



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

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

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-16
Basic Financial Statements:	
New Jersey City University Statements of Net Position as of June 30, 2015 and 2014	17
New Jersey City University Foundation, Inc. and Affiliate Consolidated Statements of Financial Position as of June 30, 2015 and 2014	18
New Jersey City University Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014	19
New Jersey City University Foundation, Inc. and Affiliate Consolidated Statement of Activities for the year ended June 30, 2015	20
New Jersey City University Foundation, Inc. and Affiliate Consolidated Statement of Activities for the year ended June 30, 2014	21
New Jersey City University Statements of Cash Flows for the years ended June 30, 2015 and 2014	22
Notes to Basic Financial Statements	23-51
Required Supplementary Information (Unaudited):	
Schedules of Employer Contributions	52
Schedules of Proportionate Share of the Net Pension Liability	53



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

Independent Auditors' Report

The Board of Trustees
New Jersey City University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in note 1 to the basic financial statements, as of July 1, 2014, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 16 and the schedules of employer contributions and schedules of proportionate share of the net pension liability on pages 52 and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

December 17, 2015

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

Introduction

This section of the financial statements presents management's discussion and analysis of New Jersey City University's (the University) financial performance for the years ended June 30, 2015 and 2014, and comparative amounts for the year ended June 30, 2013. This section is designed to assist readers in understanding the accompanying financial statements, and therefore, should be read in conjunction with the financial statements and the related footnote disclosures.

University Overview

Since its charter by the New Jersey Legislature in 1927, the University has been evolving as a place of higher education in the context of a dynamic, ethnically diverse urban environment. The mission of NJCU is "to provide a diverse population with an excellent university education." Its vision is to become a nationally recognized leader in urban education. The University, as an urban institution, is committed to the improvement of the educational, intellectual, cultural, socio-economic, and physical environment of the surrounding urban region. Although the University's mission remains the same, its physical presence has changed dramatically. The size of the campus has expanded six-fold; the number of buildings and facilities has increased from one structure to 23. The academic focus has expanded from normal school training to 43 undergraduate degree programs, 27 master's and post-master's level programs, and 2 doctoral programs offered in four colleges. Degree and certificate programs have been developed in Business (MBA, BS/MS Bridge Program in Accounting, Finance), the Arts (MFA in Media Production), National Security Studies, Geoscience, Education, Nursing (accelerated second baccalaureate in nursing), and Women and Gender Studies. NJCU launched its second doctoral program, the Doctorate of Education in Educational Technology Leadership, with an entering cohort of 23 doctoral students in July 2013.

Since 1929, the student body has grown and diversified from 330 New Jersey residents to approximately 8,200 undergraduate and graduate students from across New Jersey, the United States, and countries around the world. The student body reflects the social and cultural diversity of the New Jersey/New York metropolitan area. Over the past five years, the number of full-time students has grown to 75% of all undergraduate students (Fall 2014). Consistent with national demographics, women represent 60% of the undergraduate student body. White student enrollment has declined over the past five years while minority enrollment has increased.

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

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

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

In March of 2015, the West Campus Housing, LLC entered into an agreement with the New Jersey Economic Development Authority (NJEDA) to finance and develop a 425-bed student housing facility and renovate two existing dormitories on the campus of the University. The agreement was pursuant to the New Jersey 2009, Economic Stimulus Act, which allowed colleges and universities to enter into Public Private Partnerships with private developers. Consequently, the West Campus Housing, LLC was created to be the owner and borrower of approximately \$50.6 million to finance and develop the new student housing and renovate two existing dormitories.

Financial Statements

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

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

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

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

Statements of Net Position

The Statement of Net Position presents the University's financial position at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair value. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are classified as current and noncurrent. Current assets are those assets considered to be convertible to cash within one year. The University's current assets consist primarily

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

of cash, short-term investments, including the State of New Jersey Cash Management Fund, restricted deposits held with bond trustees, and student, grants, and other receivables. The University's noncurrent assets consist primarily of capital assets, the noncurrent portion of restricted deposits held with bond trustees, student loans and long-term investments.

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

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

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and 2014, and comparative amounts at June 30, 2013 are as follows:

	2015	2014	2013
		(In millions)	
Assets:			
Current assets	\$ 55.7	45.3	53.9
Noncurrent assets:			
Capital assets	218.3	210.0	192.1
Other assets	45.2	31.6	38.3
Total assets	\$ 319.2	286.9	284.3
Deferred outflows of resources	\$ 4.9	1.5	1.7
Liabilities:			
Current liabilities	\$ 29.0	30.1	30.8
Noncurrent liabilities	296.7	149.6	152.4
Total liabilities	\$ 325.7	179.7	183.2
Deferred inflows of resources	\$ 3.9	—	—
Net position:			
Net investment in capital assets	\$ 60.3	57.3	52.7
Restricted for expendable:			
Renewal and replacement	1.4	1.4	1.4
Debt service and reserve	5.4	6.7	3.2
Perkins loans	0.2	0.2	0.2
Unrestricted	(72.8)	43.2	45.3
Total net position	\$ (5.5)	108.8	102.8

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

Statements of Net Position – Financial Highlights

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

As of June 30, 2014, the University's total assets increased by \$2.6 million to \$286.9 million from \$284.3 million as of June 30, 2013. This change is primarily attributed to an increase in cash and cash equivalents by \$4.0 million, primarily due to cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses. The University recognized an increase of \$17.9 million in net capital assets, which consisted of renovations to the Gilligan Student Union Building (GSUB), Hepburn Hall, Co-Op Dormitory, John Moore Athletic Center, West Campus Remediation, and Security Kiosks. Grants receivable increased by \$1.5 million due to the Higher Education Technology Infrastructure Grant, Advances Research and Engineering Grant, and the Opening the Gap and Closing the Gate Grants. This was offset by a decrease of \$4.9 million in restricted deposits held with bond trustees, a decrease of \$2.0 million in investments and a decrease of \$13.7 million in other receivables. The \$13.7 million decrease in other receivables is primarily attributable to the New Jersey Environmental Infrastructure Trust (NJEIT) 2013A loan for \$11.8 million and improved collections from A. Harry Moore of \$1.6 million. This loan was used for the remediation and infrastructure work on the University's West Campus, which is 90% completed.

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

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

As of June 30, 2014, the University's total liabilities decreased by \$3.5 million to \$179.7 million from \$183.2 million as of June 30, 2013. This change is primarily attributable to a decrease in long-term debt of \$2.7 million related to bonds and lease payments of \$3.7 million, which was offset by the addition of new leases of \$653,000 and the Higher Education Equipment Leasing Fund 2014 Series A of \$377,000. Accounts payable and accrued expenses decreased by \$2.4 million due to construction related costs for capital projects that were paid as of June 30, 2014. These decreases were offset by an increase in unearned grant revenue of \$1.2 million, which is attributed to the grant portion of the Higher Education Equipment Leasing Fund 2014 Series A.

The University's current ratio measures the institution's ability to satisfy current obligations as they come due. The University's current ratio was 1.9, 1.5, and 1.8 as of June 30, 2015, 2014, and 2013, respectively. The ratio of unrestricted financial resources to operations is a key indicator of financial strength and flexibility to cover operating expenses without relying on generating additional resources and is calculated by dividing the University's unrestricted net position by total operating expenses. The University's unrestricted financial resource ratio was (47.4%), 30.9%, and 33.2% as of June 30, 2015, 2014, and 2013, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenue earned and expenses incurred during the fiscal year.

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

Generally, operating revenues are earned in exchange for providing goods or services. Operating revenues of the University consist of net tuition and fees revenue, as well as Federal, State of New Jersey, and local grant revenue. Operating expenses are expenses incurred to produce goods or services in return for operating revenue, as well as expenses incurred to carry out the mission of the University. Nonoperating revenue is revenue earned for which goods or services are not provided in exchange for such revenue. The State of New Jersey appropriation and interest income are classified as nonoperating revenue. Nonoperating expenses consist of interest expense and gifts to the New Jersey City University Foundation. For the year ended June 30, 2015, the Statements of Revenues, Expenses, and Changes in Net Position reflects a decrease in net position of \$4.5 million. The following is the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014, and comparative amounts for the year ended June 30, 2013. The amounts presented for 2014 and 2013 were not restated as a result of the implementation of GASB 68.

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

	2015	2014	2013
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	\$ 61.4	61.4	61.6
Grants and contracts	36.8	36.2	34.7
Other	2.4	2.3	2.4
Total operating revenues	100.6	99.9	98.7
Operating expenses:			
Instruction	65.4	57.3	55.8
Research and programs	0.1	0.1	0.1
Academic support	14.5	13.3	13.7
Student services	17.0	15.3	15.4
Institutional support	23.7	23.4	22.8
Operation and maintenance of plant	18.4	16.2	14.6
Auxiliary enterprises	4.6	4.6	5.0
Student aid	2.0	2.0	1.9
Depreciation	7.8	7.5	7.2
Total operating expenses	153.5	139.7	136.5
Operating loss	(52.9)	(39.8)	(37.8)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	26.1	26.1	26.1
State of New Jersey fringe benefit appropriations	24.8	22.0	22.1
Investment income	1.2	1.0	0.5
Unrealized and realized loss on investments	(0.8)	(0.3)	(1.0)
Interest expense	(5.7)	(4.8)	(4.9)
Other nonoperating revenues (expenses)	(0.3)	0.7	1.1
Net nonoperating revenues	45.3	44.7	43.9
Capital grants and gifts	3.2	1.1	0.2
(Decrease) increase in net position	(4.5)	6.0	6.3
Net position, beginning of year	108.7	102.8	96.5
Cumulative effect of change in accounting principle	(109.7)	—	—
Net position as of beginning of year, as restated	(1.0)	102.8	96.5
Net position, end of year	\$ (5.5)	108.8	102.8

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

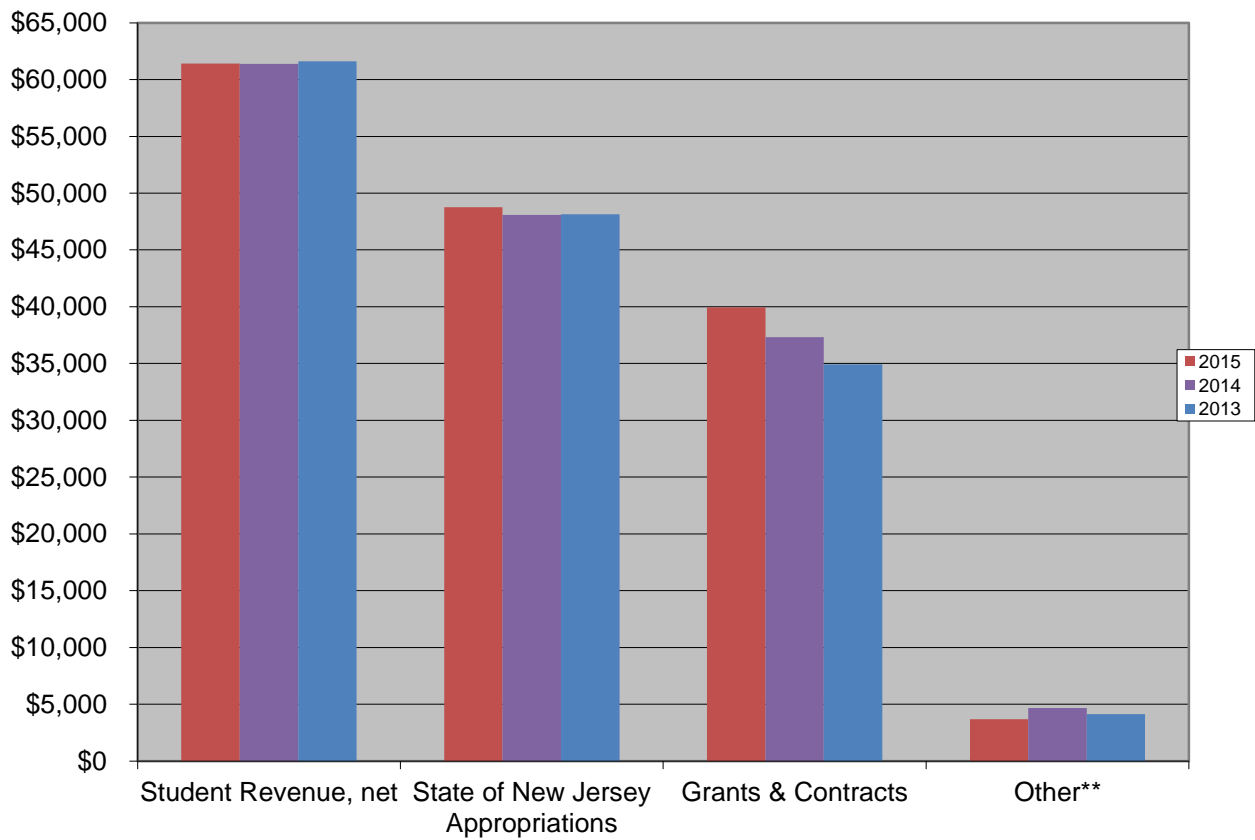
Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

Financial Highlights – Revenues

The University derives its revenue from a variety of sources. The following is an illustration of revenues by source, both operating and nonoperating, which are used to fund the University's activities for the years ended June 30, 2015 and 2014, and comparative amounts for the year ended June 30, 2013 (in thousands):



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

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

		2015			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	\$	61,420	50,860	39,946	3,693
Percent		39.4%	32.6%	25.6%	2.4%
		2014			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	\$	61,386	48,086	37,310	4,685
Percent		40.5%	31.8%	24.6%	3.1%
		2013			
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	\$	61,603	48,142	34,925	4,135
Percent		41.4%	32.4%	23.4%	2.8%

For 2015, 2014, and 2013, State of New Jersey appropriations, grants and contracts, and student tuition and fees were the primary sources of funding for the University's academic programs. The State of New Jersey appropriations consist of funding appropriated by State legislature as well as employee FICA and fringe expenses paid by the State. For the fiscal year ended June 30, 2015, state appropriations increased \$2.7 million while for fiscal years ended June 30, 2014 and 2013, state appropriations remained flat at approximately \$48 million.

Total student revenue, net, for the fiscal years ended June 30, 2015 and 2014 was approximately \$61.4 million for both years and \$61.6 million for fiscal year ended June 30, 2013. This comprised 39.4%, 40.5%, and 41.4% of the revenue received by the University for the fiscal years ending June 30, 2015, 2014, and 2013, respectively. Tuition rates were increased by 1.9%, 2.75%, and 4% for the academic years beginning in fall 2015, 2014, and 2013, respectively.

For the years ended June 30, 2015, 2014, and 2013, revenues from grants and contracts were \$39.9 million, \$37.3 million, and \$34.9 million, respectively. The major Federal grant programs include Pell, Increasing the Number of Latinos in Nursing and Health Information Management, Strengthening Institutions – Hispanic Serving Institutions, and Opening the Gate: Improving Mathematics Success for STEM Careers, among others. Major State of New Jersey grant programs include the Tuition Aid Grant (TAG), Educational Opportunity Fund, and Youth Corps. The University's Pell grant increased by \$0.4 million in fiscal year 2015 and decreased by \$0.2 million in

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

Management's Discussion and Analysis

(Unaudited)

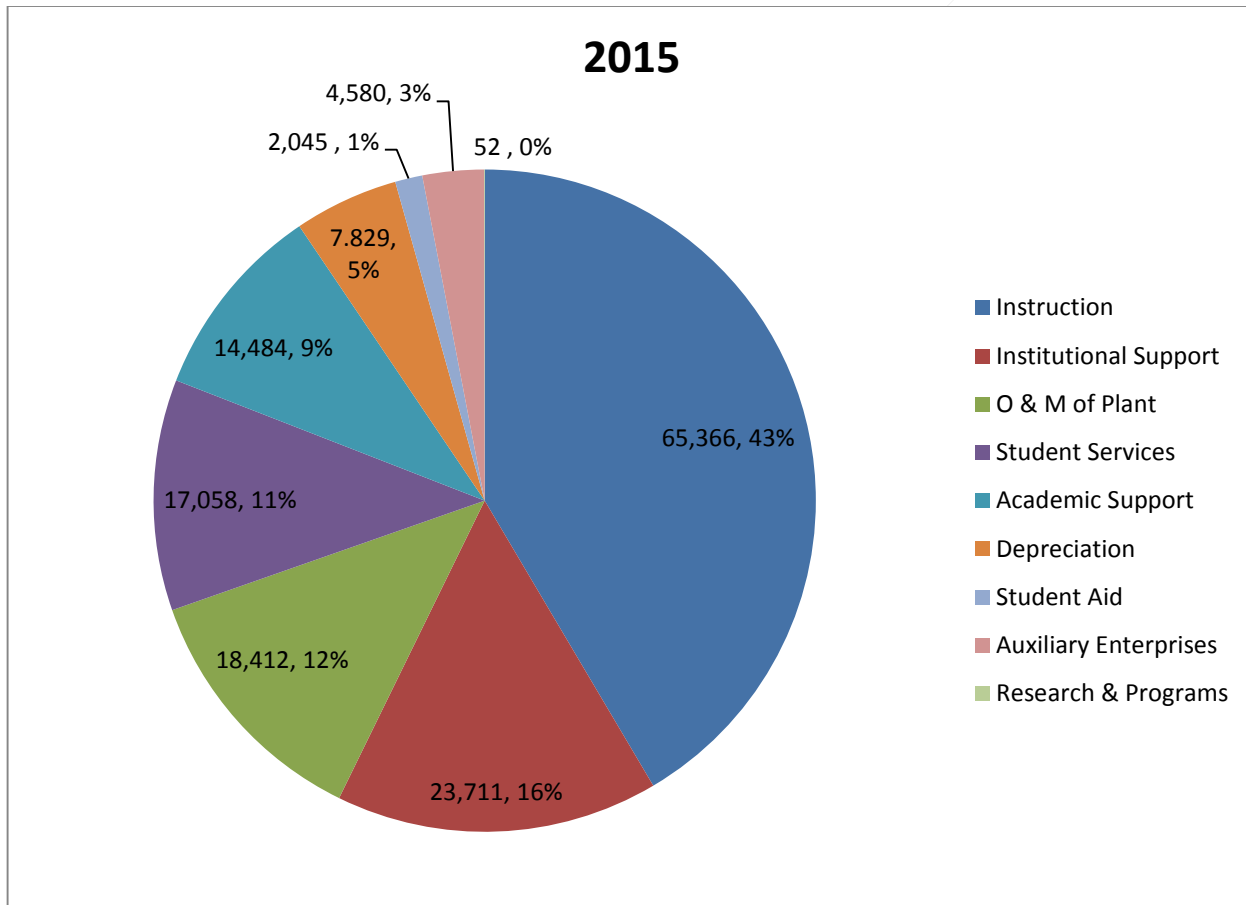
June 30, 2015 and 2014

fiscal year 2014 and increased by \$1.5 million in fiscal year 2013. The NJ State TAG grant increased by \$0.2 million, \$0.5 million, and \$0.8 million in fiscal years 2015, 2014, and 2013, respectively. Capital grants increased by \$2.1 million in fiscal year 2015.

Investment income for fiscal years 2015, 2014, and 2013 was \$1.2 million, \$1.0 million, and \$0.5 million, respectively. Investment income has not fluctuated significantly over the last two fiscal years. There were no significant bond maturities in 2015 and 2014.

Financial Highlights – Expenses

The University's total operating expenses increased \$13.8 million from \$139.7 million for fiscal year 2014 to \$153.5 million for fiscal year 2015. The majority of this increase, approximately \$7.7 million, resulted from the amount of pension expense recorded as a result of the implementation of GASB 68. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2015, 2014, and 2013 (in thousands):

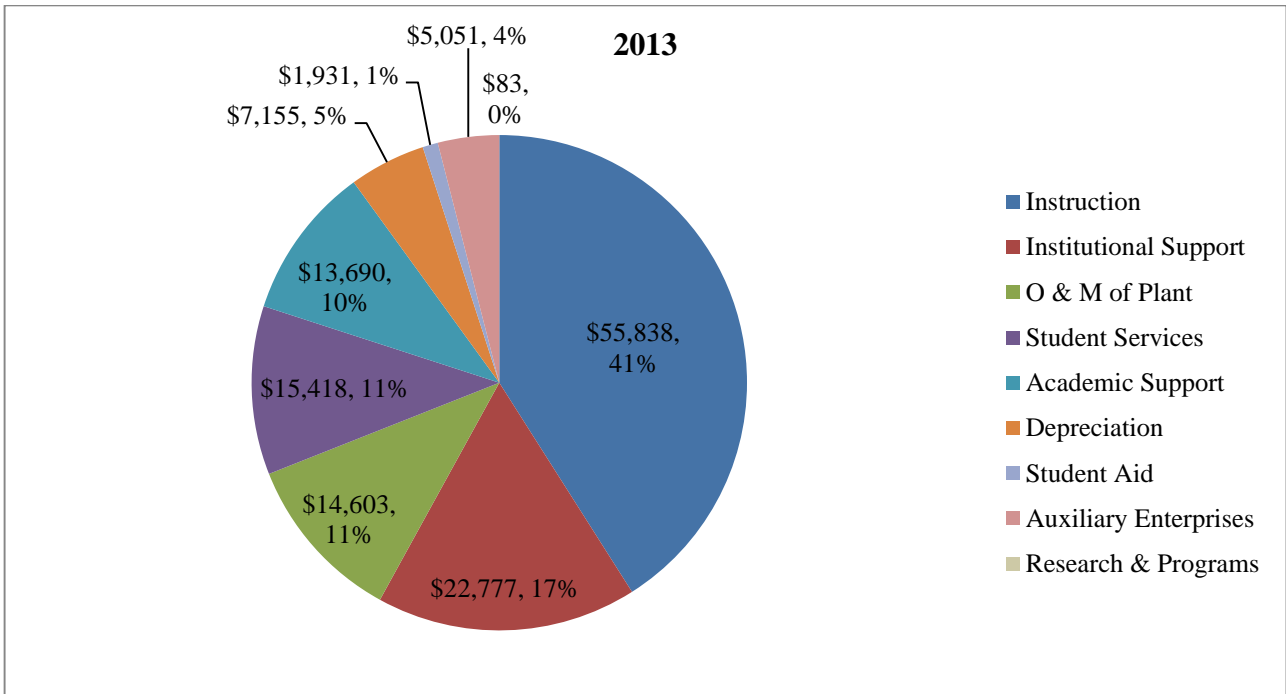
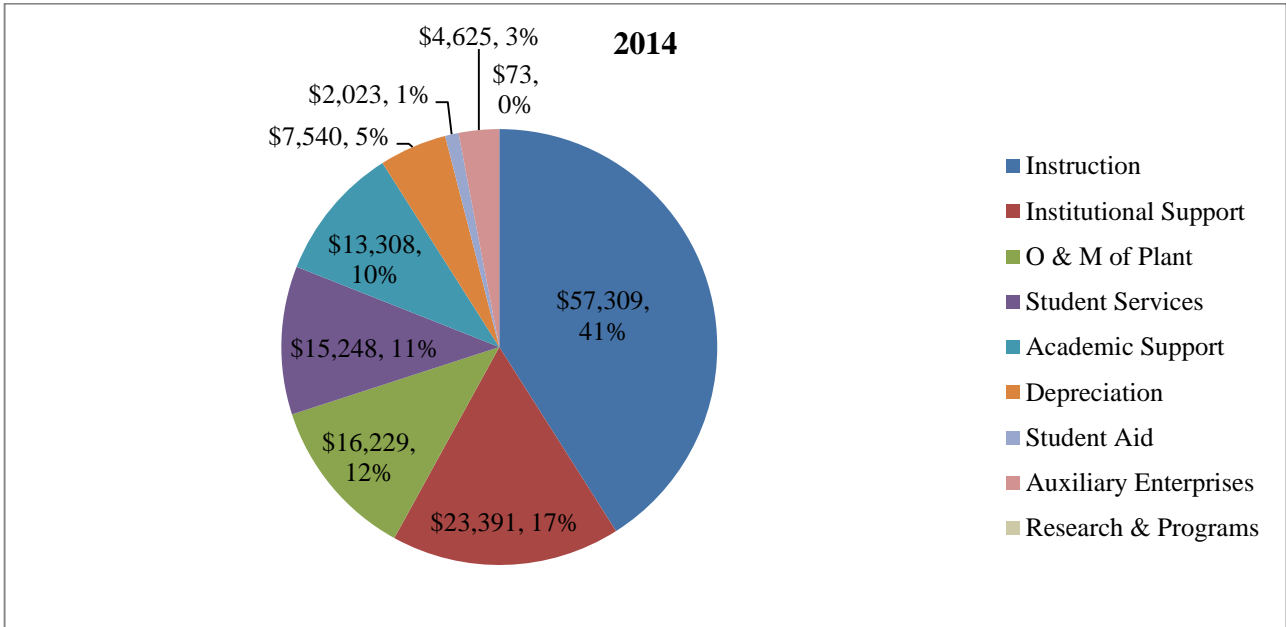


NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014



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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

Similar to the prior year, the University's largest increase in operating expenses is shown in instruction expense in the amount of \$8.1 million. This variance is largely due to the impact of pension expense stemming from the implementation of GASB 68, increases in salary for the instructional staff mandated by contractual obligations, such as COLA and STEP adjustments, and the related fringe benefits. Adjunct faculty and overload responsibilities assigned to current faculty members also saw an increase in rates of approximately 7.5%. A concerted effort to recruit and retain students resulted in an increase of \$1.7 million in student services primarily due to hiring of new staff and consultants to assist with this University priority.

In 2014, the University's largest increase in operating expenses is reflected in instruction expense and operation and maintenance of plant. Instruction represents the University's largest operating expense category and the increase of \$1.5 million is primarily attributed to contractual salary and related fringe benefit increases. Operation and maintenance had an increase of \$1.5 million primarily due to salary and related fringe benefit increases plus additional costs for utilities.

Capital Assets

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

In fiscal year 2015, the University invested in capital expenditures totaling \$21.3 million. These investments supported efforts on the main campus as well as on the West Campus property. On the main campus, several major projects that contributed to capital additions were funded via internal capital funds as well as bonds issued through the New Jersey Educational Facilities Authority (NJEFA).

As of June 30, 2015, the University had several projects under construction or in the design stage. Significant projects include:

- The Nursing facilities renovation and expansion to accommodate the new Master's in Nursing (MSN) program beginning in Fall 2016, as well as to fill the need for more lab and classroom spaces dedicated to this growing program. The Nursing Program will be expanding to the entire 4th floor and portions of the 5th floor of Rossey Hall on the main campus.
- The School of Business renovation to attract more students to the Business program. This project involved renovations to portions of the 1st and 2nd floor of the Harborside Financial Center overlooking the Hudson River in downtown Jersey City. NJCU leases approximately 68,000 square feet at Harborside Plaza 2.
- The John Moore Athletic Center (JMAC) HVAC Replacement and Center Improvements to enhance the athletic experiences of the community.
- The Library Hub to provide centralized tutoring services, collaborative spaces, and the Dunkin Donuts to provide additional food choices for students.

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

- Stegman Roadway and Infrastructure. This is a two-phase project. Phase I will extend Stegman Parkway to Mallory Avenue West. Phase II will extend Mallory Avenue West to South Street and Stegman Parkway to Route 440. Phase I has an anticipated completion date of October 2015.

Approximately three-quarters of the Science Building renovation project will be funded by a \$32 million State of New Jersey's Higher Education Facilities Trust Fund grant awarded in conjunction with the Build Our Future Bond Act. The remaining funds required to complete the project will include bonds issued via the NJEFA, private equity, and internal university capital funds. The Science Building will be renovated and improved to include state of the art labs and classroom space, as well as a new Vivarium and Greenhouse.

Technology at the University continues to play a significant role in the overall experience of students, faculty, and staff. The strategic deployment of information technology empowers the University to transform teaching and learning, creating a robust environment to enhance academic excellence; improve student access to technology; and enhance student engagement, persistence, and success. During fiscal year 2015, capital funding supported various aspects of teaching, learning, administration, and communications. This level of support is consistent with the initiatives outlined in the Plan as it relates to Information Technology. The University's closed circuit television system (CCTV) was expanded to include additional cameras in select locations to improve security on and around campus. The University also continued its Technology Replacement Program to ensure that technology across the campus remains current and relevant to our students' needs. In addition, maintenance of the University's enterprise information systems continued with the successful upgrade of the human resource system. Enhancing the University's information systems is essential for the continued delivery of quality administrative tools and services to students, faculty, and staff.

In fiscal year 2013, New Jersey City University applied for higher education grant funding from the Equipment Leasing Fund (ELF) and Higher Education Technology Infrastructure Fund (HETIF). The University was awarded \$1,718,215 of ELF funding and \$866,789 of HETIF funding. As of June 30, 2015, the University had purchased approximately 93.5% of the equipment identified in these grants. This funding supports instructional technology upgrades and the critical maintenance, enhancement, and expansion of the University's network infrastructure to support present and future technology needs.

In fiscal year 2015, the University issued \$35.3 million in Revenue Bonds (2015A Series) through the New Jersey Educational Facilities Authority. The proceeds of the Bonds will be used to finance projects consisting of: the refunding of all or a portion of the Authority's Revenue Bonds, New Jersey City University Issue, Series 2002A and Series 2008E; the costs of the renovation of the existing Science Building and the construction of an addition thereto; HVAC improvements to the John J. Moore Athletics and Fitness Center; the capital fit-out of certain leased facilities for the School of Business; and the construction of Stegman Boulevard.

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

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015 and 2014

Long-term debt totaled \$182.6 million, \$150.6 million, and \$153.3 million at June 30, 2015, 2014, and 2013, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was (40%), 29%, and 30% as of June 30, 2015, 2014, and 2013, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2015, 2014, and 2013 was 103%, 58%, and 60%, respectively.

Economic Factors that Could Affect the Future

The University's strategic plan, Transforming Lives – Strategic Plan 2013 – 2018 (the Plan), strengthens our focus on our educational mission, which is to provide access and an excellent education to a broad and diverse student population. Significant emphasis is placed on linking fiscal decisions and resource allocation to key strategic goals, objectives, strategies, outcomes, and timelines. To meet this challenge, the University conducted several planning meetings to identify and prioritize the most critical areas that require attention. This group of priorities served as the central guide in the budget allocation process, ensuring that funds are allocated in the highest need areas.

In fiscal year 2015, total State of New Jersey appropriation to the University remained unchanged at \$26.0 million excluding fringe benefits. For fiscal year 2016, the State of New Jersey's appropriation to the University will yield a net reduction of \$1.9 million or 7.3% compared to the current year. Despite this funding reduction, the University proactively took steps to re-evaluate priorities, adjust revenue and funding estimates, and produce a balanced budget which maintains tuition and fees at affordable levels. Consequently, the fiscal year 2016 operating budget reflects three major priorities: Ensuring an operating reserve necessary for the University's fiscal health, funding institutional priorities to increase enrollment, retention and academic quality, and improving administrative efficiency.

Within the context of the major institutional priorities, several projects are currently under way to bolster new student enrollment and retention, and create a more inviting, student-friendly campus. The renovation and opening of the Business School at the new Harborside location on the Jersey City waterfront will broaden the scope of potential students that are attracted to the programs, and it will provide state-of-the-art teaching and learning spaces for current and future students. Construction and outfitting of this new site is substantially complete, and portions of the project are now actively in use for scheduled classes and faculty space. Final completion is expected by October, 2015. In September, 2010, the University secured approximately \$32 million in grants from the State of New Jersey to fund the Science Building Expansion and Renovation project. The design of the new space has been completed and construction is projected to begin by the end of 2015.

In view of the major priorities outlined above, the University's outlook remains positive, and the overall outlook for both graduate and undergraduate enrollment remains stable. Moving forward, the University will continue to monitor and evaluate institutional operations to identify and implement efficiencies where feasible. Furthermore, greater effort has been placed on increasing and diversifying fundraising and other revenue sources to mitigate reliance on tuition and fee revenues as well as State funding uncertainties. These efforts combined with strategic allocation of limited resources will help to guide the University through the challenging months ahead.

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

Statements of Net Position

Business-Type Activities – University Only

June 30, 2015 and 2014

(In thousands)

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,627	8,101
Investments, current portion	17,672	17,233
Student receivables, net of allowance of \$4,205 and \$4,152 in 2015 and 2014, respectively	3,076	3,011
Grants receivables	2,625	2,476
Other receivables	4,288	3,635
Restricted deposits held with bond trustees	14,458	10,867
Total current assets	55,746	45,323
Noncurrent assets:		
Restricted deposits held with bond trustees	30,287	4,092
Investments, noncurrent portion	14,128	26,752
Student loans, net of allowance of \$855 and \$838 in 2015 and 2014, respectively	743	719
Capital assets, net of accumulated depreciation of \$118,978 and \$111,959 in 2015 and 2014, respectively	218,299	210,022
Total noncurrent assets	263,457	241,585
Total assets	319,203	286,908
Deferred Outflows of Resources		
Deferred outflows of resources:		
Deferred amounts from pensions	3,420	—
Deferred amounts from debt refunding	1,495	1,532
Total deferred outflows of resources	4,915	1,532
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	10,164	6,616
Payroll	4,783	4,214
Compensated absences, current portion	4,445	4,371
Accrued interest	3,707	3,169
Other current liabilities	—	4,305
Total accounts payable and accrued expenses	23,099	22,675
Long-term debt, current portion, net	4,218	5,544
Unearned student tuition and fees	1,731	1,903
Total current liabilities	29,048	30,122
Noncurrent liabilities:		
Long-term debt, noncurrent portion, net	178,344	145,044
Net pension liability	114,911	—
Other noncurrent liabilities	2,879	2,882
Unearned grant revenue	548	1,674
Total noncurrent liabilities	296,682	149,600
Total liabilities	325,730	179,722
Deferred Inflows of Resources		
Deferred inflows of resources:		
Deferred amounts from pensions	3,915	—
Total deferred inflows of resources	3,915	—
Net Position		
Net investment in capital assets	60,303	57,299
Restricted for:		
Expendable:		
Renewal and replacement	1,358	1,358
Debt service principal	5,142	6,004
Debt service reserve	230	658
Perkins loans	237	232
Unrestricted	(72,798)	43,167
Total net position	\$ (5,528)	108,718

See accompanying notes to financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statements of Financial Position

June 30, 2015 and 2014

(In thousands)

Assets	2015	2014
Cash and cash equivalents	\$ 480	1,288
Contributions receivable	2,357	2,444
Other receivables	150	23
Due from New Jersey City University	141	199
Investments	534	—
Restricted investments	8,972	8,040
Restricted deposits held by bond trustees	40,987	—
Prepaid expenses	13	69
Capital assets, net	9,903	6
Total assets	\$ 63,537	12,069
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 47	—
Due to New Jersey City University	106	110
Long-term debt, net	50,885	—
Annuities payable	10	—
Other liabilities	149	187
Total liabilities	51,197	297
Net assets:		
Unrestricted:		
Operating	944	834
Business Development Incubator	41	127
Board designated	288	611
Computer equipment	3	6
Total unrestricted net assets	1,276	1,578
Temporarily restricted	8,023	7,167
Permanently restricted	3,041	3,027
Total net assets	12,340	11,772
Total liabilities and net assets	\$ 63,537	12,069

See accompanying notes to consolidated financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Business-Type Activities – University Only

Years ended June 30, 2015 and 2014

(In thousands)

	2015	2014
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 85,480	84,904
Auxiliary enterprises	7,856	7,481
Less scholarship allowance	(31,916)	(30,999)
Total student revenue, net	61,420	61,386
Federal grants	22,981	22,570
State of New Jersey grants	13,667	13,477
Private and other grants	133	124
Other operating revenues	2,358	2,347
Total operating revenues	100,559	99,904
Operating expenses:		
Instruction	65,366	57,309
Research and programs	52	73
Academic support	14,484	13,308
Student services	17,058	15,248
Institutional support	23,711	23,391
Operation and maintenance of plant	18,412	16,229
Auxiliary enterprises	4,580	4,625
Student aid	2,045	2,023
Depreciation	7,829	7,540
Total operating expenses	153,537	139,746
Operating loss	(52,978)	(39,842)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	26,056	26,056
State of New Jersey fringe benefit appropriations	24,804	22,030
Gifts to affiliates	(1,172)	(941)
Investment income	1,219	980
Unrealized and realized loss on investments	(809)	(310)
Interest expense	(5,748)	(4,816)
Loss on disposal of capital assets	(23)	(178)
Other nonoperating income	948	1,846
Net nonoperating revenues	45,275	44,667
(Loss) income before other revenues	(7,703)	4,825
Other revenues:		
Capital grants and gifts	3,165	1,139
(Decrease) increase in net position	(4,538)	5,964
Net position as of beginning of year	108,718	102,754
Cumulative effect of change in accounting principle (Note 1)	(109,708)	—
Net position as of beginning of year, as restated	(990)	102,754
Net position as of end of year	\$ (5,528)	108,718

See accompanying notes to financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2015

(In thousands)

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

See accompanying notes to consolidated financial statements.

**NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE**

(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2014

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 569	379	127	1,075
Development grants and contracts	—	297	—	297
Contributed services and facilities	1,111	—	—	1,111
Interest and dividend income	21	135	—	156
Rental income	98	—	—	98
Special events	134	—	—	134
Other income	6	—	—	6
Fair value adjustment of split interest agreements	—	223	—	223
Appreciation in fair value of investments	121	799	—	920
Net assets released from restrictions in satisfaction of program restrictions	1,318	(1,318)	—	—
Total support and revenues	<u>3,378</u>	<u>515</u>	<u>127</u>	<u>4,020</u>
Expenses:				
Program services	1,378	—	—	1,378
Management and general	505	—	—	505
Fundraising	412	—	—	412
Special events	299	—	—	299
Total expenses	<u>2,594</u>	<u>—</u>	<u>—</u>	<u>2,594</u>
Increase in net assets	784	515	127	1,426
Net assets as of beginning of year	794	6,652	2,900	10,346
Net assets as of end of year	\$ <u>1,578</u>	<u>7,167</u>	<u>3,027</u>	<u>11,772</u>

See accompanying notes to consolidated financial statements.

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

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2015 and 2014

(In thousands)

	2015	2014
Cash flows from operating activities:		
Student receipts	\$ 55,023	58,286
Grants and contracts	35,853	35,331
Payments for salaries and benefits	(89,733)	(86,205)
Payments to suppliers	(14,826)	(16,936)
Payments for utilities	(3,969)	(3,959)
Payments to students	(2,045)	(2,023)
Loans issued to students	(143)	(125)
Collection of loans from students	103	121
Auxiliary enterprises	5,065	5,096
Other receipts	2,432	1,202
Net cash used by operating activities	(12,240)	(9,212)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	26,056	26,056
Net cash provided by noncapital financing activities	26,056	26,056
Cash flows from capital financing activities:		
Proceeds from capital debt	38,578	14,596
Bond insurance costs	(81)	—
Capital grants and gifts	3,165	1,139
Purchase of capital assets	(18,510)	(25,686)
Refinance of capital debt	(2,135)	—
Principal paid on capital debt	(5,588)	(3,592)
Interest paid on capital debt	(6,118)	(6,133)
Deposits withdrawn from bond trustees	18,883	17,380
Deposits made with bond trustees	(48,669)	(12,460)
Net cash used by capital financing activities	(20,475)	(14,756)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	15,688	30,273
Purchases of investments	(4,312)	(28,622)
Interest on investments	809	309
Net cash provided by investing activities	12,185	1,960
Net increase in cash and cash equivalents	5,526	4,048
Cash and cash equivalents as of beginning of year	8,101	4,053
Cash and cash equivalents as of end of year	\$ 13,627	8,101
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (52,978)	(39,842)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for bad debts	851	872
Amortization expense	(61)	2
State of New Jersey paid fringe benefits expense	24,686	22,021
Depreciation expense	7,829	7,540
Changes in assets and liabilities:		
Receivables	(1,711)	(749)
Other liabilities, current and noncurrent	640	461
Accounts payable and accrued expenses	3,007	(499)
Unearned revenue from grants	(29)	—
Unearned revenue from student tuition and fees	(172)	982
Net pension liability	5,698	—
Net cash used by operating activities	\$ (12,240)	(9,212)
Noncash transactions:		
Gifts made	\$ 1,172	941
State of New Jersey paid fringe benefits	24,686	22,021

See accompanying notes to financial statements.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Jersey City University (the University), formerly Jersey City State College, is a public institution of higher education in the State of New Jersey (the State). Effective May 29, 1998, the New Jersey Commission on Higher Education approved the name change and university status. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

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

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Center for Teaching and Learning, the Small Business Development Center, the Margaret Williams Theater for the Performing Arts, the Black Box Theater, the Small Business Development Incubator, and the University's Jersey City Waterfront Facility. The University's John J. Moore Athletic and Fitness Center has a gymnasium, fitness center, swimming pool, and modern dance studio. The University has 25 art and dance studios, 13 computer labs, 5 auditoriums, and approximately 187 classrooms and laboratories.

(b) Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources be classified for accounting and reporting purposes into the following net position categories.

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted – expendable:* Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

- *Unrestricted*: Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net position is designated for academic programs, initiatives, and capital programs.

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

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Adoption of Accounting Pronouncements

The University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Certain University employees are provided with defined benefit pensions through the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF), cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits. In accordance with the provisions of GASB 68, the University has reported its proportionate share of PERS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense and the employer pension expense and related revenue for TPAF which met the criteria for a special funding situation.

The University also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of GASB 68 and 71 have been applied to the 2015 fiscal year beginning net position resulting in a reduction in the previously reported amount of \$109.7 million.

Accounting Pronouncements Applicable to the System, Issued but Not Yet Effective

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. The University is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This Statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2016. The University is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. The University is evaluating the impact of this new statement.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

Restricted Deposits Held with Bond Trustees

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

Capital Assets

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

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

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

Net Pension Liability and Related Pension Amounts

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

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the school year are recorded as unearned revenue in the accompanying statements of net position.

Grant revenue is comprised mainly of funds received from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

requirements have not been met under the terms of the agreements are included in unearned revenue in the accompanying statements of net position.

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

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as operating appropriations from the State of New Jersey, investment income, interest expense, and capital grants and gifts and interest expense.

Income Taxes

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

Financial Dependency

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

(2) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, concentration of credit risk, credit risk and interest rate risk which are discussed below.

(a) Cash and Cash Equivalents

The carrying amount of cash and cash equivalents as of June 30, 2015 and 2014 was approximately \$13,627,000 and \$8,101,000, respectively, while the amount on deposit with banks was approximately \$13,925,000 and \$9,030,000, respectively.

Custodial credit risk associated with the University's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2015 and 2014 were partially insured by Federal Depository Insurance in the amount of \$250,000, respectively. Bank balances in excess of insured amounts of \$13,675,000 in 2015 and \$8,780,000 in 2014, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The carrying

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

amount and fair value as of June 30, 2015 and 2014 was approximately \$74,000. The Cash Management Fund is unrated and consists of underlying investments with maturities of less than one year.

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

(b) Investments

Investments consist of the following as of June 30, 2015 and 2014:

	2015	2014
	(In thousands)	
Money market account	\$ —	3,988
Money market fund	6,279	6,149
U.S. government agencies	2,500	2,491
Corporate notes and bonds	23,021	31,357
	31,800	43,985
Less noncurrent portion	(14,128)	(26,752)
Investments, current portion	\$ 17,672	17,233

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2015 and 2014, the University's investments are insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2015 and 2014, the University's investment quality ratings as rated by Moody's were as follows:

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

Investment type	2014	
	Quality rating	Amount (In thousands)
U.S. government agencies	AAA	\$ 2,491
Corporate notes and bonds	AA3	3,070
Corporate notes and bonds	AA2	2,002
Corporate notes and bonds	A3 – A	8,094
Corporate notes and bonds	Baa2 – Baa1	18,191
Money market account	A2	3,988
Money market fund	Not rated	6,149
		\$ 43,985

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day's notice with no material impact on fair value. The final maturity of each security within the

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

portfolio will not exceed five years for intermediate investments and thirty years for long-term investments. The following tables summarize investment maturities as of June 30, 2015 and 2014:

Investment type	Fair value	2015		
		Investment maturities (in years)		
		Less than 1	1 to 2	2 to 5
		(In thousands)		
Cash and money market funds	\$ 6,279	6,279	—	—
U.S. government agencies	2,500	—	2,500	—
Corporate notes and bonds	23,021	11,393	8,305	3,323
	<u>\$ 31,800</u>	<u>17,672</u>	<u>10,805</u>	<u>3,323</u>

Investment type	Fair value	2014		
		Investment maturities (in years)		
		Less than 1	1 to 2	2 to 5
		(In thousands)		
Cash and money market accounts	\$ 10,137	10,137	—	—
U.S. government agencies	2,491	—	—	2,491
Corporate notes and bonds	31,357	7,096	12,250	12,011
	<u>\$ 43,985</u>	<u>17,233</u>	<u>12,250</u>	<u>14,502</u>

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds held by The Bank of New York and U.S. Bank under the terms of various long-term debt agreements. As of June 30, 2015 and 2014, restricted deposits held with trustees related to grant deposits were \$621 thousand and \$1,718 thousand, respectively. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

	2015		2014	
	(In thousands)			
Money market accounts	\$	9,107	11,968	
U.S. Treasury notes and government securities		35,638	2,991	
		44,745	14,959	
Less noncurrent portion		(30,287)	(4,092)	
Restricted deposits held with bond trustees, current portion	\$	<u>14,458</u>	<u>10,867</u>	

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2015 and 2014, the University's deposits held with bond trustees are either insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2015 and 2014, the University's investment quality ratings as rated by Moody's for the U.S Treasury notes and government securities were AAA and the Money market accounts are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes debt securities held with bond trustees maturities as of June 30, 2015 and 2014:

Investment type	2015			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	More than 2
		(In thousands)		
Money market accounts	\$ 9,107	9,107	—	—
U.S. Treasury notes and government securities	35,638	35,638	—	—
	<u>\$ 44,745</u>	<u>44,745</u>	<u>—</u>	<u>—</u>
Investment type	2014			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	More than 2

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2015 and 2014 follows:

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

	June 30, 2013	Additions	Reductions	June 30, 2014
	(In thousands)			
Depreciable assets:				
Land improvements	\$ 835	—	—	835
Buildings and building improvements	188,699	13,228	(300)	201,627
Equipment and other assets	49,086	4,125	(603)	52,608
	238,620	17,353	(903)	255,070
Less accumulated depreciation:				
Land improvements	(809)	(4)	—	(813)
Buildings and building improvements	(65,910)	(4,496)	127	(70,279)
Equipment and other assets	(38,425)	(3,040)	598	(40,867)
	(105,144)	(7,540)	725	(111,959)
Total depreciable assets	133,476	9,813	(178)	143,111
Nondepreciable assets:				
Land	19,573	—	—	19,573
Construction in progress	39,085	22,525	(14,272)	47,338
	\$ 192,134	32,338	(14,450)	210,022

Estimated costs to complete the projects classified as construction in progress as of June 30, 2015 approximated \$66.7 million and are anticipated to be funded primarily from bond proceeds, as well as other unrestricted resources. During 2015 and 2014, the University capitalized interest income of \$1,126 and \$2,000 respectively, and interest expense of approximately \$1,292,000 and \$1,675,000, respectively, which is included in construction in progress in the accompanying statements of net position.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(5) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA). Capital assets of approximately \$208.2 million and \$156.0 million as of June 30, 2015 and 2014, respectively, funded by bond proceeds are included in the accompanying statements of net position. The following obligations to the Authority were outstanding as of June 30, 2015 and 2014:

	<u>Interest rate</u>	<u>2015</u>	<u>2014</u>
(In thousands)			
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 2002 A Revenue Bonds, due serially to 2032	3.00–5.00%	\$ —	800
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	1,000	1,200
Series 2007 F Revenue Refunding Bonds due July 1, 2032	3.00–5.00%	16,395	16,680
Series 2008 E Revenue Refunding Bonds, due July 1, 2035	4.00–5.00%	57,615	61,020
Series 2008 F Revenue Refunding Bonds, due July 1, 2036	6.85%	6,175	6,175
Series 2010 F Revenue Refunding Bonds, due July 1, 2028	2.00–4.00%	22,145	23,820
Series 2010 G Revenue Refunding Bonds, due July 1, 2040	6.19%	18,310	18,310
Series 2015A Revenue Refunding Bonds, due July 1, 2045	2.75–5.25%	35,340	—
Total bonds payable		<u>156,980</u>	<u>128,005</u>
Other long-term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B			
	4.13–5.75%	\$ 2,390	2,713
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A and B, net of imputed interest of \$22 and \$45, respectively			
	5.00%	55	110
New Jersey Environmental Infrastructure Trust Loan 2005 A			
	4.00–5.00%	530	565

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

	Interest rate	2015	2014
		(In thousands)	
New Jersey Environmental Infrastructure Fund Loan 2005 A, net of imputed interest of \$331 and \$390, respectively	—%	\$ 903	951
New Jersey Environmental Infrastructure: Trust Loan 2013 A	3.00–5.00%	3,385	3,385
Fund Loan 2013 A	—%	9,992	10,181
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2014 A	—%	343	377
Various capital lease obligations	5.00%	1,723	1,555
Total other long term debt		19,321	19,837
Subtotal long term debt		176,301	147,842
Add bond premiums, net		6,261	2,746
Total long term debt		182,562	150,588
Less noncurrent portion		(178,344)	(145,044)
Total long term debt, current portion		\$ 4,218	5,544

In January 2015, the University issued \$35,340,000 Series 2015A Revenue Refunding Bonds (interest rates 2.75% to 5.25%) through the New Jersey Educational Facilities Authority (NJEFA) to finance the advance refunding of the NJEFA's Revenue Bonds', New Jersey City University Issues, Series 2002A in its entirety and Series 2008E in partial. The proceeds of the Bonds will also be used to finance the costs of the renovation of the existing Science Building and the construction of an addition thereto; HVAC improvements to the John J. Moore Athletics and Fitness Center; the capital fit-out of certain leased facilities for the School of Business; the construction of Stegman Boulevard; and the payment of the costs of issuance of the Series 2015A Bonds. The difference in cash flows between the old debt and the new debt was (\$44,189). The deferred loss on refunding of approximately \$37,000 was capitalized and recorded in deferred outflows of resources in the accompanying statements of net position as of June 30, 2015.

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on the Series 2002A, Series 2008E Bonds. Accordingly, these bonds are legally outstanding obligations of the University as of June 30, 2015, however are defeased for financial reporting, therefore, they are not reflected in the accompanying financial statements. The principal amount of these Bonds were \$2,145,000 as of June 30, 2015.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

Capital Leases

The University has entered into various capital lease purchase agreements for equipment which are principally for the duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The payments of these agreements include a 3% to 7% charge for interest. As of June 30, 2015 and 2014, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments were approximately \$1,723,000 and \$1,555,000, respectively. The fiscal year 2015 and 2014 payments for these capitalized lease obligations were approximately \$520,000 and \$441,000, respectively.

Future Minimum Payments

The following is a schedule of future minimum principal and interest payments on the University's long-term debt obligations as of June 30, 2015:

	Principal	Interest	Total
		(In thousands)	
Year ending June 30:			
2016	\$ 4,075	7,667	11,742
2017	6,323	7,453	13,776
2018	6,360	7,211	13,571
2019	6,474	6,964	13,438
2020	6,342	6,734	13,076
2016–2020 subtotal	29,574	36,029	65,603
2021–2025	29,736	30,379	60,115
2026–2030	31,045	24,940	55,985
2031–2035	38,168	17,477	55,645
2036–2040	25,730	8,224	33,954
2041–2045	22,048	3,199	25,247
	\$ 176,301	120,248	296,549

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2015 and 2014 (The net pension liability in the table below was restated as of June 30, 2014 as a result of the adoption of GASB 68):

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u> (In thousands)	<u>June 30, 2014</u>	<u>Current portion</u>
Long-term debt	\$ 153,305	1,030	(3,747)	150,588	5,544
Other noncurrent liabilities:					
U.S. government grants refundable	686	11	—	697	—
Compensated absences	6,410	406	(260)	6,556	4,371
Unearned grant revenue	<u>—</u>	<u>1,674</u>	<u>—</u>	<u>1,674</u>	<u>—</u>
Total noncurrent liabilities	<u>\$ 160,401</u>	<u>3,121</u>	<u>(4,007)</u>	<u>159,515</u>	<u>9,915</u>

(7) Pollution Remediation Obligation

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

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

The financial impact and effect of the adoption of GASB Statement No. 49 was the recognition of a pollution remediation liability of \$4.3 million as of June 30, 2009. The first phase of the pollution remediation efforts was completed during fiscal year 2012. The University has retained the services of a Licensed Site Remediation Professional and Construction Management firm to assist in the second phase of the pollution remediation. The second phase of the remediation efforts commenced during fiscal year 2013 and additional expenditures of approximately \$10.7 million and \$1.7 million were incurred and capitalized during fiscal year 2014 and 2015, respectively. Remediation efforts were completed during fiscal year 2015.

(8) Retirement Plans

(a) Introduction

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

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

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(b) Plan Descriptions

Public Employees' Retirement System

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Teachers' Pension and Annuity Fund

The vesting and benefit provisions for TPAF are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Plans

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

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

(c) *Contributions*

The contribution policy for PERS and TPAF is set by N.J.S.A. 15A and N.J.S.A 18A:66, respectively, and requires contributions by active members and contributing employers. State legislation has modified the amount which is contributed by the State of New Jersey. The State of New Jersey makes employer contributions on behalf of the University. The State of New Jersey's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

continuous employment. PERS members were required to contribute 6.9% and 6.8% of their annual covered salary for the years ended June 30, 2015 and 2014, respectively. The PERS contribution rate will increase by 0.14% each year until the 7.5% contribution rate is reached by July 1, 2018. The State contributes the remaining amounts necessary to pay benefits when due. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey. The University's contributions to the PERS plan (amounts paid by the State of New Jersey on behalf of the University) for the fiscal year ended June 30, 2015 were \$886 thousand, which is recognized as a deferred outflow of resources on the statements of net position.

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

(d) Pension Amounts

With the implementation of GASB 68, the University reported a liability of \$114.9 million for its proportionate share of the PERS' net pension liability as of June 30, 2015. The PERS net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The University's proportionate share of the respective net pension liabilities was based on actual contributions to PERS on behalf of the University relative to the total contributions of participating state-group employers for the plan for the fiscal years 2014 and 2013 and were 0.571% and 0.574%, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2014 and 2013 were 0.296% and 0.288%, respectively.

Pension expense of \$6.6 million related to PERS is recognized within the functional classifications in the statements of revenues, expenses and changes in net position. As of June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to the PERS pension plan from the following sources (in thousands):

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources
Changes in assumptions	\$ 2,534	—
Net difference between projected and actual earnings on pension plan investments		
plan investments	—	3,487
Changes in proportion	—	428
University contributions paid subsequent to the measurement date	886	—
Total	\$ 3,420	3,915

The \$886 thousand reported as deferred outflows of resources related to PERS pensions resulting from University contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions will be recognized in pension expense as follows (in thousands):

Year ending June 30:		
2016	\$	(485)
2017		(485)
2018		(485)
2019		(485)
2020		388
Thereafter		171
Total	\$	(1,381)

The State of New Jersey's funding of the University's required contribution to the TPAF plan meets the special funding situation criteria of GASB 68 and therefore the related net pension liability was recorded by the State of New Jersey. The University's proportion of the TPAF net pension liability was based on the ratio of the State of New Jersey's contributions made on behalf of the University towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to the TPAF plan for the year ended June 30, 2014. The TPAF net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The University's proportionate share of the TPAF net pension liability recorded by the State of New Jersey for the fiscal years 2014 and 2013 were \$38.9 million and \$24.1 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2014 and 2013 were 0.072% and 0.047%,

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

respectively. The TPAF net pension expense attributable to the University was \$2.1 million and has been recorded as an operating expense by functional and natural classification and related revenue in the statements of revenues, expenses and changes in net position.

(e) ***Defined Benefit Plan Assumptions***

The University's net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Methods and Assumptions		
	PERS	TPAF
Actuarial valuation date	July 1, 2013	July 1, 2013
Measurement date	June 30, 2014	June 30, 2014
Inflation rate	3.01%	2.50%
Salary increases:		
2012-2021	2.15%-4.40%	Varies based on
	based on age	experience
Thereafter	3.15%-5.40%	Varies based on
	based on age	experience
Investment rate of return	7.90%	7.90%
Experience study dates	7/1/2008-6/30/2011	7/1/2009-6/30/2012

Mortality rates for PERS were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 for PERS based on Projection Scale AA.

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

Discount Rate

The discount rate used to measure the PERS total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The discount rate used to measure the TPAF total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. These discount rates for PERS and TPAF are single blended discount rates and are based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions for PERS and based on the average of the last five years contributions for TPAF. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and 2027 for TPAF. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033 for PERS and 2027 for TPAF and the municipal bond rate was applied to project benefit payments after that date in determining the total pension liability.

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

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

Sensitivity of the Net Pension Liability (in thousands)			
Pension Plan	1% decrease in discount rate	At current discount rate	1% increase in discount rate
PERS (4.39%, 5.39%, 6.39%)	\$135,700	\$114,900	\$97,500
TPAF (3.68%, 4.68%, 5.68%)	\$47,200	\$39,000	\$32,600

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(f) *Alternate Benefit Program*

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

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

Participating University employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit. Employer contributions for the ABP are 8%. During the years ended June 30, 2015 and 2014, ABP received employer and employee contributions that approximated the following from the University:

	2015	2014
	(In thousands)	
Employer contribution	\$ 3,793	3,668
Employee contribution	2,370	2,292
Basis for contribution:		
Participating employee salaries	47,408	45,849

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

(g) *Defined Contribution Retirement Program (DCRP)*

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least \$5,000 annually, are eligible to participate in the program.

The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. Information, including distribution options, is available on Prudential's New Jersey Defined Contribution Program Web site. By law (Chapter 103, P.L. 2007), the DCRP member contribution rate is set at 5.5% and the DCRP employer contribution rate has been set at 3% of base salary. During the years ended June 30, 2015 and 2014, DCRP employer and employee contributions were the following:

	2015	2014
	(In thousands)	
Employer contribution	\$ 4	5
Employee contribution	7	10
Basis for contributions:		
Participating employee salaries	124	175

(h) Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of New Jersey provides certain health care and life insurance benefits for the University's retired employees. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credit after June 30, 1997 may share in the cost of health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State of New Jersey and the retired employees, the amounts are not available to the University and no expenses or liabilities for benefits are reflected in the University's financial statements.

(9) Contingent Liabilities

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

(10) State of New Jersey Fringe Benefit Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, there is a current matching portion for the pension contribution for active employees, medical and dental benefits, state taxes, and FICA. For years ended June 30, 2015 and 2014, such payments amounted to approximately \$24.8 million and \$22.0 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(11) Compensated Absences

The University recorded a liability for compensated absences in the amount of \$6.6 million and \$6.6 million as of June 30, 2015 and 2014, respectively, which is included in compensated absences, current portion and other noncurrent liabilities in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave, paid leave bank days, and accrued compensation days as of year-end, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick-leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick-leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick-leave balances. The University paid approximately \$136,000 and \$61,000 in sick-leave payments for employees who retired during the years ended June 30, 2015 and 2014, respectively.

(12) Student Financial Assistance Programs

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

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

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

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

During the years ended June 30, 2015 and 2014, the Foundation distributed approximately \$391,000 and \$425,000, respectively, to the University in the form of scholarships and program support. The University contributed approximately \$1,172,000 and \$941,000 in contributed services and facilities for the years ended June 30, 2015 and 2014, respectively.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

During fiscal year 2015, the Foundation created West Campus Housing, LLC (WCH LLC), a limited liability corporation of which the Foundation is the sole member. This affiliate is a legally separate entity created for the primary purpose of the design, construction, operation and management of student housing facilities for the benefit of the students of the University. Revenue bonds of \$50.6 million were issued by WCH LLC through the New Jersey Economic Development Authority in March, 2015 for the construction and renovation of student housing facilities. The construction of the new residence hall and improvements to the existing student housing are underway and are expected to be completed by August, 2016.

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

(14) West Campus Housing Project

Ground Lease:

On March 1, 2015, the University entered into a ground lease with WCH LLC for two existing student residence halls (Vodra and Co-op Halls) and land located at 500 Route 440, Jersey City (West Campus Site). The term of the ground lease is 40 years commencing on March 17, 2015 with no right to renew or extension option on the lease. The base annual rent is equal to the surplus cash flow generated by the operation of the student housing facilities on the University's campus and is paid annually upon WCH LLC's certification that the annual debt service ratio has been met. There were no rental payments paid by the WCH LLC during fiscal year 2015. The University will transfer the two existing student residence halls (Vodra and Co-op Halls) on July 1, 2015. During the term of the ground lease the WCH LLC is deemed the owner of the Project as of March 17, 2015 with the exception of all rent, revenues and other amounts generated by Vodra and Co-op Halls through June 30, 2015. Upon termination of the ground lease and full repayment of related debt all rights, title and interest in the Project shall revert to the University.

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

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

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

University has not any collected student housing fees and no amounts have been incurred or reimbursed to the University during fiscal year 2015.

Project Development Agreement:

WCH LLC (the Owner) and RISE (the Developer) entered into a project development agreement dated March 17, 2015 to build a 425-bed new student housing facility on the west campus of the University and to renovate two existing student residence halls, Vodra and Co-op, for the benefit of the University. The term of the agreement is March 17, 2015 through the termination date. The termination date is the earlier of (i) 12 months after the final completion of the Project, (ii) abandonment of the Project by the University, or (iii) termination of the ground lease. The agreement is subject to a guaranteed maximum price for development costs of approximately \$43.2 million unless adjusted by change orders. If the development costs of the final completed project exceed the guaranteed maximum price, the Developer is solely responsible for and will pay any excess costs from its own funds. The Developer will receive a fee of \$2,375,204 for the Project paid as follows: fifty percent paid at the term commencement date, March 17, 2015; thirty percent is payable in installments as part of each draw request in the amount proportionate to the percentage of completion of work; ten percent is payable upon the substantial completion of the West Campus Student Housing Facility; and ten percent upon final completion of all work. The Developer fee was paid by the WCH LLC. Per the agreement the University is entitled to reimbursement of pre-development costs in connection with the Project up to \$250,000. During fiscal year 2015 the University has been reimbursed in the amount of \$78,856 for pre-development costs.

Project Management Agreement:

A tri-party agreement was entered into on March 1, 2015 between WCH LLC (the Owner), RISE (the Manager) and the University to appoint the Manager to operate, manage and maintain the student housing facilities for the benefit of the University. The term of the agreement is approximately fifteen years beginning on July 1, 2015 with respect to Vodra and Co-op Halls and, July 1, 2016 with respect to the West Campus Student Housing Facility, and terminates on June 30, 2030.

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

The University will act as the Owner's agent in collecting all student housing fees and related charges under the student housing agreements and will deposit the fees and charges in the Receipt Fund held by the bond trustees pursuant to the bond documents for the payment of all debt and operating expenses. The University will also provide resident life services and staffing, housing contract services, front desk operations, security personnel, mail delivery and other maintenance amenities all of which will be reimbursed as operating expenses of the Project. The payment of student housing utility costs will also be advanced by the University and thereafter reimbursed. No costs were incurred or reimbursed to the University during fiscal year 2015.

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

Notes to Basic Financial Statements

June 30, 2015 and 2014

(15) Risk Management

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

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

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

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions
June 30, 2015
(Dollars in thousands)

Public Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 886	979
Contributions in relation to the contractually required contributions	<u>886</u>	<u>979</u>
Contribution deficiency (excess)	\$ <u>—</u>	<u>—</u>
University employee covered-payroll	\$ 25,432	26,170
Contributions as a percentage of employee covered payroll	3.48%	3.74%

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2015
(Dollars in thousands)

Public Employees' Retirement System

	<u>2015</u>	<u>2014</u>
University proportion of the net pension liability - State Group	0.571%	0.574%
University proportion of the net pension liability - Total Plan	0.296%	0.288%
University proportionate share of the net pension liability	\$ 114,911	110,688
University employee covered-payroll	26,170	26,097
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	439.1%	424.1%
Plan fiduciary net position as a percentage of the total pension liability	42.74%	40.71%

Teachers' Pension and Annuity Fund

	<u>2015</u>	<u>2014</u>
University proportion of the net pension liability	0.000%	0.000%
University proportionate share of the net pension liability	\$ —	—
State's proportionate share of the net pension liability	<u>38,968</u>	<u>24,071</u>
Total net pension liability	\$ 38,968	24,071
University employee covered-payroll	122	220
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	31941.0%	10941.4%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%

See accompanying independent auditors' report.