,999	29,743	(3,389)	162,353	-
U.S. government grants refundable	1,960	41	(1,107)	894	-
	<u>\$ 499,048</u>	<u>\$ 123,536</u>	<u>\$ (83,419)</u>	<u>\$ 539,165</u>	<u>\$ 10,000</u>

	June 30, 2015	Additions	Reductions	June 30, 2016	Current Portion
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>

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

Included in annuity funds liability is a net increase of \$300 and a net decrease of \$137 in the fair value of investments at June 30, 2017 and 2016, respectively.

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6. Long-Term Debt

Long-term debt is composed of:

	June 30,	
	2017	2016
General Obligation Bonds:		
2017 Series A issue:		
Term bonds (interest rates from 3.887% to 4.357%, final maturity in fiscal year 2048)	\$ 77,995	\$ -
2015 Series A issue:		
Serial bonds (interest rates from 3.00% to 5.00%, due on various dates through fiscal year 2032)	12,520	12,520
Step coupon bonds (interest rates from 2.50% to 5.50%, final maturity in fiscal year 2036)	15,080	15,080
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2046)	89,080	89,080
2012 Series A issue:		
Serial bonds (interest rates of 4.00% and 5.00%, due on various dates through fiscal year 2028)	3,795	5,470
Term bonds (interest rate at 5.00%, final maturity in fiscal year 2043)	41,685	60,025
2012 Series B issue:		
Serial bonds (interest rates from 2.17% to 3.723%, due on various dates through fiscal year 2026)	15,025	25,390
Term bond (interest rate at 3.323%, maturity in fiscal year 2025)	5,630	17,310
Revenue Bonds:		
2010 Series H issue:		
Serial bonds (interest rates from 3.75% to 5.00%, due on various dates through fiscal year 2026)	8,135	28,875
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
Other Long-Term Debt:		
Higher Education Capital Improvement Fund	25,271	20,627
Equipment Leasing Fund	1,122	1,280
TD Master Leases	2,399	3,709
New Jersey Economic Development Authority note	1,506	1,657
Other	898	1,190
	<u>341,796</u>	<u>325,103</u>
Unamortized net premium on obligations	16,742	19,462
	358,538	344,565
Less: current portion	6,480	10,538
	<u>\$ 352,058</u>	<u>\$ 334,027</u>

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

The 2017 Series A Bonds were issued by the University for the purpose of financing the acquisition of certain capital projects and advance refunding portions of the 2010 Series H Bonds, the 2012 Series A Bonds, and the 2012 Series B Bonds. The advance refunding resulted in a fiscal year loss on defeasance of \$3,622. Aggregate debt service payments over the next thirty fiscal years will be increased by \$42,326, representing an economic loss (difference between the present value of the old and new debt service payments) of \$5,735.

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

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

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

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

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

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

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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, 2017 and 2016, \$427 and \$428, respectively, of Federal government interest payments are included in interest expense and in other non-operating revenues, net in the statement of revenues, expenses, and changes in net position. The 2010 Series I Bonds are subject to optional redemption prior to maturity on or after July 1, 2020 at a price of 100%.

The 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.

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

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

The New Jersey Economic Development Authority (NJEDA) note, which matures in fiscal year 2028, is noninterest bearing and payable monthly. Imputed interest expense totaled \$67 and \$71 in fiscal years 2017 and 2016, respectively.

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

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At June 30, 2017, deposits held with trustees included \$2,500 for principal payments on revenue bonds due on July 1, 2017. Payments due on long-term debt, including mandatory sinking fund payments on the bonds, are as follows for the fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,568	\$ 15,879	\$ 20,447
2019	4,985	15,348	20,333
2020	4,939	15,183	20,122
2021	5,976	15,157	21,133
2022	7,297	14,936	22,233
2023 to 2027	39,417	70,644	110,061
2028 to 2032	48,083	62,225	110,308
2033 to 2037	66,491	47,992	114,483
2038 to 2042	69,440	31,477	100,917
2043 to 2047	88,100	12,513	100,613
	<u>\$ 339,296</u>	<u>\$ 301,354</u>	<u>\$ 640,650</u>

The University has a line of credit agreement with a bank permitting it to borrow up to \$24,000 at the London Interbank Offered Rate (LIBOR) plus the applicable margin (from 0.9% to 1.2%) at the time of utilization. There were no borrowings against the agreement in fiscal year 2017.

Deferred loss on refunding associated with the University's long-term debt totaled \$4,564 and \$1,696, net of accumulated amortization of \$1,375 and \$1,799, at June 30, 2017 and 2016, respectively.

Deferred gain on refunding associated with the University's long-term debt totaled \$625 and \$272, net of accumulated amortization of \$281 and \$161, at June 30, 2017 and 2016, respectively.

Interest charges incurred in fiscal years 2017 and 2016 totaled \$13,861 and \$14,148, respectively. Of these amounts, \$4,175 and \$5,013 were capitalized in fiscal years 2017 and 2016, 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, 2017 and 2016, accounts payable and accrued liabilities include accrued vacation and related fringe benefits of \$6,237 and \$6,407, respectively, and unused sick time of \$415 and \$325, respectively. At June 30, 2017 and 2016, other noncurrent liabilities include \$2,523 and \$3,011, respectively, of unused sick time. In fiscal years 2017 and 2016, payments for unused sick time totaled \$414 and \$318, respectively.

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8. Retirement Programs

General Information about Pension Plans

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

The State issues a publicly available Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS, PFRS, and TPAF fiduciary net position. These reports can be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295, or obtained at www.state.nj.us/treasury/pensions/annrprts.shtml.

Defined Benefit Plans

Public Employees' Retirement System

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

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, 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 7.2% 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 \$6,455 and \$2,836 for the fiscal years ended June 30, 2017 and 2016, respectively, which is recognized as a deferred outflows of resources in the statement of net position.

The University participated in the State's early retirement incentive programs and is responsible for retirement incentive program contributions to PERS, which were \$211 and \$205 for the years ended June 30, 2017 and 2016, respectively.

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Police and Firemen's Retirement System

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

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

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The current employee contribution rate is 10% of base salary. Employer contributions are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State Contribution to PFRS was \$1,303 and \$551 for the fiscal years ended June 30, 2017 and 2016, respectively, which is recognized as a deferred outflows of resources in the statement of net position.

Teachers' Pension and Annuity Fund

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

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability 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, 2017 and 2016, the University recognized both state appropriation revenue and pension expense of \$155 and \$463, respectively, for contributions by the State.

The University participated in the State's early retirement incentive programs and is responsible for retirement incentive program contributions to TPAF, which were \$58 and \$57 for the years ended June 30, 2017 and 2016, respectively.

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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, 2016 and 2015.

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, 2017 and 2016, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2016	\$ 138,898	\$ 23,455	\$ 162,353
2015	\$ 113,033	\$ 22,966	\$ 135,999
Proportionate share of the net pension liability (%)			
2016	0.473 %	0.498 %	
2015	0.476 %	0.535 %	
Deferred outflows of resources			
2016	\$ 35,810	\$ 4,460	\$ 40,270
2015	\$ 17,286	\$ 3,737	\$ 21,023
Deferred inflows of resources			
2016	\$ 693	\$ 1,990	\$ 2,683
2015	\$ 558	\$ 978	\$ 1,536
Net pension expense			
2016	\$ 7,476	\$ 778	\$ 8,254
2015	\$ 5,508	\$ 1,605	\$ 7,113

The University's proportionate share of each respective plan's 2016 and 2015 net pension liability was based on the State Contribution to the respective plans from July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015, respectively, relative to the total contributions from all participating employers.

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The components of pension related deferred outflows of resources and deferred inflows of resources as of June 30, 2017 and June 30, 2016 are as follows:

Deferred outflows of resources

	June 30, 2017		
	PERS	PFRS	Total
Differences between expected and actual experience	\$ 2,956	\$ -	\$ 2,956
Net difference between projected and actual earnings on pension plan investments	2,295	731	3,026
Changes in assumptions	20,761	1,827	22,588
Changes in proportion	3,343	599	3,942
Contributions paid subsequent to June 30, 2016	<u>6,455</u>	<u>1,303</u>	<u>7,758</u>
	<u>\$ 35,810</u>	<u>\$ 4,460</u>	<u>\$ 40,270</u>

	June 30, 2016		
	PERS	PFRS	Total
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 assumptions	8,616	2,355	10,971
Changes in proportion	4,254	769	5,023
Contributions paid subsequent to June 30, 2015	<u>2,836</u>	<u>551</u>	<u>3,387</u>
	<u>\$ 17,286</u>	<u>\$ 3,737</u>	<u>\$ 21,023</u>

Deferred inflows of resources

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

	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	<u>-</u>	<u>804</u>	<u>804</u>
	<u>\$ 558</u>	<u>\$ 978</u>	<u>\$ 1,536</u>

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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 \$2,068 and \$7,578 as of June 30, 2016 and 2015, respectively, are reported by the State.

The \$7,758 and \$3,387 reported as deferred outflows of resources related to pensions resulting from State Contributions paid subsequent to June 30, 2016 and 2015, respectively, are recorded as deferred outflows of resources as of June 30, 2017 and 2016, respectively, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018 and fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in pension expense as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2018	\$ 6,620	\$ 323	\$ 6,943
2019	6,620	323	6,943
2020	7,316	434	7,750
2021	5,917	162	6,079
2022	<u>2,189</u>	<u>(75)</u>	<u>2,114</u>
	28,662	1,167	29,829
Contributions paid subsequent to June 30, 2016	<u>6,455</u>	<u>1,303</u>	<u>7,758</u>
	<u>\$ 35,117</u>	<u>\$ 2,470</u>	<u>\$ 37,587</u>

Defined Benefit Actuarial Assumptions

The University's net pension liability as of June 30, 2017 for each plan was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The University's net pension liability as of June 30, 2016 for each plan was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for each plan was determined using the following actuarial assumptions:

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

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	2016		
	PERS	PFRS	TPAF
Valuation date	7/1/2014	7/1/2014	7/1/2014
Measurement date	6/30/2015	6/30/2015	6/30/2015
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%
Municipal bond rate - 2015	3.80%	3.80%	3.80%
Discount rate - 2015	4.90%	5.79%	4.13%
Experience study dates	7/1/2008 - 6/30/2011	7/1/2010 - 6/30/2013	7/1/2009 - 6/30/2012

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

For the June 30, 2016 measurement date, PFRS pre-retirement mortality rates were based on the RP-2000 Pre-retirement Mortality Tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality tables were based on special mortality tables used for the period after disability retirement.

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

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For the June 30, 2015 measurement date, PERS mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one 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 (set back three years for males and set back one year for females) are used to value disabled retirees.

For the June 30, 2015 measurement date, 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.

For the June 30, 2015 measurement date, 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.

Discount Rate

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

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

For the June 30, 2015 measurement date, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended

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

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, 2016 and 2015 are as follows:

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

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Asset Class	2016			
	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 U.S.	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%

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Discount Rate Sensitivity

The University's proportionate share of the net pension liability as of June 30, 2016 and 2015, 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, 2016			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	2.98%	\$ 162,680	4.55%	\$ 27,944
Current discount rate	3.98%	138,898	5.55%	23,455
1% increase	4.98%	119,314	6.55%	19,806

	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

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, 2017 and 2016, the University's contributions to ABP were \$8,012 and \$7,017, respectively.

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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 contributions were \$800 and \$525 in fiscal years 2017 and 2016, respectively.

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 were \$426 and \$228 in fiscal years 2017 and 2016, respectively.

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 was \$19 in fiscal year 2016.

9. Investment Income

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,184	\$ 2,581
Realized net gain on sale of investments	4,625	615
Net increase (decrease) in the fair value of investments	<u>7,352</u>	<u>(3,179)</u>
	<u>\$ 15,161</u>	<u>\$ 17</u>

Investment income of \$424 and \$1,119 was capitalized in fiscal years 2017 and 2016, 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, 2017 and for the year then ended are as follows:

	At June 30, 2017					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Cash and cash equivalents	\$ 20,689	\$ 1,869	\$ 353	\$ 2	\$ (1,871)	\$ 21,042
Other current assets	114,178	606	2,935	16	(9)	117,726
Due from NJIT	-	-	160	-	(160)	-
Due from Foundation	657	-	-	-	(657)	-
Capital assets, net	453,967	-	136	22,719	-	476,822
Other noncurrent assets	122,182	112,704	-	-	-	234,886
Investment in UREs	22,720	-	-	-	(22,720)	-
Total assets	<u>734,393</u>	<u>115,179</u>	<u>3,584</u>	<u>22,737</u>	<u>(25,417)</u>	<u>850,476</u>
Deferred outflows of resources	<u>44,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,834</u>
Due to NJII	160	-	-	-	(160)	-
Due to NJIT	-	2,526	-	-	(2,526)	-
Other current liabilities	80,741	144	2,732	17	(1,880)	81,754
Noncurrent liabilities	528,528	637	-	-	-	529,165
Total liabilities	<u>609,429</u>	<u>3,307</u>	<u>2,732</u>	<u>17</u>	<u>(4,566)</u>	<u>610,919</u>
Deferred inflows of resources	<u>3,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,308</u>
Net investment in capital assets	152,277	-	136	22,719	-	175,132
Restricted nonexpendable	-	75,327	-	-	-	75,327
Restricted expendable	29,181	19,103	30	-	-	48,314
Unrestricted	(13,099)	17,442	686	1	(22,720)	(17,690)
Total net position	<u>\$ 168,359</u>	<u>\$ 111,872</u>	<u>\$ 852</u>	<u>\$ 22,720</u>	<u>\$ (22,720)</u>	<u>\$ 281,083</u>

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	For the Year Ended June 30, 2017					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Gifts and bequests	\$ -	\$ 8,505	\$ 641	\$ -	\$ (9,146)	\$ -
Grants from Foundation	10,925	-	-	-	(10,925)	-
Other operating revenues	258,684	-	18,814	1,558	(3,542)	275,514
Total operating revenues	<u>269,609</u>	<u>8,505</u>	<u>19,455</u>	<u>1,558</u>	<u>(23,613)</u>	<u>275,514</u>
Depreciation	25,961	-	12	914	-	26,887
Grants to NJIT	-	10,925	-	-	(10,925)	-
Grants to NJII	-	120	-	-	(120)	-
Grants to NJIT student fraternities	-	139	-	-	(139)	-
Other operating expenses	333,385	3,089	18,659	1,830	(7,449)	349,514
Total operating expenses	<u>359,346</u>	<u>14,273</u>	<u>18,671</u>	<u>2,744</u>	<u>(18,633)</u>	<u>376,401</u>
Operating (loss) profit	(89,737)	(5,768)	784	(1,186)	(4,980)	(100,887)
Gifts and bequests	-	-	-	-	3,511	3,511
Investment income	3,008	12,153	-	-	-	15,161
Other non-operating revenues, net	86,699	86	-	(1)	2,211	88,995
Capital grants and gifts	13,519	-	-	292	153	13,964
Additions to permanent endowments	-	3,409	-	-	-	3,409
Increase (decrease) in net position	13,489	9,880	784	(895)	895	24,153
Net position, beginning of year	154,870	101,992	68	23,615	(23,615)	256,930
Net position, end of year	<u>\$ 168,359</u>	<u>\$ 111,872</u>	<u>\$ 852</u>	<u>\$ 22,720</u>	<u>\$ (22,720)</u>	<u>\$ 281,083</u>

	For the Year Ended June 30, 2017					
	NJIT	Foundation	NJII	UREs	Reclassifications/ Eliminations	Combined
Net cash provided (used) by:						
Operating activities	\$ (19,404)	\$ (3,266)	\$ (545)	\$ (291)	\$ (5,580)	\$ (29,086)
Noncapital financing activities	50,683	3,041	-	291	7,517	61,532
Capital financing activities	(34,028)	-	(105)	-	-	(34,133)
Investing activities	(54,937)	(1,712)	-	-	-	(56,649)
Net decrease in cash and cash equivalents	(57,686)	(1,937)	(650)	-	1,937	(58,336)
Cash and cash equivalents, beginning of year	78,375	3,806	1,003	2	(3,808)	79,378
Cash and cash equivalents, end of year	<u>\$ 20,689</u>	<u>\$ 1,869</u>	<u>\$ 353</u>	<u>\$ 2</u>	<u>\$ (1,871)</u>	<u>\$ 21,042</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, 2016 and for the year then ended are as follows:

	At 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 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 non-operating 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	6,797	(1,196)	177	(884)	884	5,778
Net position, beginning of year	148,073	103,188	(109)	24,499	(24,499)	251,152
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 (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 in cash and cash equivalents	18,091	891	629	-	(893)	18,718
Cash and cash equivalents, beginning of year	60,284	2,915	374	2	(2,915)	60,660
Cash and cash equivalents, end 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>

NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

11. Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2017	2016
Designated unrestricted net position:		
Quasi-endowments	\$ 15,452	\$ 12,384
Instructional and other	3,811	2,902
Construction and capital programs	29,600	31,770
Wellness and Events Center construction	15,308	10,000
State bond funds required match	256	9,925
Debt service	6,542	6,546
Outstanding purchase orders	<u>8,558</u>	<u>7,398</u>
	79,527	80,925
Undesignated unrestricted net position:		
Pension related	(124,766)	(116,512)
Operations	<u>27,549</u>	<u>24,291</u>
	<u>\$ (17,690)</u>	<u>\$ (11,296)</u>

12. Commitments and Contingencies

At June 30, 2017, open purchase orders totaled \$83,635, primarily for construction and capital program and research expenditures.

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

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

Required Supplementary Information
(unaudited)

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 (unaudited)
Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years*
(Dollars in thousands)
June 30, 2017

	2017		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.473%	0.498%	0.00%
NJIT's proportionate share of net pension liability	\$ 138,898	\$ 23,455	\$ -
NJIT's covered-employee payroll (for the year ended as of the measurement date)	\$ 24,111	\$ 2,654	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 2,068
NJIT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	576.08%	883.76%	0.00%
Plan fiduciary net position as a percentage of total pension liability	19.02%	24.70%	22.33%

	2016		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.476%	0.535%	0.00%
NJIT's proportionate share of net pension liability	\$ 113,033	\$ 22,966	\$ -
NJIT's covered-employee payroll (for the year ended as of the measurement date)	\$ 24,038	\$ 2,391	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 7,578
NJIT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	470.23%	960.52%	0.00%
Plan fiduciary net position as a percentage of total pension liability	24.96%	29.07%	28.71%

	2015		
	PERS	PFRS	TPAF
NJIT's proportion of net pension liability	0.455%	0.509%	0.00%
NJIT's proportionate share of net pension liability	\$ 91,665	\$ 18,071	\$ -
NJIT's covered-employee payroll (for the year ended as of the measurement date)	\$ 23,781	\$ 2,249	\$ -
State's proportionate share of the net pension liability attributable to NJIT	N/A	N/A	\$ 8,415
NJIT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	385.45%	803.51%	0.00%
Plan fiduciary net position as a percentage of total pension liability	30.06%	34.70%	33.64%

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

NEW JERSEY INSTITUTE OF TECHNOLOGY
Required Supplementary Information (unaudited)
Schedules of Employer Contributions – Last 10 Years*
(Dollars in thousands)
June 30, 2017

	2017	
	PERS	PFRS
Contractually required contribution	\$ 4,327	\$ 881
Contributions in relation to the contractually required contribution	<u>4,327</u>	<u>881</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
NJIT's covered-employee payroll (as of fiscal year end)	\$ 24,911	\$ 2,625
Contributions as a percentage of covered-employee payroll	17.37%	33.56%
	2016	
	PERS	PFRS
Contractually required contribution	\$ 2,836	\$ 551
Contributions in relation to the contractually required contribution	<u>2,836</u>	<u>551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
NJIT's covered-employee payroll (as of fiscal year end)	\$ 24,111	\$ 2,654
Contributions as a percentage of covered-employee payroll	11.76%	20.76%
	2015	
	PERS	PFRS
Contractually required contribution	\$ 736	\$ 545
Contributions in relation to the contractually required contribution	<u>736</u>	<u>545</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
NJIT's covered-employee payroll (as of fiscal year end)	\$ 24,038	\$ 2,391
Contributions as a percentage of covered-employee payroll	3.06%	22.79%

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