RUTGERS
THE STATE UNIVERSITY
OF NEW JERSEY

Financial Report
2013-2014

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Governors and Trustees

During the Year Ended June 30, 2014

Board of Governors

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RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

RUTGERS

SENIOR VICE PRESIDENT FOR FINANCE & TREASURER

November 6, 2014

President Robert L. Barchi
The Board of Governors
The Board of Trustees
of Rutgers, The State University of New Jersey

I am pleased to submit the Annual Financial Report of Rutgers, The State University of New Jersey for the year ended June 30, 2014, the first year following the consolidation with units formerly part of the University of Medicine and Dentistry of New Jersey. The report contains the KPMG LLP Independent Auditors' Report on the University's financial statements. The financial information presented in this report is designed to assist the reader in comprehending the scope of the University's use of resources in meeting its primary missions of instruction, research, public service, and healthcare.

The report sets forth the complete and permanent record of the financial status of the University for the year.

Respectfully submitted,

J. Michael Gower

J. Michael Gower
Senior Vice President for Finance
& Treasurer

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Independent Auditors' Report

The Board of Governors
The Board of Trustees
Rutgers, the State University of New Jersey:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rutgers, the State University of New Jersey (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate (UPA), which represents approximately 27%, 10%, and 44%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UPA, is based solely on the report of the other auditors. We conducted our audit 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.

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

Opinions

Basis for Modified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The amount by which this departure would affect the assets, net position, and revenues of the aggregate discretely presented component units has not been determined.

Modified Opinion

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matter described in the "Basis for Modified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinion

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

Emphasis of Matter

Change in Reporting Entity

As discussed in Note 1 to the financial statements, on July 1, 2013, the New Jersey Medical and Health Sciences Education and Restructuring Act (the Act) went into effect and the Cancer Institute of New Jersey and certain units of the University of Medicine and Dentistry of New Jersey were integrated into the University. Also, as a result of the Act, University Physicians Associates of New Jersey, Inc. and Affiliate were incorporated into the University's reporting entity as a discretely presented component unit. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Notes 1 and 2 to the financial statements, on July 1, 2013, the University adopted Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations.* Our opinions are not modified with respect to this matter.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary information included in the combining schedules of net position and revenues, expenses and changes in net position – Piscataway and Newark Centers of University Behavioral Health Care, as of and for the year ended June 30, 2014 (the supplementary information), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements that collectively comprise the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
November 6, 2014

Management's Discussion and Analysis (unaudited)
June 30, 2014

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Rutgers, the State University of New Jersey (the university) at June 30, 2014 and its changes in financial position for the fiscal year then ended with fiscal year 2013 data presented for comparative purposes for the statement of net position only. The fiscal year 2013 data was calculated by adding the activities of the units of the University of Medicine and Dentistry (UMDNJ) that were integrated with the university on July 1, 2013. Management has prepared the basic financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for public colleges and universities. This MD&A should be read in conjunction with the audited financial statements and related footnotes of the university, which directly follow the MD&A.

On August 22, 2012, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2013) (the Act); which was passed by the New Jersey Senate and Assembly on June 28, 2013. The Act integrates all units of the University of Medicine and Dentistry of New Jersey, except University Hospital in Newark and the School of Osteopathic Medicine in Stratford, into Rutgers effective July 1, 2013. On July 1, 2013 the units transferred from UMDNJ were incorporated with the Rutgers School of Nursing, Ernest Mario School of Pharmacy and the Institute of Health, Health Care Policy and Aging Research to form a new organizational unit within Rutgers University-New Brunswick known as Rutgers Biological and Health Sciences (RBHS).

In fiscal 2014, the financial reporting entity of Rutgers, post integration, included 34 degree granting schools, of which 25 offered graduate programs of study with over 65,000 students enrolled in these programs. These schools are located at Rutgers University–New Brunswick, Rutgers University–Newark, and Rutgers University–Camden. Rutgers Biomedical and Health Sciences, a division within Rutgers, is closely aligned with Rutgers University–New Brunswick. The university also maintains educational services in many other communities throughout the State of New Jersey. The university operates research and institutional facilities on 6,088 acres in all 21 counties and 78 municipalities.

In February of 2014, the University released its strategic plan for the new Rutgers. The plan combines an assessment of our strengths with a vision of the opportunities for improvement to create a five year roadmap with a straight-forward goal: to be broadly recognized as among the nation's leading public universities: preeminent in research, excellent in teaching, and committed to community. The plan organizes initiatives along three dimensions; strategic priorities – areas that limit us and where attention is needed over the next five years; foundational elements – basic components required for future success; and integrating themes – Rutgers-wide areas of academic strength by which to coordinate initiatives along interdisciplinary and topically relevant areas.

The strategic plan identified as one of the foundational elements, the need to augment revenues by expanding nontraditional academic offerings, developing innovative fundraising paradigms, and rethinking delivery of academic, student, and auxiliary services. At the same time, we must recover resources internally that are associated with inefficient, ineffective, or outmoded programs and redeploy these resources toward our new strategic goals. The strategic plan will be used to guide the next stages of the process – the campus plans and the University Physical Master Plan – where more specific initiatives will be defined and implemented.

The university's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements focus on the financial condition of the university, the changes in financial position, and cash flows of the university's business type activities as a whole rather than the accountability of funds.

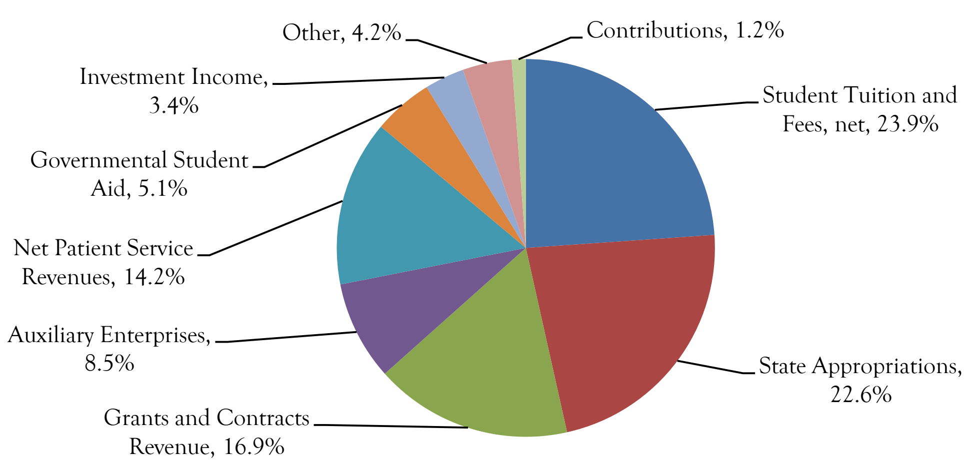
The financial statements also include the financial activity of the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, RUN Investments, LLC, and One Washington Park Holdings, LLC. The One Washington Park units provide financing services to the university classifying it as a component unit blended with those of the university. The financial statements for the Rutgers University Foundation (the Foundation) and University Physicians Associates of New Jersey, Inc. and Affiliate (UPA) are presented discretely. The Foundation was formed to aid the university in obtaining private funds and other resources to meet the needs and achieve the goals of the university. UPA supports Rutgers Biomedical and Health Sciences through administrative assistance to clinical faculty of the New Jersey Medical School.

Financial Highlights

The university's financial condition at June 30, 2014 remained stable with net position increasing by 2.3% or $68.2 million. The university's total operating revenues amounted to $2,305.8 million in fiscal 2014. The major components of operating revenues are student tuition and fees (net of scholarship allowances) of $820.2 million, grant and contracts revenues of $579.7 million, and net patient services revenues of $487.6 million.

As the State University of New Jersey, the appropriation from the State represents a vital part of the university's funding. In fiscal 2014, the State maintained the base appropriation constant with an additional appropriation from the Department of Health of $10 million for the Rutgers Cancer Institute of New Jersey (CINJ). Tuition revenue is another significant source of funding for the university. In fiscal 2014, in addition to an increase in tuition rates averaging 3.4%, enrollment was at its highest with 65,512 students. State appropriations, as well as contributions, investment income, and governmental student aid, are shown as nonoperating revenue.

As presented in the chart below, net student tuition and fees, state appropriations, grant and contract revenue and net patient service revenue are the primary sources of revenue for the university.



Statement of Net Position

The Statement of Net Position presents the financial position of the university at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources) of the university. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the statement of net position. Net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the university's assets, deferred outflows of resources, liabilities, and net position at June 30, 2014 and 2013 is as follows (dollars in thousands):

	2014	2013
Assets		
Current assets	$1,274,310	$1,035,244
Noncurrent assets		
Endowment, restricted and other noncurrent cash and investments	1,415,327	1,102,982
Capital assets, net	3,051,175	2,932,597
Other assets	128,957	112,010
Total Assets	5,869,769	5,182,833
Deferred Outflows of Resources	97,582	30,461
Total Assets and Deferred Outflows of Resources	5,967,351	5,213,294
Liabilities		
Current liabilities	653,819	659,929
Noncurrent liabilities	2,245,178	1,553,252
Total Liabilities	2,898,997	2,213,181
Net Position		
Net investment in capital assets	1,351,416	1,414,258
Restricted - nonexpendable	548,115	466,022
Restricted - expendable	460,048	488,384
Unrestricted	708,775	631,449
Total Net Position	$3,068,354	$3,000,113

Current Assets and Current Liabilities

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than a year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Receivables deemed to be collectible in more than a year are also included as noncurrent. Current assets increased $239.1 million in fiscal 2014 primarily as a result of the cash received from the issuance of new debt by the university and the state on behalf of the university.

Deferred outflows of resources are the consumption of net position that is applicable to a future reporting period. Deferred outflows of resources increased $67.1 million primarily due to a loss on refunding of $76.6 million recorded with the issuance of 2013 Series J, K and L. This loss was offset by amortizations recorded during the year.

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs and grant revenue received in advance, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities.

Current liabilities decreased $6.1 million in fiscal 2014 primarily as a result of the issuance of 2013 Series L to replace commercial paper. This was offset by accruals for salaries and other expenditures at the end of the year.

The university's current assets cover current liabilities by a factor of 1.9 times, an indicator of good liquidity and the ability to bear short term demands on working capital. The university's current assets also cover over four months of its total operating expenses, excluding depreciation.

Endowment and Other Investments

The primary financial objective of the investment management of the Endowment is to preserve and enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings for current use. The long term investment goal of the Endowment is to attain a total return of at least 4.5% plus inflation, fees, and costs. The investment objectives of the Endowment are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. A major portion of the university's endowment is maintained in the long term investment pool managed by the university's Joint Investment Committee. The total annual return for the long-term investment pool was 16.0% in fiscal 2014. The average annual return over the 5 year period ending June 30, 2014 was 10.7%.

The university distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is based on total return, not just cash earnings. The total distribution for the endowment was $28.9 million in fiscal 2014.

The university's endowments consist of permanent (true), term and quasi endowments. Permanent or true endowments are funds received from donors stipulating that the principal gift remain inviolate and be invested in perpetuity with the income generated from the investment to be expended for a specific purpose as designated by the donor. These permanent endowments increased $82.0 million to $548.1 million for fiscal 2014. Term endowments are those funds received from donors that function as endowments until a specified event occurs. The university's term endowments increased by $4.7 million to $51.0 million in fiscal 2014. Quasi endowments consist of restricted expendable gifts and unrestricted funds that have been designated by the university for long-term investment purposes and therefore act as endowments. The university's quasi endowments increased by $38.6 million in fiscal 2014 to $280.3 million.

From a net position perspective, earnings from the endowment, while expendable, are mostly restricted in use by the donors. It is important to note that of the university's endowment funds, only $143.6 million or 17.5% can be classified as unrestricted net position. From this unrestricted endowment, a significant portion of the income is internally designated by the university for scholarships, fellowships, professorships, and research efforts.

Capital Assets and Debt Activities

The University's strategic plan identified an initiative to complete a University Physical Master Plan that assesses the current state of all three campuses and develops a vision of the future land use and space planning on each. The planning process is currently underway and should be released in the fall of 2014. While our physical master plan will provide guidance and vision for capital projects in the 3 to 10 year timeframe, many projects are now under way that will dramatically improve the student experience on our campuses, support our strengths in arts and sciences, and grow critical disciplines. In the coming years, the Rutgers campuses will be transformed by projects consistent with the core principles and priorities of our strategic plan. These projects have been made possible by the generosity of our private donors, by creative partnerships with the public sector, and by funds made available this year through the historic Building Our Future Bond Act approved by New Jersey voters in November 2012 and other state bond programs.

The Building Our Future Bond Act authorized the state to issue bonds totaling $750 million to help increase academic capacity at New Jersey institutions of higher education. In May 2013 the state issued general obligation bonds totaling $350 million of which $100 million was for the Building Our Future Program. The university will receive a total of $173.9 million from this program.

In addition to the Building Our Future Bond Act, the state has also authorized the issuance of bonds to fund several higher education initiatives. In September of 2014, the New Jersey Educational Facilities Authority (NJEFA) issued series 2014A bonds pursuant to the Higher Education Facilities Trust Fund Act (HEFT) in the amount of $199.9 million. This program authorizes the state to issue bonds for institutions of higher education in New Jersey for the purpose of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The university will receive $69.0 million from this program.

NJEFA also issued $203.3 million in Series 2014A-D bonds under the Higher Education Capital Improvement Fund Act (HECIF) in April 2014. HECIF provides funds to certain public and private institutions of higher education in the State for the purpose of paying the costs, or a portion of the costs, of certain capital improvements authorized in accordance with the Capital Improvement Fund Act. The university has been awarded $97.3 million from this program.

The university will also receive funds under the Technology Infrastructure Fund Act which created the Higher Education Technology Infrastructure Fund (HETI). HETI funds are required to be used to develop technology infrastructure within and among New Jersey's institutions of higher education in order to provide access effectively and efficiently to information, educational opportunities and workforce training, and to enhance the connectivity of higher education institutions to libraries and elementary and secondary schools. NJEFA issued Series 2014 in the amount of $38.1 million in January 2014. Rutgers will receive a total of $3.3 million for several technology projects.

Finally, the state authorized NJEFA to issue Series 2014 Higher Education Equipment Leasing Fund bonds in the amount of $89.3 million under the Higher Education Equipment Leasing Fund Act (ELF). This act authorizes NJEFA to issue bonds to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease to public and private institutions of higher education in the State. The university has been awarded $43.8 million from this bond issue for the purchase of this type of equipment.

On June 15, 2006, the Board of Governors and Board of Trustees of the university approved a comprehensive debt policy for the university to provide an internal strategic framework for capital planning and overall debt management. In 2008, the Board of Governors and the Board of Trustees of the university approved a commercial paper program. The commercial paper program is being used for the interim financing of capital projects and temporary funding of outstanding debt issues.

On July 1, 2013, the university issued 2013 Series J, and 2013 Series K to refinance the debt of the UMDNJ units integrated into Rutgers. The university also issued 2013 Series L to refinance the university's series 2002B, 2003C and 2004E and to finance several capital projects throughout the University.

The funds received from these state programs, university bonds and other funds received by the university have resulted in the $118.6 million increase in fiscal 2014 in capital assets, net. Capital additions primarily comprise replacement, renovation and new construction of academic and research facilities as well as significant investments in equipment, including information technology. Several major projects completed during fiscal 2014 include:

- Construction of a new facility at the gateway to the Livingston Campus for the School of Business which includes classrooms, instructional labs, meeting rooms, offices and a trading floor.
- Renovation of Tillet Hall on the Livingston Campus converting the space to accommodate new lecture rooms, classrooms, computer labs, academic support offices and a campus post office.

In addition, at June 30, 2014, the university had various projects under construction or in the design stage. Significant projects include:

- Construction of a new facility for the Department of Chemistry and Chemical Biology on the Busch Campus that will feature 145,000 square feet of flexible research space and classrooms designed to facilitate collaborative research and learning, providing a state-of-the-art facility to train the next generation of globally engaged scientists and support the needs of the chemical industry in New Jersey and beyond.
- Construction of the first new academic building on College Avenue in more than 50 years. The Rutgers Academic Building is an approximately 175,000 square foot academic building for the Rutgers University School of Arts & Sciences consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls as well as departmental office space.
- Construction of an approximately 500 bed residence hall in New Brunswick for honors students including programming space, office space, common space and other amenities to enhance undergraduate honors research work. The Honors College will create an environment for our brightest students to share space with faculty and deans in order to foster mentorships, cultural exchanges and academic engagement.
- Construction of a 78,000 square foot facility for the Institute for Food, Nutrition and Health on the Cook Campus that will contain state-of-the-art laboratories, community clinics, a children's nutrition center and preschool as well as a dining facility offering health food options.

Net Position

Net Position represents the residual interest in the university's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. Net position consists of four major categories; net investment in capital assets, restricted net position (nonexpendable and expendable), and unrestricted net position. Net position increased by $68.2 million in fiscal 2014.

The first category, net investment in capital assets, represents the university's capital assets of land, buildings and equipment net of accumulated depreciation and net of outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The decrease of $62.8 million in fiscal 2014 is primarily attributable to depreciation of capital assets.

The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position are those resources that have been set aside and invested as required by the provider of the resources. These funds are not available for expenditures, but rather must be invested in perpetuity with the earnings on those investments to be used as specified by the external donor at the time the resources are received. The nonexpendable net position includes the permanent and term endowments mentioned previously under the Endowment and Other Investments section. The restricted nonexpendable net position increased by $82.1 million in fiscal 2014.

Expendable restricted net position is available for expenditure by the university but must be spent for purposes as specified by external donors. This category includes contributions received from donors and unspent income from endowed funds. There was a decrease of $28.3 million in fiscal 2014.

The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose. Substantially all of the university's unrestricted net position has been designated by the governing boards or management to support specific programs such as student activities, research projects, continuing education and summer programs, agricultural experiment station activities, junior year abroad programs, auxiliary enterprises and other self-supporting organized activities relating to educational departments as well as capital projects. Many of these designations result from the funds being earned through special purpose fees charged for the specific purposes. The university, therefore, has an obligation to its students to maintain these funds for the purposes that they were received. The increase in unrestricted net position in fiscal 2014 was $77.3 million.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, non-operating, or other. Revenues received and expenses incurred as a result of the university providing goods and services to its customers are considered operating. Non-operating revenues are those received for which goods and services are not directly provided. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The operating deficit demonstrates the university's dependency on state support and gifts. In addition, appropriations, grants and gifts received by the university, specifically for capital expenditures as well as gifts received from donors as endowments, are reported as other revenues.

A summary of the university's revenues, expenses, and changes in net position for the year ended June 30, 2014 is as follows (dollars in thousands).

	2014
Operating revenues	
Student tuition and fees (net of scholarship allowances)	$820,229
Grants and contracts	579,695
Auxiliary enterprises (net of scholarship allowances)	291,460
Net patient service revenues	487,578
Other operating revenues	126,880
Total operating revenues	2,305,842
Operating expenses	3,324,016
Operating loss	(1,018,174)
Nonoperating revenues (expenses)	
State appropriations (including fringe benefits paid directly by the state)	777,393
Contributions	40,625
Endowment and investment income	15,678
Net increase in fair value of investments	102,931
Governmental Student Aid	174,104
Interest on capital asset related debt	(83,053)
Net other nonoperating revenues	17,760
Net nonoperating revenues	1,045,438
Income before other revenues	27,264
Other revenues	40,977
Increase in net position	68,241
Net position at beginning of year, as restated	3,000,113
Net position at end of year	$3,068,354

Operating revenues represent 67.1% of total revenues. Significant components of operating revenues include the following:

Student tuition and fees, net of scholarship allowances are the largest component of operating revenues. Tuition and fees are reflected net of scholarship allowances, which represent scholarships and fellowships applied to student accounts for tuition and residence fees. These scholarships and fellowships are funded through federal and state grant programs and gifts raised by the university. The university provided $233.5 million of a total $286.0 million of student aid directly to student accounts. The remaining $52.5 million was paid to students and is reflected as scholarships and fellowships expense. Scholarship allowances allocated to tuition and fees amounted to $191.5 million. Another $42.0 million was allocated to residence fees, which are included in auxiliary revenues. Tuition rates were increased in fiscal 2014 by an average of 3.4%, while student fees increased an average of 2.4%. Enrollment reached a peak of 65,512 for fiscal 2014.

Grants and Contracts includes revenues for sponsored programs from federal, state and nongovernmental grants and contracts that normally provide for the recovery of direct and indirect costs, or expenses. This year has been a challenging year with the integration of the new schools and with the federal shutdown in the fall. The university, however, has continued to succeed in obtaining new grants with over 2,400 new awards totaling over $445.7 million this year.

In fiscal 2014, *Federal Grants and Contracts* amounted to $311.8 million or 53.8% of total grant and contract revenue. This year the university was awarded grants from various federal agencies including:

The National Institutes of Health last spring chose David Perlin, faculty member in the Rutgers New Jersey Medical School, to head a major effort developing new antibiotics to combat deadly bacteria that have become resistant to current treatments. With a grant of up to $26 million, Perlin will lead a public-private partnership among prominent scientists at Rutgers, other institutions and industry.

Jolie Cizewski, distinguished professor of physics and astronomy at New Brunswick, last year received a five-year grant of $7.9 million from U.S. Department of Energy to create a *Center of Excellence for Radioactive Ion Beam Studies.*

Rutgers-Newark has received a $3.5 million grant from the NSF for its statewide program to increase minority participation in science, technology, engineering and mathematics fields. It extends the program, which was launched five years ago, through 2019. Alexander Gates, professor of earth and environmental sciences, is the program director.

Fred Roberts, distinguished professor of mathematics at Rutgers–New Brunswick, is the principal investigator on a nearly $2.4 million grant last year from the U.S. Department of Homeland Security. The funds support the Rutgers' Command, Control and Interoperability Center for Advanced Data Analysis.

Two faculty members in the Robert Wood Johnson Medical School's Department of Environmental and Occupational Medicine, Jeffrey Laskin, professor, and Jason Richardson, associate professor, have received a $3.9 million grant from the National Institutes of Health for "Developing Drugs to Mitigate Parathion Intoxication."

Rutgers University Cell and DNA Repository (RUCDR) Infinite Biologics has won a $19 million grant from the National Institute on Drug Abuse. Led by distinguished professor Jay Tischfield, RUCDR will support NIDA-funded researchers employing genomic testing and analysis.

In fiscal 2014, *State and Municipal Grants and Contracts* was $147.2 million or 25.4% of total grant and contract revenue. The university received a $3.1 million grant from the state's Department of Children and Families awarded to Cathryn Potter, dean of the School of Social Work, to fund the New Jersey Child Welfare Partnership Training Program.

Finally, in fiscal 2014, *Nongovernmental Grants and Contracts* was $120.7 million or 20.8% of total grant and contract revenue.

The Robert Wood Johnson Foundation awarded a $250,000 grant to Joanne Robinson, dean and professor in the Rutgers School of Nursing–Camden. This grant is funding the Rutgers–Camden Cooper Collaborative for Upward Mobility in Nursing.

Auxiliary enterprise revenues include revenues from the university's housing, dining facilities and other student related services, as well as other business type activities such as the bookstore and the golf course that provide support to the university's primary missions of education, research and public service. Auxiliary revenues of $333.4 million were offset by scholarship allowances of $42.0 million. Housing and dining revenues totaled $206.9 million or 62.1% of total gross auxiliary revenues. Housing and dining rates were held flat in fiscal 2014. Housing and dining expenditures totaled $148.7 million or 51.5% of total auxiliary expenditures.

Net patient services revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, cancer and contract activities, under contractual arrangements with governmental payors and private insurers. Revenues from a contract with the State of New Jersey Department of Corrections to provide mental and health services for inmates totaled $154.3 million in fiscal 2014.

Operating expenses are reported by functional classification in the Statements of Revenue, Expenses, and Changes in Net Position and by natural classification in the notes to the financial statements (See Note 13). The following tables summarize the university's operating expenses by functional and natural classification.

Operating Expenses by Functional Classification
(dollars in thousands)

	2014
Instruction	$849,438
Sponsored Research	358,231
Other Separately Budgeted Research	76,467
Other Sponsored Programs	87,977
Extension and Public Service	146,128
Academic Support	123,342
Student Services	107,332
Operation and Maintenance of Plant	207,167
General Administration and Institutional	260,811
Scholarships and Fellowships	52,517
Depreciation	147,629
Patient Care Services	613,492
Auxiliary Enterprises	292,991
Other Operating Expenses	494
Total Operating Expenses	$3,324,016

Operating Expenses by Natural Classification
(dollars in thousands)

	2014
Salaries and Wages	$1,752,152
Fringe Benefits	543,132
Supplies and Services	815,680
Scholarships and Fellowships	65,423
Depreciation	147,629
Total Operating Expenses	$3,324,016

The natural classification of expenses demonstrates that the major expenditure of the university is salaries and wages accounting for more than 52.7% of total operating expenses. Negotiated salary increases were implemented this year resulting in an average increase in salaries of 2.25%. Fringe benefits also increased significantly this year primarily resulting from increases in pension and healthcare costs.

State appropriations, including fringe benefits paid directly by the State, represent approximately 22.6% of total revenues and is a significant source of funding for the university. The university received an appropriation from the New Jersey Department of State (DOS) totaling $409.2 million for the New Brunswick (including RBHS and the Agricultural Experiment Station), Newark and Camden campuses. In addition, the university received an appropriation from the New Jersey Department of Health in the amount of $28.0 million for the Rutgers Cancer Institute of New Jersey (CINJ). The university also received an appropriation from the New Jersey Department of Human Services (DHS) totaling $18.0 million for the Rutgers University Behavioral Health Care Centers (UBHC). Total appropriations for the year amounted to $455.2 million. Fringe benefits are also paid directly by the State and totaled $322.2 million in fiscal 2014.

Governmental Student Aid is also a significant component of nonoperating revenues. The university's students benefit from various federal programs, such as, Pell Grants and the Federal Supplemental Educational Opportunity Grants. In addition, the State provides aid through the Tuition Aid Grant (TAG) program and the Educational Opportunity Fund (EOF). The university received a total of $77.6 million from federal programs and $96.4 million from the state this year.

Net increase in fair value of investments provided a significant increase in the university's revenue this year as the economy continued to strengthen during the year. These favorable market conditions at June 30, 2014 resulted in unrealized gains recorded to report investments at fair market value at the end of the year.

Other revenues and expenses consist of grants and gifts received by the university for capital projects, as well as additions to permanent endowments. The university received $27.8 million to add to our endowment as a result of the Foundations campaign.

Economic Factors that will affect the future

The university continues to maintain a strong financial position without additional direct support from the state. While state funding to higher education was increased in the state budget, direct support to Rutgers remains flat for 2015. In addition, the university increased tuition rates by only 2.3% in 2015. As mentioned in the university's strategic plan, we will meet our funding challenges through savings from increased efficiency and reduced administrative costs, revenue from nontraditional education programs, public-private partnerships, clinical care enterprises, increased grants and contracts, greater philanthropy and other sources.

The university foundation is close to the end of a $1.0 billion campaign to help meet the university's most pressing academic and financial needs. Funds raised through this campaign will be used to support academic initiatives and student services. The campaign also has a goal of doubling the university's permanent endowment to ensure that permanent resources will be available to meet the needs of our students and faculty for the future. The foundation is very close to reaching its goal with $933.5 million raised towards their goal at June 30, 2014.

During these difficult financial times, the university continues to attract high quality students. In fact enrollment continues to increase with a total of 66,015 students enrolled for the fall 2014 semester. The university maintains a state, national, and global reach by attracting competitive applicants from all 50 states and over 140 countries.

As a result of the various state bond programs and other financing sources, the university has numerous construction and renovation projects underway. This year will see the completion of the Honors College project which will further improve the university's ability to attract high caliber students. Other projects, such as the Institute for Food, Nutrition and Health and the Rutgers Academic Building on College Avenue should be ready for the fall of 2016. These projects will provide additional space and resources for our growing institution.

STATEMENT OF NET POSITION
June 30, 2014
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit Rutgers University Foundation	Component Unit University Physician Associates of New Jersey, Inc. and Affiliates
ASSETS:			
Current Assets			
Cash and Cash Equivalents	$263,249	$1,077	$14,007
Cash and Cash Equivalents - Restricted	79,091	15,645	2,274
Short-Term Investments	425,680	–	26,829
Short-Term Investments - Restricted	89	13,408	–
Investments Held by Trustees - Restricted	91,376	–	–
Accounts Receivable, net	390,636	2,992	–
Contributions Receivable, Net – Current Portion	–	42,944	–
Inventories	4,533	–	–
Prepaid Expenses and Other Assets	19,656	350	1,444
Total Current Assets	1,274,310	76,416	44,554
Noncurrent Assets			
Cash and Cash Equivalents	66,037	–	–
Cash and Cash Equivalents - Restricted	373,715	–	–
Long-Term Investments	47,046	11,828	–
Long-Term Investments - Restricted	813,367	8,862	–
Investments Held by Trustees - Restricted	115,162	–	–
Accounts Receivable, net	125,562	–	–
Contributions Receivable, Net – Noncurrent Portion	–	24,131	–
Cash Surrender Value of Whole Life Insurance Policies	–	607	–
Other Noncurrent Assets	3,395	–	–
Capital Assets, net	3,051,175	–	63
Total Noncurrent Assets	4,595,459	45,428	63
TOTAL ASSETS	5,869,769	121,844	44,617
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	76,699	–	–
Interest Rate Swaps	20,883	–	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	97,582	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,967,351	121,844	44,617
LIABILITIES:			
Current Liabilities			
Accounts Payable and Accrued Expenses	362,143	2,119	9,145
Payable to Rutgers, The State University of New Jersey	–	220	9,352
Unearned Revenue	124,284	–	–
Payroll Withholdings	19,069	–	–
Other Payables	2,168	–	–
Annuities Payable – Current Portion	–	895	–
Short-Term Liabilities	48,475	–	–
Long-Term Liabilities - Current Portion	97,680	–	–
Total Current Liabilities	653,819	3,234	18,497

(Continued)

STATEMENT OF NET POSITION
June 30, 2014
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit Rutgers University Foundation	Component Unit University Physician Associates of New Jersey, Inc. and Affiliates
Noncurrent Liabilities			
Accounts Payable and Accrued Expenses	31,729	697	13,610
Unearned Revenue	152,064	–	–
Derivative Instruments	20,883	–	–
Annuities Payable – Noncurrent Portion	–	5,358	–
Long-Term Liabilities – Noncurrent Portion	2,040,502	–	–
Total Noncurrent Liabilities	2,245,178	6,055	13,610
TOTAL LIABILITIES	2,898,997	9,289	32,107
NET POSITION:			
Net Investment in Capital Assets	1,351,416	–	–
Restricted for			
Nonexpendable			
Instruction	224,282	770	–
Scholarships and Fellowships	242,304	6,287	–
Libraries	9,334	162	–
Other	72,195	279	–
Expendable			
Instruction	154,496	20,142	–
Research	63,800	24,814	–
Scholarships and Fellowships	81,486	8,921	–
Libraries	12,699	377	–
Loans	76,312	1	–
Capital Projects	38,976	19,890	–
Debt Service Reserve	11,127	–	–
Healthcare and Professional Services	7,300	–	–
Other	13,852	17,396	–
Unrestricted	708,775	13,516	12,510
TOTAL NET POSITION	$3,068,354	$112,555	$12,510

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit Rutgers University Foundation	Component Unit University Physician Associates of New Jersey, Inc. and Affiliates
OPERATING REVENUES			
Student Tuition and Fees (net of scholarship allowances of $191,513)	$820,229	$ –	$ –
Federal Grants & Contracts	311,766	–	–
State & Municipal Grants & Contracts	147,226	–	–
Nongovernmental Grants & Contracts	120,703	45,094	–
Auxiliary Enterprises (net of scholarship allowances of $41,987)	291,460	–	–
Net Patient Service Revenues	487,578	–	100,358
Other Operating Revenues	126,880	5,076	–
Total Operating Revenues	2,305,842	50,170	100,358
OPERATING EXPENSES			
Educational and General			
Instruction	849,438	–	–
Sponsored Research	358,231	–	–
Other Separately Budgeted Research	76,467	–	–
Other Sponsored Programs	87,977	–	–
Extension and Public Service	146,128	–	–
Academic Support	123,342	–	–
Student Services	107,332	–	–
Operations and Maintenance of Plant	207,167	–	–
General Administration and Institutional	260,811	28,617	18,244
Scholarships and Fellowships	52,517	–	–
Depreciation	147,629	–	–
Patient Care Services	613,492	–	37,076
Auxiliary Enterprises	292,991	–	–
Distributions to Rutgers, The State University of New Jersey	–	98,847	–
Distributions to Douglass Associate Alumnae	–	174	–
Other Operating Expenses	494	–	42,561
Total Operating Expenses	3,324,016	127,638	97,881
Operating (Loss)/Income	(1,018,174)	(77,468)	2,477

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit Rutgers University Foundation	Component Unit University Physician Associates of New Jersey, Inc. and Affiliates
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	455,188	–	–
State Paid Fringe Benefits	322,205	–	–
Administrative Fees and Support from Rutgers, The State University of New Jersey	–	14,087	–
Noncash Support from Rutgers, The State University of New Jersey	–	1,620	–
Federal Appropriations	8,463	–	–
Federal Student Aid	77,633	–	–
State Student Aid	96,471	–	–
Contributions	40,625	25,170	–
Endowment and Investment Income (net of investment management fees of $5,292 for the university)	15,678	791	3,597
Net Increase in Fair Value of Investments	102,931	2,822	–
Interest on Capital Asset Related Debt	(83,053)	–	–
Loss on Disposal of Capital Assets	(1,539)	–	–
Other Nonoperating Revenues/(Expenses)	10,836	(82)	–
Net Nonoperating Revenues	1,045,438	44,408	3,597
Income before Other Revenues (Expenses)	27,264	(33,060)	6,074
			–
Capital Grants and Gifts	13,221	8,743	–
Additions to Permanent Endowments	27,756	27,294	–
Increase in Net Position	68,241	2,977	6,074
Net Position - Beginning of the Year, as restated (Note 2, page 26)	3,000,113	109,578	6,436
Net Position - End of the Year	$3,068,354	$112,555	$12,510

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(dollars in thousands)

	Rutgers, The State University of New Jersey
Cash Flows from Operating Activities	
Student Tuition and Fees	$881,486
Research Grants and Contracts	569,573
Services to Patients	49,854
Professional Services and Contracts	437,735
Payments to Employees and for Benefits	(1,893,414)
Payments to Suppliers	(830,370)
Payments for Utilities	(69,611)
Payments for Scholarships and Fellowships	(100,397)
Collection of Loans to Students and Employees	10,363
Auxiliary Enterprises Receipts:	
Housing	135,792
Dining	76,550
Athletics	16,009
Parking	7,608
Other	21,438
Other Receipts	103,186
Net Cash Used by Operating Activities	(584,198)
Cash Flows from Noncapital Financing Activities	
State Appropriations	455,188
Federal Appropriations	7,517
Contributions for other than Capital Purposes	21,772
Federal and State Student Aid	170,423
Contributions for Endowment Purposes	30,985
Other Receipts	21,337
Net Cash Provided by Noncapital Financing Activities	707,222
Cash Flows from Financing Activities	
Proceeds from Capital Debt and Leases	1,245,629
Capital Grants and Gifts Received	117,185
Purchases of Capital Assets and Construction in Progress	(225,919)
Principal Paid on Capital Debt and Leases	(57,551)
Interest Paid on Capital Debt and Leases	(87,555)
Debt Defeasance	(778,816)
Bond Issuance Costs	(8,749)
Other Receipts	11,022
Net Cash Provided by Financing Activities	215,246
Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	1,411,454
Investment Income	13,310
Purchase of Investments	(1,516,639)
Net Cash Used by Investing Activities	(91,875)
Net Increase in Cash and Cash Equivalents	246,395
Cash and Cash Equivalents - Beginning of the year, as restated (See Note 2, Page 26)	535,697
Cash and Cash Equivalents - End of the year	$782,092

(Continued)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(dollars in thousands)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	**Rutgers, The State University of New Jersey**
Operating Loss	($1,018,174)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
State Paid Fringe Benefits	322,205
Depreciation	147,629
Amortization	810
Provision for Bad Debts	27,781
Prepaid Bond Insurance	(128)
Changes in Assets and Liabilities:	
Receivables	(99,196)
Inventories	2,089
Prepaid Expenses and Other Assets	447
Accounts Payable and Accrued Expenses	28,771
Unearned Revenue	1,522
Payroll Withholdings	1,416
Other Payables	630
Net Cash Used by Operating Activities	($584,198)

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

Rutgers, The State University of New Jersey (the university), one of the nation's nine colonial colleges, consists of 34 schools and colleges located at campuses in New Brunswick and adjacent areas, Newark and Camden, and maintains educational services in many other communities throughout the State of New Jersey (the State). The university is the State University of New Jersey and the Land Grant College of the State of New Jersey. The university was created as a body corporate and politic with the title "The Trustees of Queens College in New Jersey" by royal charter granted by King George III, on November 10, 1766. In 1945, an act of the State Legislature designated Rutgers as the State University of New Jersey to be utilized as an instrumentality of the State for providing public higher education and thereby increasing the efficiency of its public school system. The university's title was changed to "Rutgers, The State University" and its charter was amended and supplemented by an act of the Legislature of the State in 1956 (the Rutgers Law).

Effective July 1, 2013, the New Jersey Medical and Health Sciences Education Restructuring Act (the Act), (Chapter 45, P.L. 2012), went into effect. The Act integrated the Cancer Institute of New Jersey and all units of the University of Medicine and Dentistry of New Jersey (UMDNJ), except University Hospital (UH) in Newark and the School of Osteopathic Medicine (SOM) in Stratford, into Rutgers. The UMDNJ schools and units transferred to Rutgers joining the existing Rutgers School of Nursing, Rutgers Ernest Mario School of Pharmacy and the Rutgers Institute of Health, Health Care Policy and Aging Research to form the Rutgers Biomedical and Health Sciences (RBHS) division.

Basis of Accounting

The basic financial statements of the university have been prepared on the accrual basis of accounting, using the economic resources measurement focus, and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The university reports as a special purpose government engaged only in business type activities as defined in GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities.* Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

GASB Statement No. 34 requires that the financial statements be presented on a comprehensive entity-wide basis, reporting the university as an economic unit.

Reporting Entity

The university's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the Foundation), the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, Parkside RUN Investments, LLC, and One Washington Park Holdings, LLC, and the University Physician Association of New Jersey, Inc. and Affiliate (UPA).

The Foundation is a legally separate, not-for-profit organization, which exists solely for the benefit of the university and was formed to aid the university to obtain private funds and other resources to meet the needs and achieve the goals of the university for which adequate funds may not be available from other sources. To fulfill this mission, the Foundation solicits and receives gifts and pledges from private sources including individuals, corporations, and foundations. All of the financial data for the Foundation is from their audited financial statements, reported in accordance with generally accepted accounting principles promulgated by GASB. The Foundation is discretely presented in the university's financial report as it would be misleading to exclude them and they exist for the direct benefit of the university, its students, and faculty. Copies of the Foundation's financial statements can be obtained by writing to the Foundation at Rutgers University Foundation, Winants Hall, 7 College Avenue, New Brunswick, NJ 08901.

The governing body of the One Washington Park entities is primarily the same as that of the university, and they provide financing services to the university classifying them as blended component units. Copies of the financial statements for One Washington Park may be obtained by writing to the Executive Director of Business and Financial Services, 249 University Avenue, Room 306, Newark, NJ 07102-1896.

UPA, a not-for-profit organization, was incorporated on August 16, 1984. Located in Newark, New Jersey, its primary purpose was to support the UMDNJ through administrative assistance to clinical faculty of the New Jersey Medical School (NJMS). An agreement between UPA and UMDNJ (the Affiliation Agreement) established activities to be performed by UPA in support of UMDNJ. During 1992, UPA established the Doctors' Center Management Corporation (DCMC) to manage the Doctors Office Center. DCMC is considered an affiliate of UPA and is included in the UPA financial statements.

Pursuant to the Act, UMDNJ ceased to exist and NJMS was incorporated within the university. Also effective July 1, 2013, the Affiliation Agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Affiliation Agreement are Rutgers and UPA, the effect of which is that Rutgers succeeds to UMDNJ's obligations under the agreement (which expires on October 31, 2018).

The UPA became a component unit of the university due to the integration under the Act and meets the criteria to be reported as a component unit of the university since there is a financial benefit and the university has deemed the UPA misleading to exclude as a result of the nature and signifigance of their relationship. UPA's combined financial statements were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Separate financial statements for the UPA can be obtained by writing to the Executive Director/ Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ASMC 12, Room 1205, Newark, New Jersey 07107.

Under GASB Statement No. 61, *The Financial Reporting Omnibus*, an amendment of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, 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.

New Accounting Standards Adopted

GASB Statement No. 66, *Technical Corrections – 2012, An Amendment of GASB Statement No. 10 and No. 62 Liabilities* (GASB 66), removes the provision in GASB Statement No. 10 that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to the university's financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* (GASB 69), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting for combinations in the governmental environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. See Note 2 for the impact of the adoption of this Statement on the university's financial statements as a result of the merger with UMDNJ.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to the university's financial statements.

Cash and Cash Equivalents

Current cash and cash equivalents, which are both unrestricted and restricted in nature, consist of cash on hand, and all highly liquid investments with an original maturity of three months or less except for those managed as a component of the university's investment portfolio. Noncurrent unrestricted cash and cash equivalents consist of funds that are not externally restricted and are to be used to purchase plant related items not related to capital construction. Noncurrent restricted cash and cash equivalents are externally restricted to maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or are related to endowed funds.

Investments

Investments are recorded at fair value in the statement of net position. Investments with a maturity greater than one year and investments externally restricted for endowment purposes, to maintain sinking or reserve funds, and to purchase or construct capital or other noncurrent assets, including investments held by trustees, are classified as noncurrent assets in the statement of net position. The fair value of marketable investments is based on the last sale price on the last business day of the fiscal year as quoted by an industry standard pricing service. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued by this pricing service based on market evaluations using standard trade publications and other quote devices. Investments in non-marketable securities are reported in the financial statements based upon net asset values or the equivalent provided by external investment managers which are reviewed and evaluated by the university's management for reasonableness. The year-to-year change in the fair value of investments is reported in the statement of revenues, expenses, and changes in net position as net increase in fair value of investments.

Funds Held in Trust

Funds held in trust by others or not in the possession of, nor under the control of, the university are not included in the university's accompanying financial statements because they do not meet eligibility requirements for recognition. The market value of such funds aggregated approximately $62.8 million at June 30, 2014. Income derived from such irrevocable trust funds held by others, aggregating approximately $2.2 million in 2014, is reported in the accompanying financial statements as nonoperating revenue.

Prior to July 1, 2013, the New Jersey Health Foundation (NJHF) operated to support medical, dental and other healthcare education and research of UMDNJ and for other scientific, charitable, literary and educational purposes. As a result of the integration of UMDNJ, except for UH and SOM, into the university, the fundraising function for the resulting RBHS division was assumed by the the Foundation on July 1, 2013. The NJHF is not considered a component unit within the university. However, the NJHF holds permanently restricted net assets for RBHS that consist of endowment contributions from donors with income to be used for specific or general purposes, as well as temporarily restricted net assets for RBHS subject to donor imposed stipulations that will be met by actions of NJHF or by the passage of time.

Inventories

Inventories are stated at lower of cost or market. Cost is determined principally on a first-in, first-out basis.

Capital Assets

Capital assets consist of land, buildings, land improvements and infrastructure, equipment, construction in progress and art collections. Capital assets are recorded at cost at the date of acquisition, or fair market value on the date of gift if donated, and are shown net of accumulated depreciation. Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books totaling approximately 6.0 million volumes have not been capitalized. The capitalization threshold is $5,000 and above. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized at the fair market value of the item at the time of acquisition.

Unearned Revenue

Unearned revenue includes summer session activity which will be recognized as revenue and expense in the following fiscal year. In addition, capital State grants, including the Capital Improvement Fund (CIF), Equipment Leasing Fund (ELF), and the Higher Education Technology Infrastructure (HETI), for which all eligibility requirements for revenue recognition have not been met, are included as noncurrent unearned revenue.

Net Position

Net position is the difference between the university's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. These resources are classified for accounting and reporting purposes into four categories as follows:

Net investment in capital assets represents the university's investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position – nonexpendable consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing income, which may either be expended or added to principal.

Restricted net position – expendable includes all resources for which the university is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties as well as Perkins loans and U.S. government grants refundable.

Unrestricted net position represents resources available to the university for educational and general operations and spendable endowment income. These resources are derived from student tuition and fees, state appropriations, net patient service revenue, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises and several academic programs, such as summer session and continuing education, are substantially self-supporting activities that provide services for students, faculty and staff.

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarship allowances 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.

Grants and contracts revenue is comprised mainly of funds received from grants from federal, State of New Jersey and municipal and other nongovernmental sources and is recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which the related expenses are incurred.

Net patient services revenues are generated from patient care services and include the university's behavioral healthcare, cancer and contract activities and the operations of faculty practice plans. Net patient service revenues are recorded in the period in which the services are provided and are reported at estimated net realizable amounts from patients, third party payors and others. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third faculty practice party payors. Reimbursement from third party payors varies, depending upon the type and level of care provided. Certain net revenues received are subject to audit and retroactive adjustments for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue from State appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the university. The university is fiscally dependent upon these appropriations.

Contributions are recognized as revenues when all eligibility requirements are met, which is generally in the period donated. Additions to permanent endowments are recognized upon receipt. Endowment and investment income is recognized in the period earned.

Classification of Revenue

The university's policy for defining operating activities in the statement 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 and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, net of scholarship allowances, (3) most federal, state and municipal and other nongovernmental grants and contracts, and (4) net patient services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, student aid, endowment and investment income and contributions. Interest on capital asset related debt is reported as nonoperating expenses.

Scholarships and Fellowships

Scholarships, fellowships or stipends include payments made directly to students in the form of student aid. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and is deducted from the university's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

The university received $71.7 million during the year ended June 30, 2014 from the Federal Pell Grant program, and $87.0 million during the year ended June 30, 2014 from Tuition Aid Grants, from the State of New Jersey, the largest state student aid program.

The university distributes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans, through schools, directly to students. During the year ended June 30, 2014, the university disbursed $401.6 million under the Federal Direct Student Loan Program. Direct student loans receivable are not included in the university's statement of net position since they are repayable directly to the U.S. Department of Education.

Income Taxes

The university is exempt from income taxes on related income pursuant to federal and state tax laws as an instrumentality of the State of New Jersey.

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.

NOTE 2 – MERGER OF RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY AND THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (UMDNJ)

Through June 30, 2013, UMDNJ was established as the State's university of health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated education and healthcare partners throughout the State. UMDNJ operated three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute, schools of biomedical sciences, health-related professions, nursing and public health, and several faculty practice plans.

According to GASB 69, the integration of UMDNJ into the university under the Act is classified as a government merger where one or more legally separate governments or nongovernmental entities cease to exist and their operations are absorbed into one or more continuing governments. The merger date, for financial reporting purposes, is the beginning of the reporting period in which the combination occurs. The university recognized and measured the combined assets, deferred outflows of resources, liabilities, and net position of the university and the components of UMDNJ transferred to RBHS as separate entities based upon the accounting principles applied as of the merger date of July 1, 2013. The combined statement of net position is as follows:

	As Previously Stated June 30, 2013 Rutgers University	As of July 1, 2013 RBHS (UMDNJ Component Only)	July 1, 2013 Total
ASSETS			
Current Assets	$733,629	$301,615	$1,035,244
Capital Assets, Net	2,317,877	614,720	2,932,597
Other Assets	1,067,824	147,168	1,214,992
Total Assets	4,119,330	1,063,503	5,182,833
DEFERRED OUTFLOWS	27,311	3,150	30,461
LIABILITIES			
Current Liabilities	425,823	234,106	659,929
Noncurrent Liabilities	1,057,098	496,154	1,553,252
Total Liabilities	1,482,921	730,260	2,213,181
NET POSITION			
Net Investment in Capital Assets	1,230,405	183,853	1,414,258
Restricted – Nonexpendable	429,035	36,987	466,022
Restricted – Expendable	382,446	105,938	488,384
Unrestricted	621,834	9,615	631,449
Total Net Position	$2,663,720	$336,393	$3,000,113

An adjustment of $31.7 million was recorded to net position of RBHS (UMDNJ component only) from restricted nonexpendable to restricted expendable, and a $10.9 million adjustment was recorded from investments to cash to conform to the accounting policies of the university.

Beginning of the Year Net Position

The beginning of the year net position as of July 1, 2013 was restated for the effects of the merger as follows (dollars in thousands):

	Amount
Rutgers University Net Position as of June 30, 2013	$2,663,720
RBHS (UMDNJ Components Only) Net Position as of July 1, 2013	336,393
Total	$3,000,113

Cash Flow Activity

Cash and cash equivalents as of July 1, 2013 were restated for the effects of the merger as follows (dollars in thousands):

	Amount
Rutgers University Cash and Cash Equivalents as of June 30, 2013	$394,538
RBHS (UMDNJ Components Only) Cash and Cash Equivalents as of July 1, 2013	141,159
Total	$535,697

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The university's net cash and cash equivalents balance at June 30, 2014 includes a cash book balance of $195.0 million. The actual amount of cash on deposit in the university's bank accounts at June 30, 2014 was $208.1 million. Of this amount, $2.3 million was insured by the Federal Deposit Insurance Corporation at June 30, 2014. At June 30, 2014, $205.8 million was collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, and no cash was uninsured and uncollateralized at June 30, 2014.

The university's cash and cash equivalents are carried in the financial statements at fair value and consist of the following at June 30, 2014 (dollars in thousands):

	Amount
Money Market Funds	$358,935
Repurchase Agreements	27,255
Cash and Deposits	395,902
Total Cash and Cash Equivalents	$782,092

Investments

The Board of Governors and the Board of Trustees, through the Joint Committee on Investments, exercise authority over the investment of the university's Long-Term Investment Pool. Professional investment managers manage the investment of funds in accordance with the Investment Policy as established by the Joint Committee on Investments, approved by the Board of Governors with the consent of the Board of Trustees. Additionally, a professional investment consultant monitors and reports on the Long-Term Investment Pool and the individual investment managers. Under the terms of the university's bond indentures, bond proceeds and debt service funds may be invested and reinvested only in obligations which will by their terms mature on or before the date funds are needed for expenditure or withdrawal.

The primary financial objective of the investment management of the university's Long-Term Investment Pool is to preserve and enhance the Long-Term Investment Pool's real purchasing power while providing a relatively constant stream of earnings for current use. The long-term investment objective for the Long-Term Investment Pool is to attain an average annual total return of at least 4.5%, net of inflation, fees, and costs. In 2014, the university's annual spending policy is to spend an amount not to exceed 4.2750% of a trailing 13-quarter average of the Long-Term Investment Pool's market values. Current earned income will be used for ongoing spending requirements.

The university's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

The university's investments are carried in the financial statements at fair value and consist of the following at June 30, 2014 (dollars in thousands):

	Amount
Commercial Paper	$180,595
U.S. Government Treasury Securities	52,393
U.S. Government Agency Securities	174,906
Commodities	13,817
U.S. Corporate Equities	396,432
Foreign Corporate Equities	14,749
Mutual Funds	564,504
Real Estate	59,783
Corporate Bonds	2,003
Bonds – Other Holdings	24,836
Other Investments	8,702
Total Investments	$1,492,720

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The operating funds of the university are managed against the expected cash requirements of these funds. The university projects its cash requirements and arranges investment maturities accordingly. Special attention is given to the interest rate environment in times of economic growth or downturns. The table below reflects the operation of this process. Endowment funds have a much longer outlook and are invested by professional managers against an index as provided in the university's investment guidelines. For the university, the following table summarizes the maturities of cash and cash equivalents and investments at June 30, 2014 (dollars in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Commercial Paper	$180,595	$180,595	$ –	$ –	$ –
U.S. Government Treasury Securities	52,393	49,972	–	–	2,421
U.S. Government Agency Securities	174,906	57,237	117,629	40	–
Corporate Bonds	2,003	102	710	561	630
Bonds – Other Holdings	24,836	24,836	–	–	–
Money Market Funds	358,935	358,935	–	–	–
Repurchase Agreements	27,255	27,255	–	–	–
Total	820,923	$698,932	$118,339	$601	$3,051
U.S. Corporate Equities	396,432				
Foreign Corporate Equities	14,749				
Mutual Funds	564,504				
Commodities	13,817				
Real Estate	59,783				
Other Investments	8,702				
Total	$1,878,910				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's Investment Policy states that individual bonds shall be rated with an investment grade by at least two of the three rating agencies (Moody's, Fitch, and Standard & Poor's (S&P)). The average credit quality of the Core Fixed Income Fund shall be maintained at AA (by S&P or equivalent rating by Moody's or Fitch) or higher. The prospect of credit risk or risk of permanent loss shall be avoided in the Core Fixed Income Fund. Issues of state or municipal agencies shall not be purchased except in unusual circumstances. A fixed income manager may invest in foreign securities up to a limit of 20% of the portfolio. At June 30, 2014, the university's cash and cash equivalent and investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	Amount
U.S. Government Treasury and Agency Securities	AA+	$227,299
Money Market Funds	AAA	358,935
Repurchase Agreements	N/R	27,255
Corporate Bonds	AAA	556
Corporate Bonds	AA	68
Corporate Bonds	AA–	630
Corporate Bonds	A+	561
Corporate Bonds	A	102
Corporate Bonds	BBB+	86
Bonds – Other Holdings	N/R	24,836
Commercial Paper	A-1+	75,078
Commercial Paper	A-1	105,517
Total		$820,923

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the university will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The university's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the university's name. Money market funds and mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2014, the university had $807.6 million, of investments that were uninsured and unregistered and not held by the outside party in the university's name.

Investment Type	Amount
U.S. Corporate Equities	$274,302
Foreign Corporate Equities	2,903
Mutual Funds	431,954
Bonds – Other Holdings	24,836
Commodities	13,817
Real Estate	59,783
Total	$807,595

Investments - Endowment Funds

The majority of endowment funds assets are in the Long-Term Investment Pool. Each individual fund subscribes to or disposes of units in the pools on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. At June 30, 2014, the fair value of the Long-Term Investment Pool was $794.3. In addition, the aggregate endowment market value of funds separately invested was $28.6 million at June 30, 2014. The investment appreciation was $177.8 million at June 30, 2014. These amounts are included in restricted nonexpendable, restricted expendable and unrestricted net position.

The university employs a spending policy which provides for annual spending at a stated rate determined by the Joint Investment Committee of the Board of Governors and the Board of Trustees. Income earned above the stated rate is reinvested and added to the endowment principal, while any shortfall is covered by capital appreciation. The university complies with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) P.L. 2009, Chapter 64, adopted by New Jersey. This law speaks to the management and use of funds held by charitable institutions.

Alternative Investments

As part of its investment strategy, the university has committed to invest a total of $233.3 million to 51 non-marketable alternative asset partnerships, hedge funds and real estate funds at June 30, 2014. As of June 30, 2014, the university has $177.5 million of paid-in capital to these alternative assets and $60.5 million in unfunded commitments.

NOTE 4 – ACCOUNTS RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts and are comprised of the following at June 30, 2014 (dollars in thousands):

	Accounts Receivable	Allowance	Net Accounts Receivable
Government Grants Receivable and Other Sponsored Programs	$162,471	$2,719	$159,752
Plant Receivables	89,114	–	89,114
Student Notes Receivable	75,962	5,473	70,489
Patient Accounts Receivable	67,606	13,652	53,954
Federal and State Governments	29,899	–	29,899
Student Accounts Receivable	19,413	7,015	12,398
Affiliate Receivable	52,668	2,340	50,328
Interest Receivable	9,505	–	9,505
Other	43,022	2,263	40,759
Total	$549,660	$33,462	$516,198

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2014, considering type, age, collection history and other appropriate factors.

NOTE 5 – NET PATIENT SERVICE REVENUES

University Behavioral Health Care (UBHC) provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services and the Department of Human Services without charge or at amounts less than their established rates. These units maintain records to identify and monitor the level of charity care they provide, which includes the amount of gross charges foregone for services and supplies furnished.

Net patient service revenues are comprised of the following at June 30, 2014 (dollars in thousands):

	Amount
Gross Charges	$776,069
Deductions from Gross Charges	
Contractual and Other Allowances	(260,710)
Provision for Bad Debts	(27,781)
Net Patient Service Revenues	$487,578

NOTE 6 – CAPITAL ASSETS

The detail of Capital Assets activity for the year ended June 30, 2014 is as follows (dollars in thousands):

	July 1, 2013	Additions	Retirements/ Capitalization	June 30, 2014
Capital Assets Not Being Depreciated:				
Land	$73,769	$305	($14)	$74,088
Capitalized Art Collections	59,795	–	–	59,795
Construction in Progress	161,863	190,439	129,824	222,478
Total	295,427	190,744	129,810	356,361
Capital Assets Being Depreciated:				
Land Improvements	308,978	12,531	86	321,423
Buildings	3,787,673	158,463	10,497	3,935,639
Equipment	854,716	36,437	14,885	876,268
Total	4,951,367	207,431	25,468	5,133,330
Less Accumulated Depreciation:				
Land Improvements	229,505	13,057	46	242,516
Buildings	1,415,009	91,680	7,613	1,499,076
Equipment	669,683	42,892	15,651	696,924
Total	2,314,197	147,629	23,310	2,438,516
Net Capital Assets Being Depreciated	2,637,170	59,802	2,158	2,694,814
Total Capital Assets, net	$2,932,597	$250,546	$131,968	$3,051,175

During 2014, the university capitalized interest expense of $12.4 million in construction in progress in the accompanying statement of net position.

The July 1, 2013 balances were adjusted to reflect the amounts recorded for the UMDNJ integration.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2014 (dollars in thousands):

	Amount
Vendors	$117,021
Compensated Absences	90,771
Accrued Salaries and Benefits	119,525
Workers Compensation	27,002
Interest Payable	12,198
Retainage	3,833
Other Accrued Expenses	23,522
Total Accounts Payable and Accrued Expenses	$393,872

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2014 is as follows (dollars in thousands):

	July 1, 2013	Additions	Reductions	June 30, 2014	Current Portion
Accounts Payable and Accrued Expenses	$374,438	$39,237	$19,803	$393,872	$362,143
Unearned Revenue	122,401	158,066	4,119	276,348	124,284
Long-Term Liabilities	1,545,099	1,265,930	672,847	2,138,182	97,680
Total Noncurrent Liabilities	$2,041,938	$1,463,233	$696,769	$2,808,402	$584,107

The July 1, 2013 balances were adjusted to reflect the amounts recorded for the UMDNJ integration.

NOTE 9 – COMMERCIAL PAPER

On February 28, 2007, the university instituted the commercial paper program to provide interim or short-term financing for the acquisition and construction of and improvements, repairs, replacements, additions and betterments to the facilities, and the acquisition of equipment, and other property in connection therewith, of the university, and the refinancing of certain outstanding obligations of the university. The commercial paper was to be issued either as Tax-Exempt Commercial Paper or as Taxable Commercial Paper.

The commercial paper constitute direct general obligations of the university for the payment of which, as to both principal and interest, the full faith and credit of the university are pledged. Principal of the commercial paper, to the extent not paid from proceeds of general obligation bonds and proceeds of other commercial paper, and interest on the commercial paper is payable from other available university funds. The university has entered into a Standby Commercial Paper Purchase Agreement with Wells Fargo Bank, National Association (the Liquidity Provider) under which the Liquidity Provider is obligated to purchase newly issued commercial paper to pay the principal of other commercial paper, subject to suspension or termination upon the occurrence of certain events. The Standby Commercial Paper Purchase Agreement will terminate at the close of business on April 20, 2015, unless terminated prior to such date in accordance with its terms. Morgan Stanley & Co. Incorporated will be the exclusive dealer in connection with the offering and issuance of the Series A Tax-Exempt Commercial Paper, the Series C Taxable Commercial Paper and the Series D Extendable Commercial Paper. Merrill Lynch, Fenner & Smith Incorporated will be the dealer in connection with the offering and issuance of the Series B Tax-Exempt Commercial Paper.

During fiscal year 2014, using proceeds from the issuance of General Obligation Bonds, 2013 Series L, the university redeemed $33.1 million of General Obligation Commercial Paper Series A and $46.2 million of General Obligation Commercial Paper Series B. In addition, using university funds, the university redeemed $0.2 million of General obligation Commercial Paper Series A and $2.1 million of General Obligation Commercial Paper Series C.

Commercial Paper activity as of June 30, 2014 is as follows (dollars in thousands):

	July 1, 2013	Additions	Retirements	June 30, 2014
Series A	$33,300	$ –	$33,300	$ –
Series B	46,190	–	46,190	–
Series C	50,565	–	2,090	48,475
	$130,055	$ –	$81,580	$48,475

NOTE 10 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014 is as follows (dollars in thousands):

	July 1, 2013	Additions	Retirements	June 30, 2014	Current Portion
General Obligation Bonds Payable	$1,218,728	$889,311	$482,252	$1,625,787	$44,726
Lease Obligations	284,465	376,619	189,908	471,176	13,356
Notes Payable	2,963	–	687	2,276	655
Loans Payable	38,943	–	–	38,943	38,943
Total Long-Term Liabilities	$1,545,099	$1,265,930	$672,847	$2,138,182	$97,680

The July 1, 2013 balances were adjusted to reflect the amounts recorded for the UMDNJ integration.

OTHER OBLIGATIONS OF THE UNIVERSITY

Notes Payable

Notes payable at June 30, 2014 consist of an unsecured note payable to the U.S. Department of Education with interest at 5.5%, final installment due January 1, 2021.

In February 1998, the university entered into a capital funding agreement with the New Jersey Department of Human Services for $0.5 million to purchase various properties. Title to the properties rests with the university. The agreement terminates in June 2018, at which time the university can renew the agreement or repay the debt. In October 2005, the university increased the agreement to $0.5 million to renovate various collateralized properties. In June 2014, the New Jersey Department of Human Services discharged $0.1 million of debt for a property that was sold.

In December 2004, the university entered into an enhanced Affiliation agreement with Robert Wood Johnson University Hospital (RWJUH), which provides for working capital requirements for Robert Wood Johnson Medical School (RWJMS) through a promissory note. The promissory note is a credit line of $10.0 million and can be drawn down for a period of five years. During 2006, the agreement was amended cancelling any further draws against the line of credit. Equal monthly repayments commence thirty days after the date of draw for ten years at an interest rate of prime. As of June 30, 2014, $4.0 million was drawn on the promissory note and principal payments were made in the amount of $3.3 million.

Rutgers Community Park

In 1999, the university and the City of Camden entered into an agreement for the acquisition, development and construction of an outdoor recreational complex designated the Rutgers Community Park which was made available to university students and the public. On June 26, 2002, the university agreed to assume the obligation for debt service payable on an aggregate of $1.0 million in loans that the City of Camden received from the Green Acres Program of the State of New Jersey in connection with the Rutgers Community Park, pursuant to an Amended and Restated Interlocal Services Agreement between the City of Camden and the university. The assumption of the debt service payable on the Green Acres Program of the State of New Jersey loan is a general obligation of the university secured by the full faith and credit of the university. At June 30, 2014, the outstanding amount due on the loans was $0.4 million.

Guaranty of LEAP School Bond Financing

The Delaware River Port Authority (the Authority) issued $8.5 million of Charter School Project Bonds, Series 2003 (LEAP Academy University Charter School, Inc.) on October 2, 2003 pursuant to the Compact, the New Jersey Act, the Pennsylvania Act and an Indenture of Trust dated as of September 1, 2003, by and between the Authority and Commerce Bank, National Association, as trustee (the Guaranty), for the purpose of financing the costs of the design, development, construction and equipping of the LEAP Academy University Charter School (the LEAP School) in Camden, New Jersey. The LEAP School will be owned and managed by the LEAP Academy University Charter School, Inc., a New Jersey not-for-profit corporation, and will serve approximately 216 students in grades 9-12. The LEAP School site is adjacent to the Camden Campus. The university's obligations under the Guaranty are a general obligation of the university secured by the full faith and credit of the university.

Loans Payable

On May 30, 2007, One Washington Park Holdings (a university controlled Qualified Active Low-Income Community Business - QALICB) entered into two loan and security agreements with New Jersey Community Capital Community Development Entity (NJCC CDE) I LLC and NJCC CDE II LLC in the amounts of $36.3 million and $2.6 million, respectively, to finance a portion of the acquisition and renovation of the property located at One Washington Park in Newark, NJ (See Note 17). The loans bear interest at a rate of 2.33% per annum and 1.45% per annum, respectively, and are payable every December 1. The principal amounts are due to NJCC CDE I LLC and NJCC CDE II LLC on December 1, 2014.

At June 30, 2014, the outstanding balance of the NJCC CDE I and II loans remained at $38.9 million.

Gateway Transit Village Property

On December 15, 2010, the university entered into a lease agreement with Somerset Street Urban Renewal Associates, LLC for the Gateway Transit Village Property, which comprises the Rutgers University Bookstore, Rutgers University Press, and the common areas (the Rutgers Component). The university began rent payments on October 1, 2012, in the amount of $0.4 million and will continue to make quarterly payments due and payable on the first business day of each quarter during the term of the lease. For lease years 1 – 7, annual lease payments amounts will be $1.4 million, and for lease years 8 – 30, annual lease payment amounts will be $1.7 million.

On December 23, 2010, the university entered into a loan arrangement for $16.1 million with Somerset Street Associates 2, LLC (SSA2) for the purpose of completing the Gateway Transit Village Property. The university began receiving interest only payments on October 1, 2012, in the amount of $0.4 million and will continue to receive such payments in quarterly installments on the first business day of each calendar quarter through January 1, 2018. Beginning April 1, 2018, SSA2 shall make quarterly payments of principal and interest in an amount sufficient to fully repay the sum of the principal amount then outstanding. Rutgers has the option to purchase all of the right, title and interest of the property in exchange of forgiving the loan to SSA2.

Bonds Payable – General Obligation

A summary of bonds issued and outstanding at June 30, 2014 is as follows (dollars in thousands):

	Date of Series	Original Amount	Outstanding June 30, 2014
General Obligation Refunding Bonds:			
2002 Series A, variable-rate, due serially to May 1, 2018	Feb. 1, 2002	$110,000	$43,200
2010 Series I, 3.46% effective, due serially to May 1, 2025 and term bonds due May 1, 2029	Nov. 1, 2010	40,830	36,090
2013 Series J, 3.78% effective, due serially to May 1, 2033 and term bonds due May 1, 2036	Jul. 1, 2013	340,925	334,185
2013 Series K, 4.06% effective, due serially to May 1, 2023 and term bonds due May 1, 2033	Jul. 1, 2013	134,100	127,725
Total General Obligation Refunding Bonds		625,855	541,200
General Obligation Bonds:			
2003 Series D, 3.74% effective, due serially to May 1, 2019	Dec. 1, 2003	24,805	5,415
2009 Series F, 4.56% effective, due serially to May 1, 2031 and term bonds due May 1, 2039	Feb.10, 2009	233,105	201,140
2009 Series G, variable-rate, due serially to May 1, 2039	Apr. 29, 2009	80,000	72,235
2010 Series H, 3.70% effective, due serially May 1, 2019 through May 1, 2022 and term bonds due May 1, 2029 and 2040	Nov. 1, 2010	390,990	390,990
2013 Series L, 4.44% effective, due serially to May 1, 2033 and term bonds due May 1, 2038 and 2043	Jul. 1, 2013	352,065	346,165
Total General Obligation Bonds		1,080,965	1,015,945
Total Bonds		$1,706,820	$1,557,145

The General Obligation Bonds (GOB) Payable includes premium on bonds of $68.7 million at June 30, 2014 related to Series 2003 D, Series 2009 F, Series 2010 I, Series 2013 J, Series 2013 K, and Series 2013 L.

General Obligation and General Obligation Refunding Bonds

The General Obligation Refunding Bonds, 2002 Series A, were issued under an Indenture of Trust, dated February 1, 2002. These bonds were issued to finance a portion of the cost of the renovation, construction and equipping of certain academic, research support and other facilities, as well as infrastructure development and land acquisitions of the university. Under the terms of the indentures, all bonds issued are direct and general obligations of the university and are in no way an obligation of the State of New Jersey. On August 25, 2011, the university, along with First Union National Bank (predecessor to U.S. Bank, National Association), the Trustee, and TD Bank, N.A. (the Substitute Liquidity Facility), entered into a Standby Bond Purchase Agreement for General Obligation Refunding Bonds, 2002 Series A pursuant to Section 5.9(b) of the First Supplemental Indenture of Trust, dated as of February 1, 2002, which supplements the Indenture of Trust, dated as of February 1, 2002. This agreement carries an annual facility fee of 0.4% and expires in 2018. As of June 30, 2014, no funds have been drawn against this agreement.

The General Obligation Bonds, 2003 Series D, were issued in the amount of $24.8 million and dated December 1, 2003. The 2003 Series D Bonds are secured under the provisions of the Indenture of Trust, dated as of February 1, 2002, as supplemented between the university and First Union National Bank (now known as Wells Fargo Bank, National Association), as Trustee and a Fourth Supplemental Indenture of Trust, dated as of December 1, 2003, between the university and the Trustee. In September 2006, Wachovia Bank (now known as Wells Fargo Bank) sold all trustee rights to U.S. Bank. The proceeds of the 2003 Series D Bonds were being used to finance (i) the costs of construction of certain deferred capital maintenance projects on the New Brunswick Campus, the Camden Campus and the Newark Campus, each project with a minimum economic life of ten years, and (ii) certain administrative, legal, financing and incidental expenses relating to the issuance of these Bonds.

The General Obligation Bonds, 2009 Series F, were issued in the amount of $233.1 million on February 10, 2009. The bonds were issued under the terms of an Indenture of Trust, dated as of February 1, 2002 (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), and a Sixth supplemental Indenture of Trust, dated as of February 1, 2009, by and between the university and the Trustee (the sixth supplemental Indenture, and together with the Master Indenture, the Indenture). The 2009 Series F Bonds were issued for (i) the refinancing of Commercial Paper which financed the construction of various capital projects, (ii) the financing of additional capital projects of the university, (iii) the refunding of certain outstanding bonds of the university, and (iv) the payment of certain administrative, legal, financing, and incidental expenses relating to the issuance of the bonds.

The General Obligation Bonds, 2009 Series G, were issued in the amount of $80.0 million on April 29, 2009. The bonds are secured under the provisions of an Indenture of Trust, dated as of February 1, 2002, (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), and a Seventh Supplemental Indenture of Trust, dated as of May 1, 2009, by and between the university and the Trustee (the Seventh Supplemental Indenture, together with the Master Indenture, the Indenture). The 2009 Series G Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statues Annotated (the Act), and the Indenture. The 2009 Series G Bonds were issued for (i) the refinancing of the Commercial Paper which financed the construction of various capital projects, (ii) the financing of additional capital projects of the university, and (iii) the payment of certain administrative, legal, financing, and incidental expenses relating to the issuance of these bonds. On May 6, 2009, the university, along with U.S. Bank National Association, entered into a Standby Bond Purchase Agreement for General Obligation Bonds 2009 Series G at an annual facility fee of 1.0%. This agreement was extended on May 4, 2012, expiring in 2015. The agreement carries an annual facility fee of 0.4% at the university's current bond rating. As of June 30, 2014, no funds have been drawn against this agreement.

The General Obligation Bonds, 2010 Series H, and the General Obligation Refunding Bonds, 2010 Series I (collectively the 2010 Series Bonds) were issued in the amount of $391.0 million and $40.8 million, respectively, on November 1, 2010. The bonds are secured under the provisions of an Indenture of Trust, dated as of February 1, 2002, (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association, (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), as supplemented and amended, including by the Eighth Supplemental Indenture of Trust, dated as of November 1, 2010, by and between the university and the Trustee (the Eighth Supplemental Indenture, together with the Master Indenture, the Indenture). The 2010 Series Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated, and the Indenture. The 2010 Series Bonds were issued to (i) finance and/or refinance a portion of the construction of various capital projects of the university (the 2010 Capital Projects), (ii) provide for the refinancing of (a) certain outstanding commercial paper of the university, and (b) the current and/or advance refunding of all or a portion of certain outstanding bonds of the university, and (iii) finance costs of issuance with respect to the 2010 Capital Projects.

The General Obligation Refunding Bonds, 2013 Series J, the General Obligation Refunding Bonds 2013 Series K and 2013 Series L (collectively the 2013 Series Bonds), were issued in the amount of $340.9 million, $134.1 million, and $352.1 million, respectively, on July 1, 2013. The bonds are secured under the provisions of an Indenture of Trust, dated February 1, 2002 (the Master Indenture), as supplemented, by and between the university and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank) as trustee (the Trustee), and a Ninth Supplemental Indenture, dated as of July 1, 2013, by and between the university and the Trustee (the Ninth Supplemental Indenture, and together with the Master Indenture, the Indenture). The 2013 Series Bonds, among other things, were issued in furtherance of the New Jersey Medical and Health Sciences Education Restructuring Act, which was signed into law on August 22, 2012. Pursuant to the Restructuring Act, all rights to certain schools, institutes and centers of UMDNJ, was transferred to the university effective July 1, 2013, and all debt issued by UMDNJ allocable to such schools, institutes and centers, were transferred to the university. A portion of the proceeds of the 2013 Series J Bonds and 2013 Series K Bonds were to be used to refund certain outstanding indebtedness of UMDNJ in connection with the transfer of such UMDNJ facilities and indebtedness to the university. The terms of the Restructuring Act, applicable to the university, were consented to and approved by the Board of Governors and the Board of Trustees of the university by resolutions adopted on November 19, 2012. The 2013 Series Bonds were issued to (i) refund certain outstanding indebtedness of the university and UMDNJ, (ii) finance and/or refinance, as the case may be, the payment of certain costs of construction of certain capital projects of the university (the 2013 Capital Projects), and (iii) finance costs of issuance with respect to the 2013 Capital Projects. The bonds which were refunded in whole included UMDNJ certificates of Participation 1997 Series A ($12.2 million), UMDNJ Certificates of Participation 1997 Series B ($3.1 million), NJEDA Lease Revenue Bonds Series 2000 ($38.3 million), UMDNJ Bonds 2002 Series A ($94.5 million), UMDNJ Certificates of Participation Series 2003 ($49.2 million), UMDNJ Certificates of Participation Series 2004 ($75.3 million), NJEFA Revenue Refunding Bonds Series 2009B ($214.9 million), General Obligation Bonds 2002 Series B ($24.1 million), General Obligation Refunding Bonds 2003 Series C ($26.4 million), and General Obligation Bonds 2004 Series E ($79.3 million).

As part of the refunding, the university reduced its total debt service over the next 23 years by $106.7 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $38.0 million. The difference between the acquisition price and the net carrying amount of the old debt of $76.6 million is being deferred and amortized as interest expense through the year 2036 using the effective interest method. In 2014, $3.8 million has been expensed leaving $72.8 million as part of deferred outflows of resources.

All bonds bear interest at fixed-rates with the exception of 2002 Series A and 2009 Series G, which bear interest at a variable-rate. For 2002 Series A, the rates varied from a low of 0.01% to a high of 0.11% during fiscal year 2014. For 2009 Series G, the rates varied from a low of 0.01% to a high of 0.12% during fiscal year 2014. With the intention of lowering its effective interest rate related to 2002 Series A and Series 2009 G, the university entered into swap agreements with JP Morgan Chase, Merrill Lynch, and Bank of New York. (See **NOTE 11** for additional information about derivatives.) The university is exposed to basis risk due to the difference between the floating rate on the bonds and the SIFMA/LIBOR rate.

The following is the synthetic rate, related to the 2002 Series A bond, at the end of fiscal year 2014:

	Terms	Synthetic Rate
Interest rate swap		
Fixed payment to counterparty	Fixed	3.96%
Variable payment from counterparty	SIFMA	-0.06%
Net interest rate swap payments		3.90%
Variable rate bond coupon payments		0.03%
Synthetic interest rate		3.93%

The following is the synthetic rate, related to the 2009 Series G Bonds, at the end of fiscal year 2014:

	Terms	Merrill Lynch	Terms	Bank of New York
Interest rate swap				
Fixed payment to counterparty	Fixed	4.08%	Fixed	3.82%
Variable payment from counterparty	3 MO LIBOR	-0.23%	SIFMA	-0.06%
Net interest rate swap payments		3.85%		3.76%
Variable rate bond coupon payments		0.05%		0.05%
Synthetic interest rate		3.90%		3.81%

Using rates as of the end of the fiscal year, debt service payments to maturity, assuming current interest rates remain the same for their term, are as follows (dollars in thousands):

	Fixed-Rate Bonds		Variable-Rate Bonds		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swaps, Net	Total
2015	$29,290	$70,674	$11,945	$49	$4,451	$116,409
2016	29,585	69,739	12,410	45	3,988	115,767
2017	25,140	68,692	12,880	41	3,506	110,259
2018	26,340	67,732	13,350	37	3,006	110,465
2019	43,775	66,706	2,030	32	2,488	115,031
2020-2024	207,085	306,163	11,420	146	11,214	536,028
2025-2029	266,635	251,270	13,855	115	8,862	540,737
2030-2034	310,935	177,704	16,905	78	5,978	511,600
2035-2039	247,180	106,478	20,640	32	2,447	376,777
2040-2044	255,745	33,036	–	–	–	288,781
Total	$1,441,710	$1,218,194	$115,435	$575	$45,940	$2,821,854

As rates vary, variable-rate bond interest payments and net interest rate swap payments will vary.

CAPITALIZED LEASE OBLIGATIONS

Facilities Authority:

- **Capital Improvement Fund (CIF)**

Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (CIF Act) of 1999, the university has been allocated funds to finance deferred maintenance and other capital improvements within the university. The funds are provided through bonds issued by the New Jersey Educational Facilities Authority. The university is obligated to pay amounts equal to one-third of the amount necessary to pay the principal of and interest on the portion of the bonds. In July 2000, the Facilities Authority issued Series 2000A bonds, the university's portion of which amounted to $95.0 million. The bonds bear interest at rates ranging from 5.0% to 5.75%. In December 2000, the Facilities Authority issues Series 2000B bonds, the university's portion of which amounted to $75.0 million. The bonds bear interest at rates ranging from 4.2% to 5.75%. In November 2002, the Facilities Authority issued Series 2002A bonds, the university's portion of which amounted to $94.0 million. The bonds bear interest at rates ranging from 3.0% to 5.25% and mature on August 15, 2022. These bonds were partially advance refunded in 2005 and 2006. The refunded bonds, Series 2005A and Series 2006A, mature on August 15, 2019 and August 15, 2022, respectively. In April 2014, the Facilities Authority issued Series 2014A-D bonds, the university's portion of which amounted to $97.3 million. The bonds bear an effective interest rate of 3.47% and mature on August 15, 2033. At June 30, 2014, the university had capital lease obligations of $0.5 million, $25.9 million, $21.2 million, and $30.2 million for Series 2002A, Series 2005A, Series 2006A, and Series 2014A, respectively.

- **Dormitory Safety Trust Fund (DSTF)**

Under the provisions of the Dormitory Safety Trust Fund Act (the DSTF Act) (P.L. 2000, c.56), the university received a $29.0 million interest free loan to finance the installation of fire suppression systems in buildings used as student dormitories. The New Jersey Educational Facilities Authority issued two series of bonds on August 14, 2001 to finance these loans. Series 2001A (Tax Exempt) bears an effective interest rate of 4.8% per annum, and Series 2001B (Federally Taxable) bears an effective interest rate of 6.1% per annum. Both series mature on March 1, 2016. At June 30, 2014, the university had a capital lease obligation of $4.1 million.

- **Equipment Leasing Fund (ELF)**

Under the provisions of the State of New Jersey Higher Education Equipment Leasing Fund Act (the ELF Act) of 1993, the university has been allocated $43.8 million to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease. The bonds were issued by the New Jersey Educational Facilities Authority on January 30, 2014 and bear an effective interest rate of 1.89% and mature on June 1, 2023. The university is obligated to make annual lease payments equal to 25% of the amount necessary to pay the principal and interest on the portion of the bonds. Title to all equipment purchased under this lease agreement will be transferred to the university at the conclusion of the lease. At June 30, 2014, the university has a capital lease obligation of $9.7 million.

Housing Authority

In connection with a redevelopment project undertaken by the Housing and Urban Development Authority of the City of New Brunswick (the Housing Authority), a series of agreements were entered into by the university, the Housing Authority and Robert Wood Johnson University Hospital, Inc., the outcome of which was the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the university and the Housing Authority, the Housing Authority issued bonds in the aggregate amount of $55.3 million on July 23, 1992, at an effective interest rate of 6.23% per annum, for the purpose of providing long-term financing for the project. On December 1, 1998, these bonds were refinanced in the aggregate amount of $54.5 million, at an effective interest rate of 4.83% per annum. On March 25, 2011, these bonds were refinanced, once again, in the aggregate amount of $31.3 million, at an effective interest rate of 3.2% per annum. The bonds mature serially from July 1, 2011, through July 1, 2020. In accordance with the agreement, the university is required to pay an annual rental to the Housing Authority over the life of the agreement in amounts necessary to retire the university's portion of the bonds, including interest, to provide for sinking fund and reserve account requirements and to reimburse the Housing Authority for its administrative costs. Upon retirement of the bonds, title to the student apartment complex, parking deck, health club facility and the related common space will be transferred to the university. Accordingly, the land and facilities have been capitalized with a corresponding liability classified as a capital lease obligation. At June 30, 2014, this liability was $20.6 million. As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

Hospital Sublease

In conjunction with the Housing Authority capital lease and agreement, the university simultaneously entered into a sublease and agreement with the Robert Wood Johnson University Hospital, Inc. (the Hospital), dated July 1, 1992, whereby the Hospital agreed to lease a portion of the parking facility from the university. The sublease provides for an initial term of two years which commenced July 1992, renewable in six consecutive five year terms. In accordance with the sublease, the Hospital is required to pay an annual rental to the university over the life of the agreement, subject to termination payments to the university should the options to renew not be exercised. The payments received under this sublease are being used by the university to cover a proportional amount of the lease payments due to the Housing Authority. Upon retirement of the bonds, title to the Hospital's portion of the parking deck will be transferred to the Hospital. At June 30, 2014, the estimated present value of the Hospital sublease over the full lease term, including renewal periods, amounted to $3.6 million. Payments required under the lease and agreement between the university and the Housing Authority are in no way conditional upon the receipt of payments from the Hospital under the sublease and agreement.

Certificates of Participation, Series 2004

Pursuant to an Agent Agreement, dated April 1, 2004, between the university, as Lessee, Lower George Street University Redevelopment Associates, LLC, a New Jersey limited liability company, as Lessor, and Wachovia Bank, National Association (now known as Wells Fargo Bank, National Association), as Agent, Certificates of Participation were issued in the amount of $30.6 million on April 15, 2004. The Certificates of Participation represent undivided proportionate interests in the fixed rent payable by the university pursuant to the Master Lease Agreement, dated April 1, 2004, between the Lessee and Lower George Street University Redevelopment Associates, LLC. The university is obligated under the Lease to make payments of fixed rent that comprise amounts designated as interest and as principal and that are payable to the owners of the 2004 Certificates. The 2004 Certificates were issued to finance the acquisition of the land, the preparation of the land for construction, including demolition and clearing of existing improvements, and the construction of improvements and costs of acquisition and installation of equipment. This area will primarily serve as the university's Division of Public Safety headquarters, provide additional office space for the university and provide a parking garage, all to support the university's educational functions. In addition, the 2004 Certificates provided for capitalized interest on the 2004 Certificates from the dates of delivery to July 1, 2005 and to pay the costs of issuance associated with the authorization, sale, execution and delivery of the 2004 Certificates. At June 30, 2014, the university had a capital lease obligation of $26.1 million.

Economic Development Authority:

- **College Avenue Redevelopment Project**

On Sept 12, 2013, the New Jersey Economic Development Authority (the Authority) offered $237.1 million of its General Obligation Lease Revenue Bonds, Series 2013. The bonds bear an effective interest rate of 4.927% and mature on June 15, 2046. The proceeds of the bonds will be loaned by the Authority to College Avenue Redevelopment Associates, LLC (the Company), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated September 1, 2013 to finance the educational facilities project being undertaken and constructed by the Company on behalf of the university. The Company is leasing the entire Property to the university pursuant to the Master Lease Agreement dated September 1, 2013. The Fixed-Rent payable by the university to the Company shall be sufficient to pay all interest and principal. The project generally entails the redevelopment and construction of (i) an approximately 175,900 square foot academic building for the Rutgers University School of Arts and Sciences (the Academic Building), consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls ranging from 80 to 300 seats as well as departmental office space, and associated landscaped areas (the SAS improvements), (ii) a separate building consisting of an approximately 500-bed residence hall for honors students, including programming space, office space, common area space and other amenities to enhance undergraduate honors research work, and associated landscaped areas (the Honors College Improvements), (iii) an approximately 500-bed apartment-style residence building comprised of mainly apartments with four single-occupant bedrooms for Rutgers students as well as common area spaces, approximately 13,000 square feet of retail space, and a public plaza with new outdoor connections between the new and existing buildings on the Rutgers College Avenue Campus (the University Housing Improvements), and (iv) an approximately 300-space Rutgers multistory parking structure and surface lot (the University Parking Improvements), and together with the Academic Building, the SAS Improvements, the Honors College Improvements, and the University Housing Improvements, all necessary site and infrastructure improvements. At June 30, 2014, the university has a capital lease obligation of $237.1 million.

- **15 Washington Street**

On May 30, 2014, the New Jersey Economic Development Authority (the Authority) issued $58.3 million of its Revenue Notes, Series 2014. The notes bear an effective interest rate of 3.23% and mature on July 1, 2031. The proceeds of the notes will be loaned by the Authority to Washington Street University Housing Associates, LLC (the Landlord), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated May 30, 2014 to finance the renovation of the Residential Estate to provide housing for graduate and undergraduate students, including a total of approximately 335 beds in a variety of unit types including, double and single occupancy bedroom configurations, kitchen, living areas, and bathrooms (together with all necessary and appropriate site improvements and infrastructure). The Landlord is leasing the Property to the university pursuant to the Master Lease Agreement dated May 30, 2014. The Fixed-Rent payment by the university to the Company shall be sufficient to pay all interest and principal. At June 30, 2014, the university had a capital lease obligation of $58.3 million.

New Jersey Medical School – Hospital Building

On July 1, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease a portion of the Hospital Building located at 150 Bergen Street, Newark, New Jersey. The sublease expiration date is May 31, 2089 and the base rent is $0.7 million per year. As of June 30, 2014, using a discount rate of 4.16%, the present value of the sublease was $15.6 million.

Ambulatory Care Center

On July 2, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease the Ambulatory Care Center located at 140 Bergen Street, Newark, New Jersey. The sublease expiration date is May 31, 2089 and the base rent is $0.8 million per year. As of June 30, 2014, using a discount rate of 4.16%, the present value of the sublease was $18.3 million.

Future lease payments (receipts) applicable to the aforementioned capital leases at June 30, 2014 are as follows (dollars in thousands):

	Educational Facilities Authority						
Year	**CIF (2002A)**	**CIF (2005A)**	**CIF (2006A)**	**CIF (2014A)**	**DSTF (2001A)**	**DSTF (2001B)**	**ELF (2014)**
2015	$259	$5,274	$1,027	$1,141	$2,040	$33	$1,940
2016	13	5,520	1,019	2,358	2,040	32	1,939
2017	12	5,522	1,028	2,358	–	–	1,941
2018	13	5,521	1,027	2,358	–	–	1,940
2019	12	3,908	2,640	2,358	–	–	1,941
2020-2024	308	3,913	21,023	11,792	–	–	2,032
2025-2029	–	–	–	11,791	–	–	–
2030-2034	–	–	–	12,017	–	–	–
2035-2039	–	–	–	–	–	–	–
2040-2044	–	–	–	–	–	–	–
2045-2049	–	–	–	–	–	–	–
2050-2054	–	–	–	–	–	–	–
2055-2059	–	–	–	–	–	–	–
2060-2064	–	–	–	–	–	–	–
2065-2069	–	–	–	–	–	–	–
2070-2074	–	–	–	–	–	–	–
2075-2079	–	–	–	–	–	–	–
2080-2084	–	–	–	–	–	–	–
2085-2089	–	–	–	–	–	–	–
Total Lease Payments	617	29,658	27,764	46,173	4,080	65	11,733
Less Amount Representing Interest	111	3,785	6,546	15,995	–	–	2,076
Present Value of Lease Payment	$506	$25,873	$21,218	$30,178	$4,080	$65	$9,657

				Economic Development Authority		University Hospital		
Year	Housing Authority	Hospital Sublease	Certificates of Participation	College Ave Project	15 Washington St	ACC 140 Bergen St	NJMS 150 Bergen St	TOTAL
2015	$4,053	($719)	$1,864	$11,817	$1,833	$800	$680	$32,042
2016	4,052	(718)	1,861	11,817	3,593	800	680	35,006
2017	4,048	(718)	1,860	15,432	4,267	801	680	37,231
2018	4,052	(719)	1,858	15,402	4,269	800	679	37,200
2019	4,051	(719)	1,856	15,425	4,272	801	680	37,225
2020-2024	4,048	(719)	9,270	77,087	21,348	4,002	3,399	157,503
2025-2029	–	–	9,250	77,098	13,071	4,002	3,399	118,611
2030-2034	–	–	9,204	77,086	27,345	4,001	3,400	133,053
2035-2039	–	–	7,330	77,093	–	4,002	3,399	91,824
2040-2044	–	–	–	77,085	–	4,002	3,399	84,486
2045-2049	–	–	–	30,849	–	4,001	3,400	38,250
2050-2054	–	–	–	–	–	4,002	3,399	7,401
2055-2059	–	–	–	–	–	4,002	3,399	7,401
2060-2064	–	–	–	–	–	4,002	3,399	7,401
2065-2069	–	–	–	–	–	4,002	3,400	7,402
2070-2074	–	–	–	–	–	4,002	3,399	7,401
2075-2079	–	–	–	–	–	4,002	3,399	7,401
2080-2084	–	–	–	–	–	4,002	3,399	7,401
2085-2089	–	–	–	–	–	4,002	3,400	7,402
Total Lease Payments	24,304	(4,312)	44,353	486,191	79,998	60,028	50,989	861,641
Less Amount Representing Interest	3,744	(688)	18,238	249,136	21,668	41,694	35,415	397,720
Present Value of Lease Payment	$20,560	($3,624)	$26,115	$237,055	$58,330	$18,334	$15,574	$463,921

The capital lease obligation payable includes premium on capital leases of $5.8 million at June 30, 2014 related to Certificates of Participation and the College Avenue Redevelopment Project.

Miscellaneous Equipment Leases

The university has entered into certain lease-purchase agreements for equipment which are principally for a 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 following represents the book value of the university's equipment capital leases at June 30, 2014:

	Amount
Cost	$10,912
Accumulated Depreciation	(7,672)
Net Book Value	$3,240

The payments of these agreements include a charge for interest at various rates depending on each agreement. At June 30, 2014, the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is approximately $1.5 million. The annual rentals for these capitalized lease obligations are provided for in the university's operating budget.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The university is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the statements of net position.

Objective of the swaps:
The university has entered into four separate pay-fixed, receive-variable interest rate swaps in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.

For the year ended June 30, 2014, the university had the following derivative instruments outstanding (dollars in thousands):

Derivative Instrument	Type	Objective	Notional Amount	Effective Date	Termination Date	Terms	Fair Value	Change in Fair Value
JP Morgan & Co.	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2002 Series A	$43,200	2/4/2002	5/1/2018	Pay 3.96%; receive SIFMA swap index	($3,425)	$1,509
Merrill Lynch	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series C and GOB 2009 Series G	92,860	5/1/2008	11/1/2038	Pay 4.08%; receive 100% USD-LIBOR-BBA (3 mo)	(13,649)	(2,004)
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2009 Series G	16,585	5/1/2007	5/1/2027	Pay 3.82%; receive SIFMA swap index	(1,986)	631
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series C	11,265	3/1/2012	11/1/2017	Pay 5.13%; receive 100% USD-LIBOR-BBA (1 mo)	(1,823)	433
Total			$163,910				($20,883)	$569

Fair Value:
As of June 30, 2014, the swaps had a total negative fair value of $20.9 million. The fair value was provided by Prager, Sealy & Co., LLC and derived from proprietary models based on estimates about relevant future market conditions. As these are hedging derivatives, the aggregate change in fair value is reported as deferred outflows of resources (since the swaps are in a liability position) in the statement of net position.

Credit Risk:
As of June 30, 2014, the university was not exposed to credit risk with JP Morgan, Bank of New York and Merrill Lynch because all of the swaps had negative fair values. The credit ratings for each of the counterparties are as follows:

Derivative Instrument	Counterparty Credit Rating
JP Morgan & Co.	A+
Merrill Lynch	A+
Bank of New York - SIFMA	AA–
Bank of New York - LIBOR	AA–

The mark-to-market value of the swap will not require collateralization unless (i) the Qualified Swap Provider is downgraded by a nationally recognized rating agency below the two highest grade categories, and (ii) the market value of the swap exceeds the current collateralization threshold specified in the respective Agreement. Any such collateral shall consist of direct obligations of, or obligations which are guaranteed by, the United States of America or other securities weighted to take into account their relative security compared to such obligations of the United States of America. The amount of (i.e., value of) such collateral shall equal the market value of the swap in excess of the applicable collateral threshold based on the rating of such counterparty at such time. The table below shows when collateralization would be required or triggered.

Ratings by Moody's and S&P	Counterparty Collateral Threshold
AAA/Aaa	Infinite
Aa3/AA–	Infinite
A1/A+	$20.0 million
A2/A	$10.0 million
A3/A–	$10.0 million
Baa1/BBB+	$5.0 million
Baa2/BBB	$5.0 million
Baa3/BBB–	Zero
Below Baa3/BBB– or not rated	Zero

In the table above, a Counterparty is not obligated to provide collateral if it has a credit rating in the highest two categories regardless of the mark-to-market value of the swap. Collateralization would be required, for example, if the Counterparty was rated "A2/A" and the mark-to-market value of the swap exceeded $10.0 million. In this example, the collateral required would be equal to the amount by which the mark-to-market value of the swap exceeds $10.0 million. Rutgers is subject to the same collateral requirements as the counterparty.

If either S&P or Moody's ceases to be in the business of rating debt securities and such business is not continued by a successor, a nationally recognized credit rating agency would be selected in substitution.

Basis Risk:
The pay-fixed receive-variable swaps expose the university to basis risk because the rates resulting from the Securities Industry and Financial Markets Association Index (SIFMA), for the GOB 2002 Series A and the GOB Series 2009 G swaps, 100% of USD-LIBOR-BBA (1 month and 3 month) for GOB Series 2009 G, GOCP Series C swaps are not the same rate the university pays on the hedged debt. The rates on the bonds are calculated daily by the remarketing agent, and for the commercial paper by a broker/dealer, at the lowest rate necessary to clear the market.

Rollover Risk:
The university is exposed to rollover risk on swaps only if the counterparty exercises its termination option, in which case the university will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Termination Risk:
The university or any of the involved counterparties may terminate any of the swaps if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate debt issue would no longer carry a synthetic fixed interest rate. Also, if at termination a swap has a negative fair value, the university would be liable to the appropriate counterparty for a payment equal to the swap's fair value.

The JP Morgan & Co. swap has an optional termination provision in which they will have the right, but not the obligation to terminate the swap transaction in whole on each day that the daily weighted average of the Municipal Swap Index for any immediately preceding rolling consecutive 180 day period within the exercise period is more than 7.0% per annum. The exercise period began on November 1, 2004 and is up to, but excluding, the termination date of May 1, 2018. The date on which JP Morgan exercises its right to terminate the transaction is defined as the optional termination date. If JP Morgan exercises its right to terminate the transaction, the university shall pay two business days after the optional termination date the fixed amount for the period from and including the last fixed rate payer payment date to but excluding the optional termination date, and JP Morgan will pay two business days after the optional termination date the floating amount for the period from and including the last floating rate payer payment date to but excluding the optional termination date. Upon payment and receipt of these amounts, neither party shall have any further payment obligations related to this transaction.

NOTE 12 – COMMITMENTS

At June 30, 2014, the estimated cost of capital projects under construction, in the design stage with approved sources of funding, and in the design stage pending determination of sources of funding, aggregated approximately $857.6 million. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2014	Additional Funding Required at June 30, 2014	Estimated Total Cost
Borrowing	$395,626	$ –	$395,626
State	97,300	242,906	340,206
Gifts and Other Sources	96,839	24,982	121,821
Total	$589,765	$267,888	$857,653

The university leases certain space used in general operations. Rental expense was approximately $11.0 million in 2014. The leases are non-cancelable and have been classified as operating leases which are expected to expire through 2043. Minimum annual rental commitments approximate the following (dollars in thousands):

Year	Amount
2015	$11,764
2016	8,030
2017	6,457
2018	5,430
2019	4,388
2020-2024	17,809
2025-2029	10,485
2030-2034	265
2035-2039	260
2040-2044	173
Total	$65,061

NOTE 13 – NATURAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The university reports operating expenses by functional classification. Details of these expenses by natural classification at June 30, 2014 are as follows (dollars in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarships & Fellowships	Depreciation	2014 Total
Instruction	$582,823	$164,841	$97,259	$4,515	$ –	$849,438
Academic Support	72,658	15,106	35,547	31	–	123,342
Sponsored Research	147,174	53,518	155,924	1,615	–	358,231
Other Separately Budgeted Research	51,287	11,159	13,800	221	–	76,467
Other Sponsored Programs	33,810	12,637	36,874	4,656	–	87,977
Extension and Public Service	95,991	36,136	13,852	149	–	146,128
Student Services	51,172	13,657	42,503	–	–	107,332
Operation and Maintenance of Plant	80,254	26,288	100,625	–	–	207,167
General Administration and Institutional	133,363	55,313	71,765	370	–	260,811
Scholarships and Fellowships	680	94	9,771	41,972	–	52,517
Depreciation	–	–	–	–	147,629	147,629
Patient Care Services	393,078	114,144	106,270	–	–	613,492
Auxiliary Enterprises	109,862	40,239	130,996	11,894	–	292,991
Other Operating Expenses	–	–	494	–	–	494
Total Operating Expenses	$1,752,152	$543,132	$815,680	$65,423	$147,629	$3,324,016

NOTE 14 - EMPLOYEE BENEFITS

Retirement Plans

The university has primarily two retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, a defined benefit plan, and the Alternate Benefit Program, a defined contribution plan. Under these plans, participants make annual contributions, and the State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the university for these plans. Pension expense paid directly by the State of New Jersey for 2014 aggregated $105.6 million of which $25.7 million has been reimbursed to the State from amounts recovered from self-supporting operations and sponsored programs. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The university is charged for contributions on behalf of employees through a fringe benefits charge assessed by the State which is included within the state paid fringe benefits in the accompanying statement of revenues, expenses, and changes in net position. The university has no direct pension obligation associated with the State plans, and no liability for such costs has been reflected in the accompanying financial statements. Summary information regarding these plans is provided below.

Public Employees Retirement System (PERS)

Plan Description — PERS is a multiple-employer, public cost-sharing retirement system which is administered by the State of New Jersey under the provisions of N.J.S.A. 43:15A. The payroll for employees covered by PERS for the year ended June 30, 2014 was $307.0 million.

University employees of a certain classification are required as a condition of employment to be members of PERS. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of membership service or the three highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest on reaching ten years of credited service. Members enrolled in PERS prior to November 2, 2008, are eligible for retirement at age 60 with no minimum years of service required. Members enrolled in PERS on or after November 2, 2008, are eligible for retirement at age 62 with no minimum years of service required. Members enrolled in PERS prior to July 1, 2007, who have 25 years or more of credited service may also select early retirement without penalty at age 55 and receive full retirement benefits. Members enrolled in PERS on or after July 1, 2007, may select early retirement with an allowance reduction for each month prior to the normal retirement age as specified by the NJ Division of Pensions and Benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Members enrolled in PERS after May 21, 2010, must work 35 hours or more per week. An employee is eligible for PERS membership based upon only one position and requires the retirement system to designate the position providing the higher or highest compensation for the member from among any concurrently held positions. This position will be used as the basis for eligibility for membership, service credit, the compensation base for pension contributions, and for other pension calculations. The formula and definition of compensation to be used to calculate service, early and deferred retirement for these members changes as well. The formula for service, early and deferred retirement will be calculated as years of service, divided by 60, times the final average salary. Final average salary means the average annual compensation for the last five years of service, or any five fiscal years of membership that provide the largest possible benefit to the member or the member's beneficiary. This definition will also be used to calculate survivor pension benefits and death benefit payments, when available, to beneficiaries. The PERS members are eligible for retirement at age 62 with no minimum years of service required.

Members enrolled in PERS on or after June 28, 2011, are eligible for retirement at age 65 with no minimum years of service. The annual allowance is equal to years of service divided by 60, times the final annual average salary. Final average salary means the average salaries received by the member for the last five years (50 months for 10-month employees) of membership or the five highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of credited service.

Contributions — Covered university employees were required by PERS to contribute 6.78% of their annual compensation during fiscal year 2014. 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 State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State's annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2014 due to legislation enacted in 1997 by the State, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the university are established and may be amended by the state.

Employees can also make voluntary contributions to two optional State of New Jersey tax-deferred investment plans, the Supplemental Annuity Collective Trust (SACT) and the Additional Contributions Tax Sheltered (ACTS) programs. Both plans are subject to limits within the Internal Revenue Code.

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Alternate Benefit Program (ABP)

Plan Description — ABP is an employer, defined contribution State retirement plan established as an alternative to PERS. The payroll for employees covered by ABP for the year ended June 30, 2014 was $1,011.0 million.

Faculty, part-time lecturers, professional and administrative staff, and certain other salaried employees are eligible to participate in ABP. Employer (State) contributions vest on reaching one year of credited service. The program also provides long-term disability and life insurance benefits. Benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in ABP.

Contributions — The employee mandatory contribution rate for ABP is 5.0% of base salary and is matched by the State at 8.0% of base salary. Contributions can be invested with up to seven investment carriers available under the plan for fiscal year 2014. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. Employer contributions for the year ended June 30, 2014 were $80.9 million. Employee contributions for the year ended June 30, 2014 were $61.1 million.

Effective July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to the Alternate Benefits Program (ABP) for salaries up to $141,000. In response to this state imposed limit, the university established the Alternate Benefits Program and Trust. Through this program, the university continues to make the full 8% employer ABP contributions for salaries in excess of $141,000, up to the Federal IRC Annual Compensation limit ($260,000).

Other Retirement Plans

The university has a small number of employees enrolled in the State of New Jersey Police and Firemen's Retirement System (PFRS) and two Federal retirement plans, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). All three of the plans are defined benefit plans and cover the university's police (PFRS) and selected positions related to the university's Cook College/New Jersey Agricultural Experiment Station (CSRS or FERS). The university also has a small number of Rutgers University Foundation employees enrolled in a contributory retirement plan under arrangements with Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), which provides for the purchase of annuities for the covered employees. The university also has a small number of employees enrolled in the Defined Contribution Retirement Program (DCRP). The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, 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 who are ineligible for PERS and PFRS, because the hours of work are fewer than those required for PERS and PFRS membership, are eligible for enrollment in the DCRP provided the annual salary is $5,000 or higher. Employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary (indexed annually) for PERS Membership but who earn a salary of at least $5,000 annually, are eligible to enroll in the DCRP. Eligible employees contribute 5.5% of base salary and the employer match is 3% of base salary. Participation in all of these plans is limited, and the associated amounts are not significant.

Deferred Compensation Plan

University employees with membership in PERS, ABP or PFRS are eligible to participate in the State of New Jersey's Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to elect pre-tax and/or after-tax Roth contributions to invest a portion of their base salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Prudential Financial. The plan does not include any matching employer (State) contributions. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights, are held in trust by the State for the exclusive benefit of the participating employees and their beneficiaries.

Postemployment Benefits Other Than Pension

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the university's retired employees, in accordance with State statutes. 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 credited after June 30, 1997 may share in the cost of the 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 and the retired employees, the amounts are not available to the university and no expenses or liabilities for these benefits are reflected in the university's financial statements.

NOTE 15 - COMPENSATED ABSENCES

The university accounts for compensated absences as directed by GASB Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences (i.e. unused vacation, sick leave, and paid leave bank days) attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The university recorded a liability for accumulated vacation time in the amount of $72.9 million at June 30, 2014. The liability is calculated based upon employees' accrued vacation time as of the statements of net position date and is recorded in accounts payable and accrued expenses in the accompanying statement of net position.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The pay out to retirees for unused accumulated sick time is calculated at the lesser of ½ the value of earned time or $15,000. Employees separating from the university service prior to retirement are not entitled to payments for accumulated sick leave balances. The university recorded a liability for accumulated sick leave balances in the amount of $13.8 million at June 30, 2014 which is included in noncurrent accounts payable and accrued expenses in the accompanying statement of net position.

The university also recorded a liability for paid leave bank days in the amount of $4.0 million at June 30, 2014, which is included in noncurrent accounts payable and accrued expenses in the accompanying statement of net position. Employees began using these days on July 1, 2010, and may continue for the duration of employment with the university. Once these days are exhausted, the employee will not be eligible for any additional days.

NOTE 16 - RISK MANAGEMENT

The university, jointly with 15 other higher education institutions, has established Genesis Ltd. (Genesis), a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda. Genesis, a Captive Reinsurance Company, reinsures general liability, professional liability, and automobile liability risks of its shareholders. The university has approximately a 15.9% equity ownership of Genesis and receives a pro-rata share of the income generated. The university's annual premium payments to the company for insurance coverage are based on actuarial studies and are charged to expenses. The insurance policies have deductibles that vary by policy, the most significant of which provides for the payment of general liability claims.

In 2004, the university and its 15 partners formed a Vermont Reciprocal Risk Retention Group, Pinnacle Consortium of Higher Education, to further enhance and support the insurance programs and provide fronting services for Genesis. The primary purpose of this second alternate risk funding company is to reduce costs, reduce collateral requirements for Genesis and provide the flexibility to conduct business in the U.S.

The university is self-insured for workers compensation and retains various deductibles for general liability, automobile liability, and all risk property insurance. The total liability at June 30, 2014 for these items is $14.1 million. The reserve balance recorded at June 30, 2014 is $29.1 million. No discount rate is used. The self insurance reserve represents the estimated ultimate cost of settling claims and related expenses resulting from events that have occurred. The reserve includes the amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported (IBNR).

The university administers a trust fund on behalf of the State known as the Rutgers University Self-Insurance Reserve Fund (the Fund) which is used to pay malpractice claims and insurance premiums. The contributions made during the current fiscal year by the university and its affiliate hospitals, UPA, Department of Corrections (DOC), and faculty practice plans are equal to the amount established in memoranda agreements between the Department of the Treasury and the university. If the contributions are insufficient to pay claims expenditures, the State's General Fund will be used to pay remaining claims.

Payment of claims from the Fund totaled $46.3 million in 2014. Contributions to the Fund from the State totaled $32.5 million, while contributions from RBHS affiliates, DOC, and faculty practice plans totaled $8.2 million in 2014.

The university has accrued expenses for deductibles and incurred but not reported liabilities in the statement of net position. The accrued expenses are based on estimates by management and third party claims administrators and generally represent the present value of the unpaid claims including the estimates for claims incurred but not reported.

NOTE 17 - CONTINGENCIES

The university is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible 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 statements.

The university receives funds from federal, state and private agencies under grants and contracts for research, training and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is the university's belief that any disallowances or adjustments would not have a significant effect on the university's financial statements.

In connections with the settlement of two cases that initially resulted in a Deferred Prosecution Agreement with the United States Attorney for the District of New Jersey, the University of Medicine and Dentistry of New Jersey (UMDNJ) entered into a five year Corporate Integrity Agreement (CIA) with the Office of the Inspector General (OIG) of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, UMDNJ agreed to adhere to requirements that ensure regulatory and legal compliance with all Federal healthcare programs. Pursuant to a letter agreement between the university and the OIG, the university assumed UMDNJ's obligations under the CIA to the extent those obligations relate to the units of UMDNJ acquired by the university pursuant to the New Jersey Medical and Health Sciences Education Restructuring Act. Related liabilities have been estimated and recorded within the 2014 financial statements.

NOTE 18 – ONE WASHINGTON PARK

In September 2006, the university's Board of Governors authorized the negotiation and execution of a contract of purchase and sale and arrangement for construction financing for the Rutgers Newark Business School's relocation to One Washington Park, Newark, New Jersey, where space was consolidated for faculty offices and classrooms. The building was converted into a condominium in which 11 floors of the building along with a 15,000 square foot addition located at grade level reconstituted as the Rutgers Business School space.

The overall project budget included the following: (i) the acquisition of the Rutgers Business School Space, (ii) the construction costs needed to build out the interior and exterior of such space, (iii) the construction costs needed to improve and repair certain common elements and common building systems in the building, (iv) the fee required under the Architect's Contract, and (v) other non-construction related costs. The overall project cost was $83.0 million. Funding for this project came from several sources, particularly, in fiscal year 2006, the State of New Jersey made a special appropriation to the university in the amount of $18.0 million earmarked specifically for the Business School. The university is also participating in the New Markets Tax Credit (NMTC) program administered by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI) and entered into a transaction with City National Bank of New Jersey, PNC Bank, National Community Investment Fund, and New Jersey Community Capital, also known as a Community Development Entity (CDE). The NMTC compliance period will end as of December 1, 2014. Once the transaction is complete, the university will control the property indirectly through its blended component units, Parkside RUN Investments, LLC and QALICB.

On October 15, 2009, the new home of the Rutgers Business School at One Washington Park was officially opened. Classes began in the facility at the start of the 2009 fall semester. The building houses Rutgers Business school classes, faculty and staff offices, departments, centers, and a police substation for added security.

NOTE 19 - COMPONENT UNIT - RUTGERS UNIVERSITY FOUNDATION

Cash, Cash Equivalents, and Investments

The Foundation's cash and cash equivalents are carried in the financial statements at fair value and consist of the following as of June 30, 2014 (dollars in thousands):

Money Market Account	$1,869
Cash and Deposits	14,853
	$16,722

The Board of Overseers, through its Investment Committee, has authority over the investment of Foundation funds. Professional investment managers are engaged by the Foundation to buy, sell, invest, and reinvest portions of the assets in accordance with the investment policies and objectives established by the Investment Committee.

The primary financial objective of the Foundation's investment management of assets for the General Endowment Fund is to earn the highest yield possible without unnecessary risk to principal. To achieve the goals of safety, liquidity, and return, the assets in the General Endowment Fund are invested in laddered high quality short term fixed income securities and/or an institutional money market fund. The objective for the Planned Giving Portfolio is to maximize long term total return through a combination of income and capital appreciation in a prudent manner. To achieve the goals of growth and income, the assets within the Planned Giving Portfolio are divided into an equity portion (equities including convertibles and cash devoted to equities) and a fixed income portion (bonds, notes, nonconvertible preferred stock, and cash devoted to fixed income). In addition, the Planned Fiving Portfolio is subject to state mandated investment restrictions for annuities issued in the states of Florida and California.

Investments are carried in the financial statements at fair value, based on quoted market prices and consist of the following as of June 30, 2014 (dollars in thousands):

Investment Type	Amount
U.S. Treasury Securities	$5,465
Corporate Bonds	7,364
Municipal Bonds	938
Mortgage-backed Securities	5,569
Asset-backed Securities	112
Preferred Stock	314
Common Stock	10,162
Foreign Corporate Debt Securities	411
Bank Loans	517
Real Estate	1,118
Certificates of Deposit	1,002
Equity REITS	425
Mutual Funds	641
Privately Held Securities	60
	$34,098

Custodial Credit Risk –The custodial credit risk associated with the Foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by pledging financial institutions, or by its trust department or agent, but not in the Foundation's name. As of June 30, 2014, the amount on deposit with the banks was $16.2 million. As of June 30, 2014, the Foundation had insured deposits up to the Federal Deposit Insurance Corporation (FDIC) coverage limits totaling $1.3 million. Cash and cash equivalents in excess of those balances are uncollateralized.

As of June 30, 2014, the Foundation's investments were either insured, registered, or held by the Foundation's agent in the Foundation's name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk –The Foundation limits the concentration of credit risk by placing a limit on the amount the investment managers may invest in any one issuer. No initial purchase of an equity or fixed income security in any one issuer should exceed 5% of the portion of the Foundation's assets under management by each investment manager. In addition, no single equity security should be greater than 10% of the market value of the Foundation's assets under management. As of June 30, 2014, there are no investments in any one issuer greater than 5% of total investments.

Credit Risk – GASB Statement No. 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The Foundation's investment policy states that individual bonds shall be rated investment grade by at least two recognized or authorized rating agencies (Moody's and Standard & Poor's). The average credit quality of the fixed income securities must be maintained at a Class "BBB/Baa" or higher as rated by both standard services (Moody's and Standard & Poor's). Up to 10% of the investment manager's portfolio may be invested in securities rated "BBB/Baa" or lower as rated by both standard services (Moody's and Standard & Poor's). The dollar-weighted average rating of the fixed income portfolio for each manager of marketable bonds shall be "A/A" or better.

As of June 30, 2014, the Foundation's investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	Amount
US Treasury and Agency Securities	AA+	$5,465
Corporate Bonds	AAA	575
Corporate Bonds	AA	391
Corporate Bonds	A	1,340
Corporate Bonds	BBB	2,063
Corporate Bonds	BBB–	100
Corporate Bonds	BB	1,039
Corporate Bonds	B	1,634
Corporate Bonds	CCC	222
Municipal Bonds	AAA	128
Municipal Bonds	AA	48
Municipal Bonds	A	260
Municipal Bonds	BBB	500
Municipal Bonds	BB	1
Municipal Bonds	CCC	1
Mortgage-backed Securities	AAA	9
Mortgage-backed Securities	AA+	5,467
Mortgage-backed-Securities	AA	20
Mortgage-backed-Securities	A	30
Mortgage-backed-Securities	BBB	27
Mortgage-backed-Securities	BB	7
Mortgage-backed-Securities	B	7
Mortgage-backed-Securities	CCC	2
Asset-backed Securities	AAA	13
Asset-backed Securities	AA	22
Asset-backed Securities	A	30
Asset-backed Securities	BBB	36
Asset-backed Securities	BB	6
Asset-backed Securities	B	4
Asset-backed Securities	CCC	1
Foreign Debt Securities	AAA	5
Foreign Debt Securities	AA	14
Foreign Debt Securities	A+	337
Foreign Debt Securities	A	36
Foreign Debt Securities	BBB	17
Foreign Debt Securities	BB	1
Foreign Debt Securities	CCC	1
Bank Loans	AAA	2
Bank Loans	AA	4
Bank Loans	A	4
Bank Loans	BBB	6
Bank Loans	BB	112
Bank Loans	B	338
Bank Loans	CCC	51
Preferred Stock	BBB+	74
Preferred Stock	BBB	49
Preferred Stock	BBB–	50
Preferred Stock	BB+	129
Preferred Stock	BB	12
Total		$20,690

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a provision in the investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. While the general provisions of the investment strategy should be implemented with a long term perspective, all holdings must be sufficiently liquid so as to allow liquidation of the entire portfolio on one month's notice. In addition, annuity pooled investments in the planned giving portion of the portfolio are governed by the New Jersey Prudent Investor Act. The required reserves for this pool are reviewed utilizing actuarial assumptions of the charitable gift annuity assets. The following table summarizes the maturities as of June 30, 2014 (dollars in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 — 5**	**6 — 10**	**More than 10**
US Treasury Securities	$5,465	$116	$4,808	$453	$88
Corporate Bonds	7,364	251	3,538	3,438	137
Municipal Bonds	938	7	846	68	17
Mortgage-backed Securities	5,569	65	4,857	494	153
Asset-backed Securities	112	40	58	11	3
Foreign Debt Securities	411	8	368	28	7
Bank Loans	517	7	10	500	–
Preferred Stock	314	8	86	12	208
	$20,690	$502	$14,571	$5,004	$613

Administrative Fees and Support from Rutgers, The State University of New Jersey

The Foundation's operations, including certain payroll taxes and benefits, the fair rental value of space occupied, and office furnishings used by the Foundation are supported extensively by the University for operating purposes. Funding sources for the year ended June 30, 2014 were as follows (dollars in thousands):

	Amount
Administrative Fees and Support	
Endowment Administrative Fee	$6,260
Athletic Development Support	415
University Support	7,412
	$14,087
Noncash Support	
Fair Rental Value of Space Occupied	$352
University-Paid Payroll Taxes and Benefits	1,268
	1,620
Total	$15,707

Assessment Fee Income

The Foundation charges an assessment fee on all new gifts and nongovernmental grants in order to further advancement efforts on behalf of Rutgers, the State University of New Jersey. As of June 30, 2014, assessment fees totaling $4.3 million were recorded.

Restricted Contributions Receivable

The anticipated receipt of contributions receivable as of June 30, 2014 is as follows (dollars in thousands):

Year Ending June 30	
Within One Year	$45,025
Two to Five Years	25,145
	70,170
Less Allowance for Uncollectible Contributions Receivable	(3,095)
	$67,075

Contributions receivable related to permanent endowments and term endowments do not meet the eligibility requirements for recognition of GASB Statement No. 33 until received. These contributions receivable, which approximated $79.1 million as of June 30, 2014, has not been included in the accompanying financial statements.

Payable to Rutgers, The State University of New Jersey

In August 2008, the Foundation received a gift of real property, comprised of five land parcels, subject to an outstanding mortgage of $1.2 million. Rutgers, The State University of New Jersey loaned the Foundation the funds to satisfy the mortgage and the liability will be repaid to the University with the proceeds from the sale of the property. In March, 2011, two of the land parcels were sold and a portion of the proceeds was applied against the University's outstanding mortgage. In May, 2012 a third land parcel was sold and a portion of the proceeds was pending transfer to the University, to be applied against the University's outstanding mortgage, in July, 2012. As of June 30, 2014, the remaining balance of the mortgage was $0.2 million.

University Receipts on Foundation Pledges

The Foundation records pledges receivables, and the associated gift income, for nonendowment related gifts and private grants based upon written commitments from these entities. From individual donors, the written support is primarily in the form of a fund agreement signed by both the donor(s) and the Foundation. Private grants obtained from private corporations and foundations are recorded upon confirmation of the grant award to the University via correspondence from the private organization. Payments on these pledges are not all received at the Foundation, as some payments are made directly to the University. Any payments made directly to the University are captured in the Foundation's Statement of Revenues, Expenses and Changes in Net Position as gift revenue as well as distributions to the University. The total of these payments to the University as of June 30, 2014 was $17.9 million.

Merger of the Rutgers University Foundation and the Cancer Institute of New Jersey Foundation, Inc.

Through June 30, 2013, the Cancer Institute of New Jersey Foundation (CINJF) solicited and received contributions, grants, devises and bequests of real and personal property from individuals, foundations, partnerships, associations, governmental bodies and public and private corporations on behalf of and for the exclusive benefit of the Cancer Institute of New Jersey and maintained, used and applied the income therefrom exclusively for charitable, scientific and educational purposes as an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986.

As a result of a separate arrangement governed by the laws of the State of New Jersey, the assets of the Cancer Institute of New Jersey were transferred to the university.

With the knowledge that this State-mandated merger was to occur, the Board of Overseers of the Foundation and the Board of Trustees of CINJF determined that it would be advisable and in the best interests of their corporations, the university and the Cancer Institute of New Jersey, that CINJF merge with and into the Rutgers University Foundation, with the Rutgers University Foundation being the surviving organization. A Certificate of Merger was approved by the respective Boards of both corporations and filed with the State of New Jersey on June 28, 2013 to be effective July 1, 2013.

Through the point of merger, the two corporations were unrelated and reported their respective financial results independently of each other.

The following was recognized by the Foundation as of the merger date July 1, 2013 (dollars in thousands):

	CINJF as of June 30, 2013	Adjustments		Total
Current Assets	$7,764	($29)	(a)	$7,735
Capital Assets	2	(2)	(c)	–
Other Assets	1,547	(107)	(b)	1,440
Total Assets	9,313	(138)		9,175
Current Liabilities	227			227
Total Liabilities	227			227
Restricted – Nonexpendable	933	(18)	(a)	915
Restricted – Expendable	7,566	(119)	(a, b)	7,447
Unrestricted	587	(1)	(a, c)	586
Total Net Position	$9,086	($138)		$8,948

Adjustments to the valuation of certain assets as of July 1, 2013 were necessary due to CINJF's requirements to follow the pronouncements of the Financial Accounting Standards Board versus the Foundation's requirement to follow those of the Governmental Accounting Standards Board as follows (dollars in thousands):

Category	Description	Increase/(Decrease)	Reason
(a) Current assets	Contributions receivable, net	($18)	Removable of receivables associated with endowment pledges
(a) Current assets	Contributions receivable, net	9	Present value adjustment for contributions receivable ($8,628 restricted expendable, $756 unrestricted)
(b) Other assets	Beneficial interest in assets	(71)	Charitable gift annuities held and administered by unrelated third party
(b) Other assets	Long-term investments	(35)	Tax reserve value of life insurance policy

Adjustments to the valuation of certain assets as of July 1, 2013 were necessary to conform to the accounting policies of the Foundation as follows (dollars in thousands):

Category	Description	Increase/(Decrease)	Reason
(a) Current assets	Contributions receivable, net	($21)	Outstanding annual pledges are written off at the end of the fiscal year
(c) Capital assets	Capital assets	(2)	Computer equipment is not recorded as depreciable assets

Beginning of the Year Net Position

The beginning of the year net position as of July 1, 2013 was restated for the effects of the merger as follows (dollars in thousands):

Foundation net position as of June 30, 2013	$100,630
CINJF net assets as of July 1, 2013	8,948
	$109,578

NOTE 20 – COMPONENT UNIT – UNIVERSITY PHYSICIAN ASSOCIATES OF NEW JERSEY, INC. AND AFFILIATE

The following information has been taken from UPA's audited financial statements which were prepared in accordance with financial pronouncements of the Financial Accounting Standards Board.

The accompanying combined financial statements of UPA are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Investments and Assets Whose Use is Limited

Cash and Cash Equivalents – Restricted

This amount represents funds held in one depository account for the repayment of liabilities to the New Jersey Medical School Deans' Fund.

Assets limited as to use at June 30, 2014 is set forth in the following table (dollars in thousands):

Cash and Cash Equivalents – Restricted	$2,274
	$2,274

Investments

The composition of investments at June 30, 2014 is set forth in the following table (dollars in thousands):

Cash and Cash Equivalents	$1,686
Marketable Equity Securities	17,389
U.S. Government Securities	3,339
Bonds	4,415
Total Short-term Investments	$26,829

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2014 are as follows (dollars in thousands):

Assets	Valuation Techniques[1]	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Marketable Equity Securities	M	$17,389	$ –	$ –	$17,389
U.S. Government Securities	M	–	3,339	–	3,339
Bonds	M	–	4,415	–	4,415
Total Assets		$17,389	$7,754	$ –	$25,143

[1] The three valuation techniques are market approach (M), cost approach (C), and income approach (I).

At June 30, 2014, there was approximately $1.7 million of cash and cash equivalents in investments within the statement of net position that are excluded from the charts above as they are not considered recurring fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of assets:

Marketable Equity Securities – Fair value estimates for publicly traded equity securities are based on quoted market prices are classified as Level 1. UPA does not adjust the quoted price for such assets.

U.S. Government Securities and Bonds – The estimated fair values are based on other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of debt securities that do not trade on a regular basis in active markets of priced using a model-based valuation are classified as Level 2.

Transactions with Related Parties

The Board of Directors of UPA includes certain participating UPA physicians, the Dean of Rutgers New Jersey Medical School and the Senior Vice President for Finance and Administration of Rutgers University. Transactions between UPA, Rutgers University and UPA physicians are handled in accordance with the Affiliation Agreement.

Under the terms of the affiliation agreement between Rutgers University and UPA, all professional fees collected by UPA will be distributed in varying proportions to the following:

- UPA participating physicians – Faculty members who are required to or permitted to participate in the faculty practice plan. Included are full time, part time, and voluntary faculty.

- Rutgers New Jersey Medical School department Funds – 7% of gross patient service on system and off system collections are paid into the Departmental Chairs Fund.

- Rutgers New Jersey Medical School Deans' Fund – 7% of gross patient service on system and off system collections are paid into the Deans' Fund.

- Participant fund – These are funds voluntarily voted on by participants through their specific departments within Rutgers New Jersey Medical School, with varying amounts allocated for each participant.

- Rutgers University medical malpractice fund – 3% of gross patient service on system and off system collections are paid into Rutgers University's self-insured pool for medical malpractice coverage per the affiliation agreement.

The payables to related parties as of June 30, 2014 are as follows (dollars in thousands):

	Amount
Payable to Rutgers University Medical Malpractice Fund	$545
Payable to New Jersey Medical School Mandatory Department Account	3,788
Payable to New Jersey Medical School Deans' Fund	3,722
Payable to Voluntary Department Account	1,773
Payable to Voluntary Division Account	1,928
Payable to Voluntary Group Account	131
Payable to Voluntary Inter-Departmental Account	4
Payable to Voluntary Practice Group Account	6,606
Total Current Liabilities	18,497
Payable to Voluntary Practice Group Account	13,610
Total Liabilities	$32,107

Lease Commitments

UPA originally leased 47,500 square feet of rental space located in the Doctor's Office Center in Newark, New Jersey from UMDNJ. UMDNJ and UPA entered into a lease dated May 7, 2001, with four subsequent addendums to extend the terms of the lease. The fourth addendum effective January 1, 2006 has extended to lease to December 31, 2006 under the same terms and conditions set forth in the May 7, 2001 lease, which is subject to renewal. Effective July 1, 2013, the lease agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Lease Agreement are Rutgers University and UPA. Total rental expense in fiscal year 2014 was $1.8 million.

NOTE 21 – SUBSEQUENT EVENT

Under the provisions of the State of New Jersey Higher Education Facilities Trust Fund Act (HEFT Act) of 1993, the university has been allocated $69.0 million to finance a portion of the cost of the construction, reconstruction, development, extension, or improvement of instructional, laboratory, communication, and research facilities of the university. The bonds have been issued by the New Jersey Educational Authority on September 24, 2014 to finance this grant.

SUPPLEMENTARY INFORMATION

Schedules of Net Position – Piscataway and Newark Centers of University Behavioral Health Care
June 30, 2014
(dollars in thousands)

	Piscataway Center	Newark Center	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$7,418	$1,442	$8,860
Accounts Receivable, net of allowance for doubtful accounts of $2,394	6,085	2,093	8,178
Other Receivables, net of allowance for doubtful accounts of $9	1,914	4	1,918
Grants Receivable	17,764	1,463	19,227
Inventory and Other Assets	93	21	114
Total Current Assets	33,274	5,023	38,297
Noncurrent Assets			
Capital Assets, Net	16,243	386	16,629
Total Assets	49,517	5,409	54,926
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	5,895	892	6,787
Accrued Vacation	2,774	932	3,706
Due to Other Funds	630	–	630
Deferred Revenue	9,967	126	10,093
Long-term Debt and Capital Lease Obligations - Current	148	–	148
Total Current Liabilities	19,414	1,950	21,364
Noncurrent Liabilities			
Long-term Debt and Capital Lease Obligations	267	254	521
Total Liabilities	19,681	2,204	21,885
Net Position	$29,836	$3,205	$33,041

(Continued)

Schedules of Revenues, Expenses, and Changes in Net Position – Piscataway and Newark Centers of University Behavioral Health Care
For the Year Ended June 30, 2014
(dollars in thousands)

	Piscataway Center	Newark Center	Total
Operating Revenues			
Government Grants and Contracts	$18,012	$5,449	$23,461
Private Grants and Contracts	960	–	960
Net Patient Services Revenues	18,046	8,983	27,029
Professional Services and Contracts	11,264	468	11,732
Other Operating Revenues	490	14	504
Total Operating Revenues	48,772	14,914	63,686
Operating Expenses			
Research	1,012		1,012
Public Service	23,983	8,216	32,199
Institutional and Administrative Support	54	99	153
Patient Care Services	54,475	19,657	74,132
Depreciation	1,802	76	1,878
Insurance	436	335	771
Total Operating Expenses	81,762	28,383	110,145
Operating (Loss)	(32,990)	(13,469)	(46,459)
Nonoperating Revenues (Expenses)			
State Appropriations – Operations	11,597	8,992	20,589
Fringe Benefits Paid by the State	20,314	7,886	28,200
Other	7,597	(9,584)	(1,987)
Total Nonoperating Revenues, Net	39,508	7,294	46,802
Increase/(Decrease) in Net Position	6,518	(6,175)	343
Net Position Transfer	1,276	–	1,276
Net Position – Beginning of Year	22,042	9,380	31,422
Net Position – End of Year	$29,836	$3,205	$33,041

University Administrative Officers

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