

**University of Medicine and
Dentistry of New Jersey**
**Reports on State Awards in Accordance with
New Jersey Department of the Treasury Circular
Letter 04-04-OMB
June 30, 2013**

University of Medicine and Dentistry of New Jersey
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June 30, 2013

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Independent Auditor's Report

To Rochelle Hendricks, New Jersey Secretary of Higher Education

Report on the Financial Statements

We have audited the accompanying consolidated statements of net position of the University of Medicine and Dentistry of New Jersey, a component unit of the State of New Jersey (the "University"), and the related consolidated statements of revenues, expenses and changes in net position, and of cash flows of the business-type activities as of and for the years ended June 30, 2013 and 2012, and the statements of net assets of the aggregate discretely presented component units, and the related statements of revenues, expenses and changes in net assets as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements which collectively comprise the University's basic financial statements (as listed in the accompanying index).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of the New Jersey Health Foundation, Inc. or the Cancer Institute of New Jersey Foundation, Inc., both discrete component units of the University, whose statements, when aggregated, reflect total discrete assets of 86% and 87% and total discrete net assets of 97% and 97% of the related aggregate discretely presented component unit totals as of June 30, 2013 and 2012, respectively, and total discrete operating revenues of 16% and 21% of the related aggregate discretely presented component unit totals for the years ended June 30, 2013 and 2012, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the New Jersey Health Foundation, Inc. and the Cancer Institute of New Jersey Foundation, Inc. is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of New Jersey Health Foundation, Inc., University Physician Associates of New Jersey, Inc. and Affiliates and



Cancer Institute of New Jersey Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As described in Note 3 to the basic financial statements, the financial statements of the University Physician Associates of New Jersey, Inc., a discretely presented component unit of the University, 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, the effects of which are not practicable to quantify; however, the departure from generally accepted accounting principles is material to the aggregate discretely presented component units.

Opinions

In our opinion, the consolidated financial statements of the business-type activities of the University referred to above present fairly, in all material respects, the financial position of the business-type activities of the University at June 30, 2013 and 2012, and their changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, based on our audit and the report of other auditors, except for the departure from accounting principles generally accepted in the United States of America described in the sixth paragraph of this report, the financial statements of the aggregate discretely presented component units of the University referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University at June 30, 2013 and 2012, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Restructuring Act (the "Act") which integrates the University, except for University Hospital ("UH") and the School of Osteopathic Medicine ("SOM") into Rutgers University. The Act took effect on July 1, 2013. Under the Act, UH became a free standing institution of the State of New Jersey and SOM was integrated into Rowan University. Our opinion is not modified with respect to this matter.



As discussed in Note 3 to the financial statements, the University adopted new accounting guidance in fiscal year 2013 related to the presentation of deferred inflows and outflows and changed the manner in which it accounts for debt refunding and debt issuance costs. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 5 through 15 is required by accounting principles generally accepted in the United States of America 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 the 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 audits 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The accompanying supplementary information for the Piscataway and Newark Centers of University Behavioral HealthCare presented on pages 62-63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 for the Piscataway and Newark Centers of University Behavioral HealthCare is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The accompanying Schedule of Expenditures of State Awards for the year ended June 30, 2013 is presented for purposes of additional analysis as required by New Jersey Department of the Treasury Circular Letter No.04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is not a required part of the basic financial statements. The information on this schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 Schedule of Expenditures of State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2013. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink, which appears to read "Picewaterhouse LLP".

November 5, 2013

Management's Discussion and Analysis

University of Medicine and Dentistry of New Jersey

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Introduction

The following discussion and analysis provides an overview of the financial position of the University of Medicine and Dentistry of New Jersey (the "University" or "UMDNJ") as of June 30, 2013 and its results of operations for the year then ended, with comparative information as of and for the years ended June 30, 2012 and 2011. This discussion and analysis has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

Until July 1, 2013, the effective date of the New Jersey Medical and Health Sciences Education Restructuring Act (the "Act"), the University was the State's university of the health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated educational and healthcare partners throughout the State. The University operated three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute and schools of biomedical sciences, health related professions, nursing and public health and several faculty practice plans.

The University had approximately 6,900 full and part time students, 1,400 medical interns and residents and 15,300 faculty and staff.

UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed into law the Act which integrated UMDNJ, except for the School of Osteopathic Medicine ("SOM") and University Hospital ("UH"), into Rutgers University ("Rutgers"). SOM was transferred to Rowan University ("Rowan"). UH will continue to exist as an instrumentality of the State and a body corporate and politic, maintaining its status as the principal teaching hospital of NJMS, NJDS and any other medical education programs located in Newark.

Additionally, certain transfers were made pursuant to Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law resulting in the transfer of RWJMS – Camden activities to Rowan. In addition, the activities of UMDNJ's Broadway House for Continuing Care were aligned with UH effective July 1, 2013.

The UMDNJ schools and units transferred to Rutgers joined 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 a new organizational unit within Rutgers known as Rutgers Biomedical and Health Sciences ("RBHS"). The Cancer Institute of New Jersey ("CINJ"), which was formerly a unit within Robert Wood Johnson Medical School, became a separate institute reporting directly to the President of Rutgers.

As provided in the Act and subject to the conditions set forth therein, all liabilities and debt of UMDNJ corresponding with the assets to be transferred as described above were transferred to each of the respective entities as part of the integration, and UMDNJ as a legal entity ceased to exist effective July 1, 2013. All of UMDNJ's debt related to bonds, certificates of participation and capital building leases was defeased and assumed on July 1, 2013 by Rutgers, UH and Rowan.

During 2013, numerous activities required to implement the Act occurred, including the establishment of UH as a standalone State entity. As part of this activity, the State made certain fiscal decisions related to UH's existing liabilities. These decisions included the State's agreement to waive recovery of the \$49.4 million balance of UH's Medicaid cost report liabilities upon the abolition of the University as required by the Act on July 1, 2013, and UH expects to write off the Medicaid liability balance in 2014. In 2013, the State eliminated UH's \$111.7 million liability due to the academic and administrative units of the

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University, which required the other units to write off this amount on their balance sheets. While this elimination impacted financial results of UH and the other units of the University, it did not impact the consolidated net position of the University in 2013, since an increase of \$87.9 million in the unrestricted component of net position was offset by decreases in the restricted and net investment in capital assets components of net position of \$80.7 million and \$7.2 million, respectively. In 2013, the State also allowed the University to remove a \$17.7 million health benefits liability that was recorded over the 2009-2011 period.

Financial Highlights

The University's financial position reflects total assets of \$1.4 billion and total liabilities of \$1.0 billion as of June 30, 2013. Net position, which represents the residual interest in the University's assets less liabilities and indicates the resources available to continue the operations of the University in accordance with the designation of the assets, decreased by \$47.2 million, or 9.9%, to \$431.8 million in 2013. This decrease is primarily related to the operating results of UH and the faculty practice plans, which offset higher tuition and fees revenues and capital grants activities. In 2012, net position increased by \$1.0 million, or 0.2%, primarily due to higher tuition and fees revenues and the discount resulting from a Medicaid settlement agreement, which offset lower appropriation revenues.

Operating revenues decreased by \$12.2 million, or 0.9%, to \$1.4 billion in 2013, primarily due to lower net patient service revenues. Operating expenses increased by \$94.5 million, or 5.0%, to \$1.9 billion in 2013, due to higher salaries, fringe benefits and supplies and services, which included \$10.6 million of costs related to restructuring activities.

Operating revenues increased by \$18.3 million, or 1.3%, to \$1.4 billion in 2012, reflecting higher tuition and fees, net patient service revenues and professional services and contracts revenues, partially offset by lower grants and contracts. Operating expenses increased by \$24.0 million, or 1.4%, to \$1.8 billion in 2012, due to higher salaries and fringe benefits.

State appropriations – operations decreased by \$5.7 million, or 2.7%, to \$200.2 million in 2013, reflecting a transfer to Rowan for faculty support at an affiliated hospital. Fringe benefits paid by the State increased by \$50.6 million, or 24.7%, to \$255.3 million in 2013 due to an effective 20.0% rate increase from the State and an increase in corresponding salaries.

State appropriations – operations decreased by \$8.7 million, or 4.0%, to \$205.9 million in 2012, reflecting a decrease in support for the educational units. Fringe benefits paid by the State increased by \$20.8 million, or 11.3%, to \$204.7 million in 2012 due to an effective 2.0% rate increase from the State and an increase in corresponding salaries.

Consolidated Financial Statements

The University's audited consolidated financial statements include the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows, which have been prepared in accordance with Governmental Accounting Standards Board ("GASB") accounting principles. The consolidated financial statements include the University's schools, health care units, faculty practice plans, lease holding corporation and auxiliary enterprises.

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Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University. Net position represents the residual interest in the University's assets and deferred outflows after liabilities are deducted. Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

Net position is divided into three categories. Net investment in capital assets represents the University's equity in capital assets owned by the University. The restricted component of net position primarily includes government grants for student loans, endowment funds, debt service and capital project funds and research and other funds that are subject to restrictions by external parties that govern their use. The unrestricted component of net position is available to the University for general purposes, but may be internally designated for various academic and healthcare programs.

A summary of the University's net position as of June 30, 2013, 2012, and 2011 follows:

<i>(In millions)</i>	2013	2012	2011
Assets			
Current assets			
Cash and cash equivalents	\$ 151.4	\$ 173.5	\$ 185.7
Receivables	276.7	300.7	265.8
Assets held by trustees and other	44.4	40.5	37.7
Noncurrent assets			
Endowment and other investments	37.4	32.1	31.8
Assets held by trustees and other	100.2	101.0	109.6
Capital assets, net	<u>824.2</u>	<u>862.0</u>	<u>895.5</u>
Total assets	<u>1,434.3</u>	<u>1,509.8</u>	<u>1,526.1</u>
Deferred outflows	3.1	3.3	3.5
Liabilities			
Current liabilities	313.9	319.4	350.1
Noncurrent liabilities	<u>691.8</u>	<u>714.7</u>	<u>701.5</u>
Total liabilities	<u>1,005.7</u>	<u>1,034.1</u>	<u>1,051.6</u>
Net position			
Net investment in capital assets	260.0	282.5	304.9
Restricted expendable	89.2	157.7	149.9
Restricted nonexpendable	73.4	67.3	66.5
Unrestricted	<u>9.2</u>	<u>(28.5)</u>	<u>(43.3)</u>
Total net position	<u>\$ 431.8</u>	<u>\$ 479.0</u>	<u>\$ 478.0</u>

In 2013, the decrease in cash and cash equivalents of \$22.1 million was primarily due to the decline in operating results and a decrease in current and noncurrent liabilities.

In 2012, the decrease in cash and cash equivalents of \$12.2 million was primarily due to lower State appropriations and an increase in receivables.

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Receivables decreased by \$24.0 million in 2013, primarily due to lower patient and grants receivable balances. In 2012, receivables increased by \$34.9 million, primarily due to amounts owed by affiliated hospitals and the State of New Jersey Department of Corrections ("DOC") for services rendered.

Capital assets, net decreased by \$37.8 million in 2013 and \$33.5 million in 2012, as depreciation expense exceeded capital additions in each year.

Current liabilities consist primarily of accounts payable, accrued compensation and other liabilities and include \$17.7 million and \$1.9 million of amounts due to third party payors as of June 30, 2013 and 2012, respectively, related to healthcare cost report adjustments. In 2013, current liabilities decreased by \$5.5 million, primarily due to the \$17.7 million reduction in a health benefits liability to the State. In 2012, current liabilities decreased by \$30.7 million, due to the reclassification of \$35.2 million estimated third party payor settlements to noncurrent liabilities in accordance with the 2012 Medicaid settlement agreement.

Noncurrent liabilities consist primarily of long-term debt and capital lease obligations and amounts due to third party payors. In 2013, noncurrent liabilities decreased by \$22.9 million, primarily due to the payment of long-term debt and capital lease obligations. In 2012, noncurrent liabilities increased by \$13.2 million, due to the reclassification described above.

The decreases in net investment in capital assets of \$22.5 and \$22.4 million in 2013 and 2012 respectively, were due to depreciation expense, which exceeded capital additions and debt reductions.

In 2013, the restricted expendable component of net position decreased by \$68.5 million, primarily due to the impact on the academic units of the elimination of a receivable from UH. In 2012, the restricted expendable component of net position increased by \$7.8 million, primarily due to an increase in research and other activity.

In 2013, the unrestricted component of net position increased by \$37.7 million, primarily due to the impact on UH of the elimination of its liability to the academic units, partially offset by the decline in operating results. In 2012, the unrestricted component of net position improved by \$14.8 million, primarily due to improved operating results.

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Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Consolidated Statements of Revenues, Expenses and Changes in Net Position represent the University's results of operations.

A summary of the University's revenues, expenses and changes in net position for the years ended June 30, 2013, 2012 and 2011 follows:

<i>(In millions)</i>	2013	2012	2011
Operating revenues			
Tuition and fees, net	\$ 133.8	\$ 126.4	\$ 115.9
Governmental and private grants and contracts	293.9	296.0	318.6
Net patient service revenues	496.1	528.3	517.7
Professional services and contracts	413.6	404.8	379.7
Other	53.0	47.1	52.4
Total operating revenues	<u>1,390.4</u>	<u>1,402.6</u>	<u>1,384.3</u>
Operating expenses	<u>1,876.5</u>	<u>1,781.9</u>	<u>1,757.9</u>
Operating loss	<u>(486.1)</u>	<u>(379.3)</u>	<u>(373.6)</u>
Nonoperating revenues (expenses)			
State appropriations - operations	200.2	205.9	214.6
Fringe benefits paid by the State	255.3	204.7	183.9
Interest expense and other	(28.3)	(35.1)	(30.5)
Total nonoperating revenues, net	<u>427.2</u>	<u>375.5</u>	<u>368.0</u>
Other revenues			
Capital grants	<u>11.7</u>	<u>4.8</u>	<u>6.1</u>
(Decrease) increase in net position	<u>(47.2)</u>	<u>1.0</u>	<u>0.5</u>
Net position - beginning of year	<u>479.0</u>	<u>478.0</u>	<u>477.5</u>
Net position - end of year	<u>\$ 431.8</u>	<u>\$ 479.0</u>	<u>\$ 478.0</u>

Revenues

To achieve its mission, the University receives revenues from a variety of sources in addition to its student tuition and fees, including research grants and contracts, patient services, professional services and contracts, state appropriations and investment income.

Operating revenues are revenues recognized by the University for providing goods and services directly to its customers and constituencies.

Nonoperating revenues as defined by GASB are those revenues recognized by the University for which goods and services are not provided in return for the revenues received. State appropriations, excluding State appropriations for capital, are nonoperating revenues because the State legislature provides the appropriations to the University without directly receiving commensurate goods and services for those revenues.

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Academic Programs

Tuition and State appropriations are the primary sources of revenue for the University's academic programs. Tuition revenues increased by 5.8% and 9.1% in 2013 and 2012, respectively, due to an average rate increase of 3.3% and 4.9%, and a decrease and an increase in student enrollment of 1.4% and 3.1% in 2013 and 2012, respectively. The schools received State appropriations of \$243.3 million and \$243.8 million in 2013 and 2012, respectively, which included \$108.2 million and \$96.6 million of fringe benefits paid by the State.

Research Activities

Governmental and private grants and contracts revenues decreased by \$2.1 million, or 0.7%, and \$22.6 million, or 7.1%, in 2013 and 2012, respectively, due to lower recoveries of governmental grants and decreased by \$10.6 million, or 3.2%, in 2011 due to the expiration of American Reinvestment and Recovery Act ("ARRA") grants.

Net Patient Service Revenues

Net patient service revenues relate to patient care services, which are generated within the University's hospital, behavioral healthcare and cancer activities, under contractual arrangements with governmental payors and private insurers. These revenues decreased by \$32.2 million in 2013, due primarily to a decrease in UH patient volume. Under a June 2012 Medicaid settlement agreement that established a long term repayment plan for \$51.7 million of liabilities, UH recorded a \$14.5 million present value discount of the balances. The healthcare units received State appropriations of \$212.2 million and \$166.8 million in 2013 and 2012, respectively, which included \$147.1 million and \$108.1 million of fringe benefits paid by the State.

UH's net patient service revenues totaled \$439.9 million in 2013, as compared to \$472.5 million in 2012 and \$461.4 million in 2011. UH is a major source of primary care and serves as the safety net hospital for the inner city municipalities of Newark, East Orange, Irvington and Orange. UH's role in the community is reflected in its payor mix and commitment to the medically indigent. It is by far the largest provider of charity care services in the state, and Medicaid and uninsured patients account for almost 60% of its gross revenues. As a result, UH must deal with the financial impact of revenue collections and reimbursements related to these patients and their payors.

The majority of UH's admissions are initially treated in the emergency/trauma department. Emergency room visits of 96,070 in 2013 decreased by 2.0% from 97,613 in 2012, which represented a 0.4% increase from 2011. Inpatient discharges, which account for approximately 70.0% of UH's net patient service revenues, decreased by 11.6% to 16,415 in 2013, after a 6.0% decrease to 18,573 in 2012. Clinic visits, which generate outpatient revenues, remained virtually unchanged at 170,248 in 2013, after a decline of 5.6% to 169,541 in 2012.

The level of charity care services provided by UH represents in excess of 15.0% of its overall patient care services. Charity care funding from the State totaled \$101.4 million in 2013, \$101.7 million in 2012 and \$100.0 million in 2011. Charity care funding is based upon Medicaid reimbursement rates which have historically been in the range of 60 to 70% of cost. The level of charity care funding is critical to UH's financial results.

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Professional Services and Contracts

Professional services and contracts revenues include the operations of faculty practice plans that generated revenues of \$242.2 million in 2013, \$235.6 million in 2012 and \$225.7 million in 2011.

The largest portion of the contract activity involves University Behavioral Healthcare's ("UBHC") contract with the DOC for mental and physical health services for inmates that generated revenues of \$140.9 million in 2013, \$138.4 million in 2012 and \$134.8 million in 2011.

State Appropriations-Operations

State appropriations-operations decreased by \$5.7 million and \$8.7 million in 2013 and 2012, respectively, reflecting a transfer to Rowan for faculty support at an affiliated hospital in 2013 and decreased support for educational units in 2012.

Capital Grants

In 2010, the University was awarded a capital grant of \$11.4 million related to capital improvements on its cogeneration plant and recognized revenues of \$0.6 million in 2013 and \$4.2 million in 2012 for this project.

In 2010, the University was awarded an ARRA capital grant of \$14.8 million related to capital improvements on New Jersey Medical School's vivarium and recognized revenues of \$9.8 million in 2013 and \$0.6 million in 2012 for this project, with the balance of \$4.4 million expected to be recorded in 2014.

Operating Expenses

Operating expenses are incurred by the University to acquire or produce goods and services in return for operating revenues generated to carry out its mission.

A summary of the University's operating expenses for the years ended June 30, 2013, 2012 and 2011 follows:

<i>(In millions)</i>	2013	2012	2011
Instruction	\$ 197.1	\$ 184.6	\$ 184.6
Research	159.6	169.0	185.6
Public service	118.1	108.8	109.3
Institutional and administrative support	123.6	114.3	113.6
Patient care services	699.5	666.1	646.9
Professional services and contracts	386.0	359.3	341.1
Operation and maintenance of plant	60.5	53.7	56.6
Depreciation	66.8	67.1	68.3
Insurance	12.3	10.9	5.4
Other	53.0	48.1	46.5
Total	<u>\$ 1,876.5</u>	<u>\$ 1,781.9</u>	<u>\$ 1,757.9</u>

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The increase in operating expenses of \$94.6 million, or 5.3%, in 2013 is primarily attributable to costs related to patient care services, professional services and contracts and instruction.

The increase in operating expenses of \$24.0 million, or 1.4%, in 2012 is primarily attributable to costs related to patient care services and professional services and contracts, partially offset by a decrease in research activity.

The overall increase in 2013 reflects increases in salaries and wages of \$12.5 million, fringe benefits costs of \$64.2 million and supplies and services of \$18.1 million. The increase in fringe benefits is primarily due to an effective 20.0% rate increase from the State and an increase in corresponding salaries, while supplies and services costs in 2013 included \$10.6 million of costs related to restructuring activities.

The overall increase in 2012 reflects increases in salaries and wages of \$5.5 million and fringe benefits costs of \$20.2 million. The increase in fringe benefits is primarily due to an effective 2.0% rate increase from the State and an increase in corresponding salaries.

Capital Assets and Debt Activities

During 2013, the University maintained debt ratings of Baa1 for its revenue bonds and Baa2 for its certificates of participation from Moody's Investors Service and A- from Fitch Ratings, which reflected concerns about UH's financial performance and the University's level of liquidity. All of the University's debt agreements were fixed rate agreements and their fair value approximated their carrying amounts.

As part of its mission, the University recognized the importance of the development and renewal of its capital assets in order to meet the needs of its academic, research and clinical programs, subject to fiscal limitations due to its liquidity level.

Capital expenditures totaled \$37.2 million in 2013, \$34.7 million in 2012 and \$33.5 million in 2011. The major capital activities in 2013 and 2012 were for equipment purchases and infrastructure improvements.

As of June 30, 2013, the University had \$2,078.8 million invested in capital assets, which was reduced by \$1,254.6 million of accumulated depreciation and \$564.2 million of expended debt, resulting in net investment in capital assets of \$260.0 million.

As of June 30, 2012, the University had \$2,052.5 million invested in capital assets, which was reduced by \$1,190.5 million of accumulated depreciation and \$579.5 million of expended debt, resulting in net investment in capital assets of \$282.5 million.

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June 30, 2013

Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows provide additional information about the University's financial results by reporting the major sources and uses of cash. The statements display net cash provided by or used in operating activities, noncapital financing activities, capital financing activities and investing activities.

A summary of the University's cash flows for the years ended June 30, 2013, 2012 and 2011 follows:

<i>(In millions)</i>	2013	2012	2011
Cash and cash equivalents (used in) provided by:			
Operating activities	\$ (140.6)	\$ (147.7)	\$ (137.7)
Noncapital financing activities	200.2	209.7	216.7
Capital financing activities	(84.3)	(80.2)	(74.3)
Investing activities	2.6	6.0	(0.9)
Net (decrease) increase in cash	<u>(22.1)</u>	<u>(12.2)</u>	<u>3.8</u>
Cash and cash equivalents - beginning of year	<u>184.4</u>	<u>196.6</u>	<u>192.8</u>
Cash and cash equivalents - end of year	<u>\$ 162.3</u>	<u>\$ 184.4</u>	<u>\$ 196.6</u>

Cash used in operating activities decreased by \$7.1 million in 2013, primarily due to higher tuition and fees. Cash used in operating activities increased by \$10.0 million in 2012 due to an increase in other receivables.

Cash provided by noncapital financing activities decreased by \$9.5 million and \$7.0 million in 2013 and 2012, respectively, due to lower State appropriations revenues.

Cash used in capital financing activities increased by \$4.1 million in 2013, due to capital purchases. Cash used in capital financing activities increased by \$5.9 million in 2012 due to a higher level of debt repayments.

Cash provided by investing activities decreased by \$3.4 million in 2013 due to reduced investing. Cash provided by investing activities increased by \$6.9 million in 2012 due to the maturity of investments.

Cash, Cash Equivalents, Investments and Assets Held by Trustees

The University's cash and cash equivalents balance includes \$114.2 million and \$114.6 million of funds as of June 30, 2013 and 2012, respectively, which are invested in the State's cash management fund.

The majority of investments and assets held by trustees consist of U.S. treasuries and repurchase agreements, which are collateralized by U.S. government agencies, money market funds and common stock.

University of Medicine and Dentistry of New Jersey

Management's Discussion and Analysis

June 30, 2013

Outlook

See prior description of the restructuring of the University pursuant to the Act.

Rutgers Biomedical and Health Sciences

The financial performance of the University related to its academic and research missions remained stable in 2013 and reflected growth in student demand, enrollment and tuition. Growth in academic activities is expected to continue, while research growth is dependent upon the national trend of Federal research activity. Professional services and contracts activities have also experienced growth over the last few years.

In 2013, the University continued to develop cost saving strategies that included reductions in the level of employees, supplies and services costs, purchasing improvements and the renegotiation of affiliation agreements and commercial payor contracts. The University increased the medical and dental school tuition rates by 4% for 2014. Tuition revenues are expected to increase by \$4.2 million in 2014 from these rate increases and a projected growth in enrollment.

Growth in governmental and private grants and contracts is critical to the ability to attract faculty and scientists and enhance its academic reputation. Research funds are received from Federal, State and local governments and private sources, which generally provide for the recovery of direct and indirect costs.

As a result of the tuition increases, the implementation of cost saving strategies and revenue initiatives, breakeven operating results for the academic and research missions is expected in 2014, excluding the impact of depreciation expense.

UBHC and CINJ are expected to maintain financial stability in the future. State appropriations - operations for these healthcare units totaled \$43.7 million in 2013, and are projected to increase by \$10.0 million in 2014.

UBHC has contracts with the DOC to provide mental, medical and dental healthcare services to inmates of state prisons, and these contracts are expected to generate \$156.5 million of annual revenues in 2014.

As a labor-intensive organization, the University faced competitive pressures related to attracting and retaining faculty and staff. Approximately 80% of the employees are represented by collective bargaining agreements.

University Hospital

As a new standalone state entity, UH continues to work with the State to identify adequate State resources for its operations along with continued focus on efficiencies and productivity. Based upon the final 2014 State budget, UH expects to receive appropriations of \$19 million, charity care funding of \$99 million, hospital relief funding of \$15 million, reimbursement for graduate medical education of \$16 million and a stabilization grant of \$5 million.

University of Medicine and Dentistry of New Jersey
Management's Discussion and Analysis
June 30, 2013

Legal Matters

The University is a party to various legal proceedings arising in the ordinary course of its operations. In the opinion of management, the University has adequate insurance to cover the estimated potential liability for damages in these cases, or, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on the University's financial position, results of operations, or cash flows

In connection 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 entered into a five year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, the University agreed to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs. Related liabilities have been estimated and recorded within the 2013 and 2012 financial statements, respectively.

From time to time, the University becomes aware of Federal and/or State inquiries and investigations and may receive subpoenas and other requests for information. The University cooperates with the agencies and provides the information and data requested. Although the ultimate outcome of any such inquiries may be unknown at this time, management believes they will not have a material effect on the University's financial position, operating results or cash flows.

Basic Financial Statements

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Net Position
(In thousands of dollars)

	June 30,	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 151,405	\$ 173,499
Accounts receivable, net of allowance for doubtful accounts of in \$159,801 in 2013 and \$237,973 in 2012	110,920	119,279
Other receivables, net of allowance for doubtful accounts of \$10,511 in 2013 and \$16,545 in 2012	102,162	109,214
Grants receivable, net of allowance for doubtful accounts of \$2,296 in 2013 and \$7,582 in 2012	63,598	72,228
Inventories and other assets	28,100	24,031
Assets held by trustees - current portion	16,354	16,482
Total current assets	<u>472,539</u>	<u>514,733</u>
Noncurrent assets		
Endowment and other investments	37,419	32,050
Loans to students	33,608	33,605
Assets held by trustees	62,178	61,968
Capital assets, net	824,232	862,027
Other noncurrent assets	4,405	5,415
Total noncurrent assets	<u>961,842</u>	<u>995,065</u>
Total assets	<u>1,434,381</u>	<u>1,509,798</u>
Deferred outflows		
Loss on extinguishment of debt	<u>3,150</u>	<u>3,346</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	160,875	176,516
Third party payor settlements, net	17,694	1,914
Accrued vacation	52,041	47,003
Advances for grants and tuition	64,115	75,717
Long-term debt and capital lease obligations	19,222	18,273
Total current liabilities	<u>313,947</u>	<u>319,423</u>
Noncurrent liabilities		
Accrued claims liability and other	30,576	33,640
Third party payor settlements, net of current portion	46,439	47,228
Long-term debt and capital lease obligations, net of current portion	614,766	633,851
Total noncurrent liabilities	<u>691,781</u>	<u>714,719</u>
Total liabilities	<u>1,005,728</u>	<u>1,034,142</u>
Net Position		
Net investment in capital assets	260,020	282,443
Restricted expendable	89,183	157,725
Restricted nonexpendable	73,411	67,342
Unrestricted	9,189	(28,508)
Total net position	<u>\$ 431,803</u>	<u>\$ 479,002</u>

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

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Revenues, Expenses and Changes in Net Position
(In thousands of dollars)

	Year Ended June 30,	
	2013	2012
Operating revenues		
Tuition and fees, net	\$ 133,772	\$ 126,363
Governmental grants and contracts	231,675	230,415
Private grants and contracts	62,263	65,545
Net patient service revenues	496,134	528,359
Professional services and contracts	413,553	404,788
Auxiliary sales and services	17,515	19,748
Other operating revenues	35,452	27,362
Total operating revenues	<u>1,390,364</u>	<u>1,402,580</u>
Operating expenses		
Instruction	197,136	184,648
Research	159,622	168,950
Public service	118,083	108,828
Academic and student support	37,759	30,662
Institutional and administrative support	123,630	114,348
Patient care services	699,508	666,070
Professional services and contracts	385,975	359,322
Operation and maintenance of plant	60,512	53,738
Depreciation	66,759	67,103
Insurance	12,305	10,891
Auxiliary enterprises and other	15,182	17,403
Total operating expenses	<u>1,876,471</u>	<u>1,781,963</u>
Operating loss	<u>(486,107)</u>	<u>(379,383)</u>
Nonoperating revenues (expenses)		
State appropriations - operations	200,248	205,938
Fringe benefits paid by the State	255,273	204,649
Investment income	2,718	2,061
Unrealized appreciation on investments	5,356	131
Net interest expense	(37,818)	(38,570)
Other	1,458	1,323
Total nonoperating revenues, net	<u>427,235</u>	<u>375,532</u>
Other revenues		
Capital grants	11,673	4,826
(Decrease) increase in net position	<u>(47,199)</u>	<u>975</u>
Net position - beginning of year	479,002	478,027
Net position - end of year	<u>\$ 431,803</u>	<u>\$ 479,002</u>

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

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year Ended June 30,	
	2013	2012
Cash flows from operating activities		
Tuition and fees	\$ 128,675	\$ 128,003
Research grants and contracts	294,590	311,203
Services to patients	517,893	508,029
Professional services and contracts	415,144	394,088
Other receipts	56,927	19,437
Loan repayments from students	4,501	4,354
Loans to students	(4,797)	(4,430)
Payments to employees	(1,087,233)	(1,056,792)
Payments to vendors	(466,251)	(451,558)
Net cash and cash equivalents used in operating activities	<u>(140,551)</u>	<u>(147,666)</u>
Cash flows from noncapital financing activities		
State appropriations	200,248	205,938
Other (payments) receipts, net	(74)	3,795
Net cash and cash equivalents provided by noncapital financing activities	<u>200,174</u>	<u>209,733</u>
Cash flows from capital financing activities		
Capital grant received	10,989	4,073
Purchases of capital assets	(38,938)	(31,583)
Principal payments on debt and capital lease obligations	(18,240)	(13,978)
Interest payments on debt and capital lease obligations	(38,159)	(38,771)
Net cash and cash equivalents used in capital financing activities	<u>(84,348)</u>	<u>(80,259)</u>
Cash flows from investing activities		
Deposits with assets held by trustees	(46,274)	(38,686)
Receipts from assets held by trustees	46,192	37,624
Proceeds from sale and maturity of investments	263	5,000
Interest on investments	2,440	2,105
Net cash and cash equivalents provided by investing activities	<u>2,621</u>	<u>6,043</u>
Net decrease in cash and cash equivalents	(22,104)	(12,149)
Cash and cash equivalents - beginning of year	184,428	196,577
Cash and cash equivalents - end of year	<u>\$ 162,324</u>	<u>\$ 184,428</u>
Reconciliation of operating loss to net cash and cash equivalents used in operating activities		
Operating loss	\$ (486,107)	\$ (379,383)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Fringe benefits paid by the State	255,273	204,649
Depreciation and amortization expense	67,569	67,913
Provision for bad debts	169,590	158,615
NJ State settlements	(17,727)	(14,490)
Loss on disposal of capital assets	7,093	-
Changes in assets and liabilities		
Receivables, net	(145,327)	(193,064)
Inventories and other assets	(3,887)	(5,132)
Loans to students	(225)	(9)
Accounts payable and accrued expenses	24,115	2,688
Advances for tuition and grants	(10,918)	10,547
Net cash and cash equivalents used in operating activities	<u>\$ (140,551)</u>	<u>\$ (147,666)</u>

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

University of Medicine and Dentistry of New Jersey
Statements of Net Assets - Aggregate Discretely Presented Component Units
(In thousands of dollars)

	June 30, 2013				June 30, 2012			
	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total
Current assets								
Cash and cash equivalents	\$ 84	\$ 4,141	\$ 12,925	\$ 17,150	\$ 180	\$ 4,107	\$ 13,873	\$ 18,160
Cash and cash equivalents whose use is limited	-	-	2,634	2,634	-	-	3,663	3,663
Short term investments	21,058	3,003	16,664	40,725	29,933	4,589	11,568	46,090
Contributions receivable, net	7,852	587	-	8,439	13,774	706	-	14,480
Other assets	501	105	1,370	1,976	501	131	1,406	2,038
Total current assets	<u>29,495</u>	<u>7,836</u>	<u>33,593</u>	<u>70,924</u>	<u>44,388</u>	<u>9,533</u>	<u>30,510</u>	<u>84,431</u>
Noncurrent assets								
Cash equivalents restricted for long term purposes	-	446	-	446	-	196	-	196
Long term investments	162,294	1,029	-	163,323	145,966	35	327	146,328
Contributions receivable, net	4,462	-	-	4,462	4,827	61	-	4,888
Capital assets, net	2,188	2	62	2,252	2,192	3	55	2,250
Total noncurrent assets	<u>168,944</u>	<u>1,477</u>	<u>62</u>	<u>170,483</u>	<u>152,985</u>	<u>295</u>	<u>382</u>	<u>153,662</u>
Total assets	<u>198,439</u>	<u>9,313</u>	<u>33,655</u>	<u>241,407</u>	<u>197,373</u>	<u>9,828</u>	<u>30,892</u>	<u>238,093</u>
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	1,146	227	508	1,881	1,044	268	478	1,790
Grants payable	11,508	-	-	11,508	19,687	-	-	19,687
Payable to NJMS department funds	-	-	2,149	2,149	-	-	1,305	1,305
Payable to NJMS dean's funds	-	-	3,808	3,808	-	-	5,002	5,002
Payable to department participant fund	-	-	7,143	7,143	-	-	5,151	5,151
Total current liabilities	<u>12,654</u>	<u>227</u>	<u>13,608</u>	<u>26,489</u>	<u>20,731</u>	<u>268</u>	<u>11,936</u>	<u>32,935</u>
Noncurrent liabilities								
Payable to participant division fund	-	-	13,611	13,611	-	-	12,874	12,874
Total liabilities	<u>12,654</u>	<u>227</u>	<u>27,219</u>	<u>40,100</u>	<u>20,731</u>	<u>268</u>	<u>24,810</u>	<u>45,809</u>
Net Assets								
Restricted expendable - temporarily restricted	49,539	7,566	-	57,105	45,518	8,049	-	53,567
Restricted non expendable - permanently restricted	96,640	933	-	97,573	91,348	929	-	92,277
Board designated - unrestricted	39,606	587	6,436	46,629	39,776	582	6,082	46,440
Total net assets	<u>185,785</u>	<u>9,086</u>	<u>6,436</u>	<u>201,307</u>	<u>176,642</u>	<u>9,560</u>	<u>6,082</u>	<u>192,284</u>
Total liabilities and net assets	<u>\$ 198,439</u>	<u>\$ 9,313</u>	<u>\$ 33,655</u>	<u>\$ 241,407</u>	<u>\$ 197,373</u>	<u>\$ 9,828</u>	<u>\$ 30,892</u>	<u>\$ 238,093</u>

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

University of Medicine and Dentistry of New Jersey
Statements of Revenues, Expenses and Changes in Net Assets – Aggregate Discretely Presented Component Units
(In thousands of dollars)

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total
Operating revenues								
Contributions	\$ 15,861	\$ 3,225	\$ -	\$ 19,086	\$ 20,724	\$ 3,897	\$ -	\$ 24,621
Net physician billings	-	-	98,266	98,266	-	-	94,055	94,055
Other revenues, net	32	-	-	32	38	-	-	38
Total operating revenues	<u>15,893</u>	<u>3,225</u>	<u>98,266</u>	<u>117,384</u>	<u>20,762</u>	<u>3,897</u>	<u>94,055</u>	<u>118,714</u>
Operating expenses								
Grants	23,903	2,496	-	26,399	21,379	5,171	-	26,550
Distributable to UPA physicians	-	-	38,343	38,343	-	-	37,081	37,081
Distributable to NJMS department funds	-	-	9,301	9,301	-	-	8,980	8,980
Distributable to NJMS division funds	-	-	21,406	21,406	-	-	18,802	18,802
Distributable to NJMS dean's fund	-	-	6,621	6,621	-	-	7,386	7,386
Distributable to UMDNJ medical malpractice fund	-	-	2,884	2,884	-	-	2,753	2,753
Fundraising	2,406	479	-	2,885	2,647	414	-	3,061
General and administrative	(53)	749	19,357	20,053	(366)	746	17,596	17,976
Total operating expenses	<u>26,256</u>	<u>3,724</u>	<u>97,912</u>	<u>127,892</u>	<u>23,660</u>	<u>6,331</u>	<u>92,598</u>	<u>122,589</u>
Operating (loss) gain	<u>(10,363)</u>	<u>(499)</u>	<u>354</u>	<u>(10,508)</u>	<u>(2,898)</u>	<u>(2,434)</u>	<u>1,457</u>	<u>(3,875)</u>
Nonoperating revenues (expenses)								
Net unrealized & realized (losses) gains on investments	22,091	25	-	22,116	(4,934)	(30)	40	(4,924)
Interest and dividend income	2,068	-	-	2,068	2,054	-	-	2,054
Investment management and cost recovery fees	(3,662)	-	-	(3,662)	(3,519)	-	-	(3,519)
Refunded to grantor	(8)	-	-	(8)	(39)	-	-	(39)
Provision for uncollectible pledges	(983)	-	-	(983)	(238)	-	-	(238)
Total nonoperating revenues (expenses), net	<u>19,506</u>	<u>25</u>	<u>-</u>	<u>19,531</u>	<u>(6,676)</u>	<u>(30)</u>	<u>40</u>	<u>(6,666)</u>
Increase (decrease) in net assets	<u>9,143</u>	<u>(474)</u>	<u>354</u>	<u>9,023</u>	<u>(9,574)</u>	<u>(2,464)</u>	<u>1,497</u>	<u>(10,541)</u>
Net assets - beginning of year	<u>176,642</u>	<u>9,560</u>	<u>6,082</u>	<u>192,284</u>	<u>186,216</u>	<u>12,024</u>	<u>4,585</u>	<u>202,825</u>
Net assets - end of year	<u>\$ 185,785</u>	<u>\$ 9,086</u>	<u>\$ 6,436</u>	<u>\$ 201,307</u>	<u>\$ 176,642</u>	<u>\$ 9,560</u>	<u>\$ 6,082</u>	<u>\$ 192,284</u>

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

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

1. Organization

Until July 1, 2013, the effective date of the New Jersey Medical and Health Sciences Education Restructuring Act (the “Act”), the University of Medicine and Dentistry of New Jersey (“UMDNJ” or the “University”) was a public institution of higher education and a body politic of the State of New Jersey (the “State”). UMDNJ was established as the State’s university of the 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.

UMDNJ was established in 1970 under the provisions of the Medical and Education Act of 1970, which merged the New Jersey College of Medicine and Dentistry with the medical school of Rutgers University under a single Board of Trustees as the College of Medicine and Dentistry of New Jersey. It was granted university status in 1981.

UMDNJ included the following units:

Schools:

- UMDNJ-New Jersey Medical School (“NJMS”)
- UMDNJ-Robert Wood Johnson Medical School (“RWJMS”)
- UMDNJ-School of Osteopathic Medicine (“SOM”)
- UMDNJ-New Jersey Dental School
- UMDNJ-Graduate School of Biomedical Sciences
- UMDNJ-School of Health Related Professions
- UMDNJ-School of Nursing
- UMDNJ-School of Public Health

Major Health Care Units:

- UMDNJ-University Hospital (“UH”)
- UMDNJ-University Behavioral HealthCare
- Eric B. Chandler Health Center
- The Cancer Institute of New Jersey (“CINJ”)
- Broadway House for Continuing Care (“BHCC”)
- Child Health Institute of New Jersey
- University Correctional HealthCare

Faculty Practice Plans:

- UMDNJ-Robert Wood Johnson Medical Group
- UMDNJ-School of Osteopathic Medicine
- UMDNJ-New Jersey Dental School
- UMDNJ-School of Health Related Professions
- UMDNJ-School of Nursing

Lease Holding Corporation:

- University Care Corporation

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed into law the Act which integrated UMDNJ, except for SOM and UH, into Rutgers University (“Rutgers”). SOM was transferred to Rowan University (“Rowan”). UH will continue to exist as an instrumentality of the State and a body corporate and politic, maintaining its status as the principal teaching hospital of NJMS, NJDS and any other medical education programs located in Newark.

Additionally, certain transfers were made pursuant to Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law resulting in the transfer of RWJMS – Camden activities to Rowan. In addition, the activities of BHCC were aligned with UH effective July 1, 2013.

The UMDNJ schools and units transferred to Rutgers joined 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 a new organizational unit within Rutgers known as Rutgers Biomedical and Health Sciences (“RBHS”). CINJ, which was formerly a unit within RWJMS, became a separate institute reporting directly to the President of Rutgers.

As provided in the Act and subject to the conditions set forth therein, all liabilities and debt of UMDNJ corresponding with the assets to be transferred as described above were transferred to each of the respective entities as part of the integration, and UMDNJ as a legal entity ceased to exist effective July 1, 2013. All of UMDNJ’s debt related to bonds, certificates of participation and capital building leases was defeased and assumed on July 1, 2013 by Rutgers, UH and Rowan.

During 2013, numerous activities required to implement the Act occurred, including the establishment of UH as a standalone State entity. As part of this activity, the State made certain fiscal decisions related to UH’s existing liabilities. These decisions included the State’s agreement to waive recovery of the \$49,439 balance of UH’s Medicaid cost report liabilities upon the abolition of the University as required by the Act on July 1, 2013, and UH expects to write off the Medicaid liability balance in 2014. In 2013, the State eliminated UH’s \$111,687 liability due to the academic and administrative units of the University, which required the other units to write off this amount on their balance sheets. While this elimination impacted the financial results of UH and other units of the University, it did not impact the consolidated net position of the University in 2013, since an increase of \$87,900 in the unrestricted component of net position was offset by decreases in the restricted and net investment in capital assets components of net position of \$80,700 and \$7,200, respectively. In 2013, the State also allowed the University to remove a \$17,727 health benefits liability that was recorded over the 2009-2011 period.

2. Discretely Presented Units

As defined by Governmental Accounting Standards Board (“GASB”) Statement No. 61, *the Financial reporting entity: Omnibus*, the New Jersey Health Foundation, Inc., (the “Foundation”), which included the Foundation of the University of Medicine and Dentistry of New Jersey (“UMDNJ Foundation”), the Cancer Institute of New Jersey Foundation, Inc. (“CINJ Foundation”), and the Faculty Practice Plan of NJMS – University Physician Associates of New Jersey, Inc. (“UPA”) meet the criteria to be reported as component units of the University, since there is a financial benefit between each organization and the University.

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

The financial results for the Foundation, CINJ Foundation and UPA are reported in the aggregate discretely presented component units as separate statements within the basic financial statements because of the differences in their reporting models (see Note 3).

The Foundation operates exclusively to support medical, dental and other healthcare education and research, including without limiting the foregoing, the support of the University and for other scientific, charitable, literary and educational purposes. As a result of the integration of the University, except for UH and SOM, into Rutgers, the fundraising function for the Rutgers units was assumed by the Rutgers University Foundation ("RU Foundation"), and the UMDNJ Foundation ceased fundraising activities and was merged into the RU Foundation effective July 1, 2013. During 2013 and 2012, the Foundation distributed \$23,903 and \$21,379, respectively, to fund University programs and operations. Included in the Foundation's financial statements are \$11,508 and \$19,687 of grants payable to the University as of June 30, 2013 and 2012, respectively. Separate financial statements for the Foundation can be obtained by writing to the President, New Jersey Health Foundation, Inc., 120 Albany Street, Tower II, Suite 850, New Brunswick, New Jersey 08901.

The CINJ Foundation's purpose is to solicit and receive contributions, gifts and grants to be used exclusively for charitable, scientific or educational purposes, either directly or by contribution to CINJ. It merged into the RU Foundation as of July 1, 2013. During 2013 and 2012, the CINJ Foundation distributed \$2,496 and \$5,171, respectively to fund CINJ programs and operations. Separate financial statements for CINJ Foundation can be obtained by writing to the Chief Operating Officer, Cancer Institute of New Jersey Foundation, Inc., 120 Albany Street, Tower II, Fifth Floor, New Brunswick, New Jersey 08901.

UPA's purpose is to support the University through administrative assistance to clinical faculty of NJMS in accordance with an affiliation agreement. During 2013 and 2012, UPA distributed \$18,806 and \$19,119, respectively, to NJMS, which included contributions toward the medical malpractice fund. Included in UPA's financial statements are \$8,734 and \$8,181 of distributions payable to the University as of June 30, 2013 and 2012, respectively, which are included within the University's financial statements in other receivables. Separate financial statements for UPA can be obtained by writing to the Executive Director/Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ADMC 12, Room 1205, Newark, New Jersey 07107.

3. Summary of Significant Accounting Policies

Following is a summary of the University's significant accounting policies:

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America as prescribed by GASB. All significant intercompany balances are eliminated in consolidation.

Basis of Accounting

The University uses enterprise fund accounting in accordance with GASB standards. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Foundation and CINJ Foundation are nonprofit organizations that report under Financial Accounting Standard Board ("FASB") guidance, including Accounting Standards Codification (ASC) No. 958 related to the financial reporting for not-for-profit organizations.

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UPA is a nonprofit organization that reports its financial statements 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. The impact of the modified basis of cash receipts and disbursements on the aggregate discretely presented component units' statements of net assets, and statements of revenues, expenses and changes in net assets is not reasonably determinable. However, it is material to the aggregate discretely presented component units' financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The University's more significant estimates include its contractual allowances and allowances for doubtful accounts for patient service revenues and the related patient accounts receivable, reserves for grants and other receivables, amounts due to third party payors, accrued claims liability and commitments and contingencies.

Cash and Cash Equivalents

Cash and cash equivalents, excluding assets held by trustees, represent operating cash, money market investments and commercial paper that are unrestricted with maturities of three months or less at the date of purchase.

Investments

Investments in equity securities and debt securities are valued at fair value. Fair value is generally determined by sales prices or bid-and-asked quotations that are available on a securities exchange registered with the Securities and Exchange Commission or in the over-the-counter market. Investment income or loss, including realized gains and losses on investments, interest and dividends, is included in nonoperating revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are also included in nonoperating revenues.

Other Receivables

Other receivables represent amounts due from hospitals under affiliation agreements with the University for use of its faculty and residents, the current portion of loans to students, amounts due from UPA, State of New Jersey Department of Corrections and amounts due from State and local municipalities and agencies for services rendered.

Grants Receivable

Grants receivable represent amounts due from Federal, State and local governments, pharmaceutical firms, the Foundation and private agencies, for research and other sponsored programs.

Inventories

Inventories consist primarily of hospital supplies, which are included in inventories and other assets, and are stated at the lower of cost, using the first-in, first-out method or market.

Endowment

Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. University management has the authority to utilize investment income, in accordance with the terms of each specific gift as approved by the Board of Trustees. Included in endowment investments is realized and unrealized appreciation on

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donor-restricted endowments and cash equivalents. The unrealized net appreciation or depreciation on endowment investments is included in the restricted component of net position within the consolidated statements of revenues, expenses and changes in net position. It is the University's policy to account for endowment appreciation in accordance with donor specifications.

Assets Held by Trustees

Assets held by trustees, which are recorded at fair value, represent assets whose use is limited under various bond indenture agreements. Such assets consist principally of investments in U.S. treasuries and agencies, commercial paper, repurchase agreements and money market funds (see Note 5).

Capital Assets, Net

Capital assets are recorded at cost or in the case of donated assets at fair value at the date of acquisition. Major renewals and improvements are capitalized while maintenance repairs are expensed when incurred. Depreciation is provided on a straight-line basis over the shorter of the estimated useful lives of the related assets or lease terms, ranging from 2 to 40 years. Amortization of assets recorded under capital leases is included with depreciation expense in the financial statements. Gains and losses resulting from the retirement of capital assets are also included in the financial statements within nonoperating revenues.

Capitalized Interest Costs

Interest costs, net of investment income, are capitalized as part of capital expenditures and depreciated over the estimated useful life of the asset.

Impairment of Long-Lived Assets

The University reviews the realizability of long-lived assets and certain tangible assets whenever events and circumstances occur which indicate recorded costs may not be recoverable. No impairments of long-lived assets were recognized during 2013 or 2012.

Compensated Absences

The University accrues liabilities for employees' annual leave benefits and adjustments to the accrual are recorded annually.

Advances for Grants and Tuition

Advances for grants and tuition include amounts received in advance from grant and contract sponsors, and amounts received for tuition and fees that relate to the subsequent fiscal year.

Accrued Claims Liability

Accrued claims liability represents estimated amounts payable related to workers compensation claims (see Note 8).

Net Position

The net position of the University is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* consists of restricted assets reduced by liabilities and deferred inflows related to those assets that must be used for a particular purpose, as specified by creditors, grantors, the State, or contributors external to the University, including amounts deposited with trustees as required by revenue bond indentures, as discussed in Note 8. *Restricted nonexpendable net position* are those restricted assets subject to externally imposed stipulations that they be maintained permanently. Such net assets include the corpus portion (historic value) of gifts and the University's permanent endowment fund and student loans. The *unrestricted component of net position* is the net amount of

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assets that are not included in net investment in capital assets or the restricted expendable and nonexpendable components of net position.

Revenues and Expenses

The University's consolidated statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare, education and research services which are the University's principal activities. Nonexchange revenues, including State appropriations, investment income, and capital grants are reported as nonoperating or other revenues. Operating expenses are all expenses incurred to provide healthcare, education and research services, other than financing costs. Nonoperating expenses are all expenses incurred related to financing, noncapital financing and investing activities.

Revenue Recognition

Tuition and Fees, Net

Tuition and fees revenues are recorded on an accrual basis, net of allowances, and are recognized in the period earned. Scholarship allowances are the estimated difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Scholarship allowances totaled \$5,130 and \$5,581 in 2013 and 2012, respectively.

Government and Private Grants and Contracts

Grants and contracts revenues are comprised mainly of funds received from grants and contracts from Federal, State, other governments and private sources and are recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which the related expenses are incurred.

Net Patient Service Revenues

Net patient service revenues are recorded on an accrual basis in the period in which the service is provided. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third 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 (see Note 4).

Professional Services and Contracts Revenues

Professional services and contracts revenues are recorded on an accrual basis and are reported at the estimated net realizable amounts from patients, third party payors and others for services rendered.

State Appropriations

State appropriations revenues are recognized in the fiscal year during which the State appropriates the funds to the University. The University is fiscally dependent upon these appropriations.

New Authoritative Pronouncements

In 2013, The University adopted four new pronouncements as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61), modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of GASB 61 had no effect on the University's net

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position at June 30, 2013 and 2012, changes in net position for the years ended June 30, 2013 and 2012 or the reporting of its component units.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. Implementation of GASB 62 did not have a significant impact on the University's net position at June 30, 2013 and 2012 or changes in net position for the years ended June 30, 2013 and 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact and effect of adoption resulting from the implementation of GASB 63 in the University's financial statements was the reclassification of a deferred amount on debt refunding to deferred outflows of resources and renamed all references of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). GASB 65 is effective for the University's fiscal year 2014 financial statements, however, the University early adopted the provisions effective in fiscal year 2013. The financial reporting impact and effect resulting from the implementation of GASB 65 in the University's financial statements were the elimination of deferred financing costs and a retroactive adjustment to the 2012 consolidated financial statements.

The impact to the previously reported 2012 consolidated financial statements for the adoption of GASB 65 described above is as follows:

	As previously reported	Adjustments	As adjusted
Statement of Net Position as of June 30, 2012			
Inventories and other assets	\$ 21,403	\$ 2,628	\$ 24,031
Other noncurrent assets	13,242	(7,827)	5,415
Deferred outflows of resources	-	3,346	3,346
Long-term debt	630,505	3,346	633,851
Restricted net position	230,266	(5,199)	225,067
Statement of Revenues, Expenses and			
Changes in Net Position for the year ended June 30, 2012			
Other nonoperating revenues (expenses)	1,066	257	1,323
Net position as of beginning of year	483,483	(5,456)	478,027
Net position as of end of year	484,201	(5,199)	479,002

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Comparative Information and Reclassification

The University's consolidated financial statements include comparative financial information. Certain prior year amounts have been reclassified to conform to the current year presentation.

4. Healthcare Reimbursement System

A summary of the payment arrangements with major third party payors is as follows:

- Medicare – inpatient acute care, inpatient behavioral health, and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or based on ambulatory payment classifications. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The University is reimbursed for certain items at a tentative rate with final settlement determined after submission of its annual cost report by the University and audits thereof by the Medicare fiscal intermediary. UH's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the University. UH's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2004 and UBHC has settled its cost reports through June 30, 2009.
- Medicaid – inpatient acute care and behavioral health services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based upon a cost reimbursement methodology and outpatient behavioral health services, including adult and child services, are paid based on a Medicaid fee schedule. The University is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the University and audit thereof by the Medicaid fiscal intermediary. UH and UBHC have settled their Medicaid cost reports with the Medicaid fiscal intermediary through June 30, 2010 and June 30, 2008, respectively.

The University has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the University under these agreements includes prospectively determined rates per day/case and discounts from established charges.

Revenues received under the various reimbursement systems and agreements are subject to audit and adjustment. Accordingly, provisions for estimated adjustments resulting from audit, final settlement and changes in estimates have been recorded. Differences between the provisions and the amounts settled are recorded in the year of settlement. The University recognized revenues (expenses) of (\$7,477) in 2013 and (\$4,351) in 2012 as a result of changes in estimated third party settlements.

On June 25, 2013, the University, UH and the State entered into an agreement, under which the State agreed to waive recovery of the balance of \$49,439 related to UH's Medicaid cost report liabilities upon the abolition of the University as required by the Act on July 1, 2013, and UH expects to write off the Medicaid liability balance in 2014.

Under settlement agreements with the State in 2012 and 2009, UH established a long-term repayment plan for Medicaid liabilities of \$49,739 as of June 30, 2012 and discounted the liabilities to their estimated present value.

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Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation for which action for non-compliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs.

UH and UBHC provide 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. Gross charges related to charity care totaled \$324,729 and \$375,791 in 2013 and 2012, for which UH received \$101,383 and \$101,730, respectively from the State's Charity Care Subsidy Fund. The University estimates that the cost of delivering this care was \$91,866 in 2013 and \$111,916 in 2012.

The components of net patient service revenues are as follows:

	Year Ended June 30,	
	2013	2012
Gross charges	\$ 2,131,753	\$ 2,118,109
Additions (deductions) from gross charges		
Health Care Subsidy Fund payments		
Charity care	101,383	101,730
Hospital relief	13,715	14,715
Contractual and other allowances	(1,607,371)	(1,587,148)
Provision for bad debts	(143,346)	(133,537)
Reduction of Medicaid cost report liabilities	-	14,490
Subtotal	<u>(1,635,619)</u>	<u>(1,589,750)</u>
Net patient service revenues	<u>\$ 496,134</u>	<u>\$ 528,359</u>

Gross charges pertain to the following payors:

	Year Ended June 30,	
	2013	2012
Medicare	18%	18%
Medicaid and Medicaid HMO	34%	33%
Other third party payors	22%	23%
Uninsured, charity care and self pays	<u>26%</u>	<u>26%</u>
	<u>100%</u>	<u>100%</u>

The healthcare units of the University extend credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. Gross accounts receivable as of June 30, 2013 and 2012 are due from the following payors:

	2013	2012
Medicare	7%	8%
Medicaid and Medicaid HMO	24%	24%
Other third party payors	39%	36%
Uninsured, charity care and self pays	<u>30%</u>	<u>32%</u>
	<u>100%</u>	<u>100%</u>

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5. Cash and Cash Equivalents, Endowment and Other Investments and Assets Held by Trustees

Cash on deposit, which is included in cash and cash equivalents in the consolidated financial statements, is \$48,086 and \$69,960 as of June 30, 2013 and 2012, respectively, and is partially insured by Federal Deposit Insurance Corporation in the amount of \$250 in each depository. Balances above the Federal Deposit Insurance Corporation amount are insured by the Government Unit Deposit Protection Act, which insures all New Jersey government units' deposits in excess of Federal Deposit Insurance Corporation maximums.

The University's cash equivalents balance includes \$114,238 and \$114,468 of funds as of June 30, 2013 and 2012, respectively, which are invested in the State's cash management fund, which is an investment trust fund that is managed by the State on behalf of various State divisions, agencies and employees.

Endowment and other investments consist of the following:

	Cost	Fair Value	Cumulative Unrealized Gains
June 30, 2013			
Cash and cash equivalents	\$ 10,919	\$ 10,919	\$ -
Common stock	765	26,500	25,735
	<u>\$ 11,684</u>	<u>\$ 37,419</u>	<u>\$ 25,735</u>
June 30, 2012			
Cash and cash equivalents	\$ 10,929	\$ 10,929	\$ -
Common stock	807	21,121	20,314
	<u>\$ 11,736</u>	<u>\$ 32,050</u>	<u>\$ 20,314</u>

Assets held by trustee consist of the following:

	Cost	Fair Value	Unrealized Gains
June 30, 2013			
Repurchase agreements	\$19,843	\$19,843	\$ -
Money market funds	58,689	58,689	-
	<u>\$ 78,532</u>	<u>\$ 78,532</u>	<u>\$ -</u>
June 30, 2012			
U.S. treasuries	\$ 25,255	\$ 25,257	\$ 2
U.S. agencies	4,860	4,923	63
Repurchase agreements	19,843	19,843	-
Money market funds	28,325	28,325	-
Accrued interest	102	102	-
	<u>\$ 78,385</u>	<u>\$ 78,450</u>	<u>\$ 65</u>

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Assets held by trustees maturities are as follows:

	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
June 30, 2013					
Repurchase agreements	\$ 19,843	\$ -	\$ -	\$ -	\$ 19,843
Money market funds	58,689	58,689	-	-	-
	<u>\$ 78,532</u>	<u>\$ 58,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,843</u>
June 30, 2012					
U.S. treasuries	\$ 25,257	\$ 25,257	\$ -	\$ -	\$ -
U.S. agencies	4,923	4,923	-	-	-
Repurchase agreements	19,843	-	-	-	19,843
Money market funds	28,325	28,325	-	-	-
Accrued interest	102	102	-	-	-
	<u>\$ 78,450</u>	<u>\$ 58,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,843</u>

Assets held by trustees were transferred to Rutgers, UH and Rowan on July 1, 2013 as described in Note 1.

Substantially all of the University's investments, including assets held by trustees, are Category 1 investments, which are defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as investments that are insured or registered and are held by the institution, or its agent, in the institution's name. The University invests in repurchase agreements, principally of government securities, which are agreements between a seller and a buyer whereby the seller agrees to repurchase the securities at an agreed upon price and time. These repurchase agreements are fully collateralized by obligations of the U.S. government and U.S. government agencies.

Investment income consists of the following:

	Year Ended June 30,	
	2013	2012
Interest income	\$ 1,738	\$ 1,339
Dividend income	776	722
Gain on sale of investment	204	-
	<u>\$ 2,718</u>	<u>\$ 2,061</u>

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Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate yields on assets held by trustees consist of the following:

	Year Ended June 30,	
	2013	2012
U.S. agencies	-	4.63%
Repurchase agreements	4.71%	4.71%
Cash management funds	0.02%	0.02%

Credit Risk

The University's investment policy limits investments in corporate bonds to the top rating issued by nationally recognized statistical rating agencies. Mutual bond fund investments are not rated.

Concentration of Credit Risk

The University's investment policy places no limits on the amount that may be invested in U.S. Government securities. However, holdings other than U.S. Government securities must be diversified so as to limit concentration in any single obligor, industry or geographic area. Investment of corporate bonds and commercial paper must be in U.S. corporations.

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6. Capital Assets

The historical cost of capital assets and capital asset activities for the years ended June 30, 2013 and 2012 are as follows:

	June 30, 2012	Additions	Retirements/ Capitalization	June 30, 2013
Depreciable assets				
Land improvements	\$ 8,180	\$ -	\$ -	\$ 8,180
Buildings and leasehold improvements	1,412,235	4,219	(1,561)	1,414,893
Equipment	551,555	24,628	(8,375)	567,808
Capital assets for investment in joint ventures	36,011	107	-	36,118
Capitalized interest	19,849	300	-	20,149
	<u>2,027,830</u>	<u>29,254</u>	<u>(9,936)</u>	<u>2,047,148</u>
Accumulated depreciation				
Land improvements	(5,654)	(304)	-	(5,958)
Buildings and leasehold improvements	(700,003)	(48,131)	400	(747,734)
Equipment	(457,828)	(17,741)	2,246	(473,323)
Capital assets for investment in joint ventures	(26,974)	(583)	-	(27,557)
	<u>(1,190,459)</u>	<u>(66,759)</u>	<u>2,646</u>	<u>(1,254,572)</u>
Accumulated amortization				
Capitalized interest	(3,633)	(972)	-	(4,605)
Non-depreciable assets				
Land	15,801	-	(14)	15,787
Construction in progress	12,488	30,411	(22,425)	20,474
	<u>\$ 862,027</u>	<u>\$ (8,066)</u>	<u>\$ (29,729)</u>	<u>\$ 824,232</u>
	June 30, 2011	Additions	Retirements/ Capitalization	June 30, 2012
Depreciable assets				
Land improvements	\$ 8,180	\$ -	\$ -	\$ 8,180
Buildings and leasehold improvements	1,409,644	2,591	-	1,412,235
Equipment	524,144	29,926	(2,515)	551,555
Capital assets for investment in joint ventures	35,930	81	-	36,011
Capitalized interest	19,470	379	-	19,849
	<u>1,997,368</u>	<u>32,977</u>	<u>(2,515)</u>	<u>2,027,830</u>
Accumulated depreciation				
Land improvements	(5,345)	(309)	-	(5,654)
Buildings and leasehold improvements	(656,420)	(43,583)	-	(700,003)
Equipment	(437,712)	(22,428)	2,312	(457,828)
Capital assets for investment in joint ventures	(26,191)	(783)	-	(26,974)
	<u>(1,125,668)</u>	<u>(67,103)</u>	<u>2,312</u>	<u>(1,190,459)</u>
Accumulated amortization				
Capitalized interest	(2,699)	(934)	-	(3,633)
Non-depreciable assets				
Land	15,801	-	-	15,801
Construction in progress	10,735	24,865	(23,112)	12,488
	<u>\$ 895,537</u>	<u>\$ (10,195)</u>	<u>\$ (23,315)</u>	<u>\$ 862,027</u>

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As of July 1, 2013 all capital assets were transferred to Rutgers, UH and Rowan as described in Note 1.

The University and Rutgers participate in an unincorporated joint venture agreement that manages two major research facilities, the Environmental and Occupational Health Sciences Institute and the Center for Advanced Biotechnology and Medicine.

The University has acquired certain fixed assets relating to the joint ventures totaling \$36,118 and \$36,011 as of June 30, 2013 and 2012, respectively. Total accumulated depreciation related to these assets was \$27,557 and \$26,974 as of June 30, 2013 and 2012, respectively.

Included in the University's capital asset balances are assets acquired under capital leases totaling \$116,112 and \$115,493 as of June 30, 2013 and 2012, respectively. Total accumulated amortization related to these assets was \$57,040 and \$53,583 as of June 30, 2013 and 2012, respectively.

Included in the University's capital asset balances are capitalized interest costs of \$300 and \$379 as of June 30, 2013 and 2012, respectively.

7. Self-Insurance Reserve Fund

The University administers a trust fund on behalf of the State known as the University of Medicine and Dentistry of New Jersey Self-Insurance Reserve Fund (the "Fund"), which is used to pay malpractice claims, insurance premiums and claims related to auto and directors' and officers' liability. The University and the State approve the payment of claims and the University is required to collect contributions to the Fund from its affiliated hospitals and UPA. Monies in the fund, existing commercial excess liability insurance coverage and coverage provided by the State's Tort Claims Act are used to meet the cost of claims against the University, primarily UH and the faculty practice plans. The State has the ultimate liability for any claims in excess of the Fund's assets.

Payment of claims from the Fund totaled \$22,805 and \$20,890 in 2013 and 2012, respectively. Contributions to the Fund from the State totaled \$10,731 and \$10,208 in 2013 and 2012, respectively. Contributions to the Fund from the University's affiliates totaled \$9,355 and \$8,186 in 2013 and 2012, respectively, and are included in nonoperating revenues.

Net assets in the Fund amounted to (\$6,977) and (\$4,260) as of June 30, 2013 and 2012, respectively.

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8. Long-Term Debt, Capital Lease Obligations and Other Accrued Liabilities

As of June 30, 2013 and 2012, long-term debt, including bonds and capital lease obligations, consists of the following:

	2013	2012
2002 Series A Bonds, May 2002 issue in the amount of \$224,130. Serial bonds in the amount of \$72,100 bearing interest at rates of 4.2% to 5.5% are payable in installments of interest and principal through 2024; \$115,645 of 5.0%-5.5% term bonds are due through 2031. The bonds are collateralized by University revenues consisting of any moneys appropriated for debt service, any and all tuition revenues and any funds available to pay operating expenses.	\$ 187,745	\$ 193,100
2009 Series B Revenue Refunding Bonds, April 2009 issue in the amount of \$258,075. Serial bonds in the amount of \$66,595 bearing interest rates at 5.5%-6.5% are payable in equal installments of interest and principal through 2020; \$185,450 of 6.0%-7.5% term bonds are due through 2032. The bonds are collateralized by any legally available funds, with no specific pledge of revenues other than the funds held under the Lockbox Agreement (1)	252,045	258,075
Certificates of Participation, Series 2003 (2)	49,220	50,670
Certificates of Participation, Series 2004 (3)	75,320	76,960
Capital building leases (4)	53,218	54,998
Capital improvement fund obligation (5)	16,681	18,299
Notes payable (6)	<u>1,656</u>	<u>2,023</u>
	635,885	654,125
Unamortized bond discount	<u>(1,897)</u>	<u>(2,001)</u>
Total long-term debt and capital lease obligations, net of discount	<u>\$ 633,988</u>	<u>\$ 652,124</u>

On July 1, 2013, all debt was transferred to Rutgers, UH and Rowan. The bonds, certificates of participation and capital leases were defeased and other debt was assumed.

- (1) In April 2009, the University entered into a Loan Agreement (“Agreement”) with the New Jersey Educational Facilities Authority (“EFA”) whereby EFA issued Revenue Refunding Bonds, UMDNJ issue, Series 2009 B in the amount of \$258,075 with an average interest rate of 7.2%. The net proceeds of the 2009 B bonds were used to refund various revenue bonds and lease revenue certificates. The University is obligated to make loan and interest payments to EFA, which are payable from any legally available funds of the University.

The refunding was structured to convert the University's variable rate debt into fixed rate debt and provide the holders of 2009 B Bonds with comparable rights to holders of other University debt issues.

As additional security for the Bonds, the University entered into a Lockbox Agreement, whereby it directed the State to deposit the majority of its monthly state appropriations directly with the lockbox bank, until such time that the bank has sufficient funds for the upcoming semi-annual debt service payments for the 2009 Series B Bonds and 2002 Series A Bonds.

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- (2) In January 2003, the University entered into a Master Lease Agreement whereby the University issued \$57,925 under Series 2003 Certificates of Participation for construction of the Child Health Institute located in New Brunswick. Serial certificates in the amount of \$16,230 bearing interest at rates of 4.0% - 5.0% are payable in equal installments of interest and principal through 2022; \$32,990 of 4.5% - 5.0% term certificates are due through 2032. These certificates are collateralized by available University revenues other than proceeds and earnings in rebate funds and grant accounts as well as insurance proceeds obtained for repair and replacement of the facility.
- (3) In December 2004, the University entered into a Master Lease Agreement whereby the University issued \$87,440 under Series 2004 Certificates of Participation for construction of the University Housing building located in Newark. Serial certificates in the amount of \$23,355 bearing interest at rates of 3.6% - 5.3% are payable in equal installments of interest and principal through 2024; \$51,965 of 5.0% term certificates are due through 2036. These certificates are collateralized by available University revenues other than proceeds and earnings in rebate funds and insurance proceeds obtained for repair and replacement of the facility.
- (4) In July 1998, the University entered into a capital lease purchase agreement on a building in New Brunswick known as Liberty Plaza. The lease agreement requires an average annual payment of \$1,696 to be paid through 2023 at which time the University will obtain title to the building. The effective interest rate on the lease is 5.1%.

In January 2000, the New Jersey Economic Development Authority (“NJEDA”) issued \$46,000 in lease revenue bonds to develop a project facility known as the International Center for Public Health in Newark. In addition, the State contributed approximately \$18,000 toward this project. Upon completion of construction during 2002, the NJEDA transferred its ownership interest in the project facility to the University through the execution of a lease transfer agreement and the University assumed the obligations of the NJEDA. The lease agreement is collateralized by University revenues other than monies and securities in the rebate fund and requires an average annual payment of \$3,335 to be paid through 2032. The effective interest rate on the lease is 5.7%.

- (5) In July 2000, the University participated in the Capital Improvement Fund Act, P.L. 1999, c.217 through a grant agreement with EFA to fund specific construction and renovation needs. The University’s allocation was \$95,000, of which 33% (\$31,667), bearing interest at rates ranging from 5.0% to 5.75%, is the obligation of the University. The remaining 67% (\$63,333) was a contribution from the State as well as the State’s obligation. Average annual payments of \$2,650 of equal installments of interest and principal are due through 2020.
- (6) In February 1998, the University entered into a capital funding agreement with the New Jersey Department of Human Services for \$450 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 \$523 to renovate various collateralized properties.

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In December 2004, the University entered into an Enhanced Affiliation agreement with Robert Wood Johnson University Hospital, which provides for working capital requirements for RWJMS through a promissory note. The promissory note is a credit line of \$10,000 and can be drawn down for a period of five years. During 2006, the agreement was amended canceling 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, 2013, \$4,000 was drawn on the promissory note and principal payments were made in the amount of \$2,867.

Future principal and interest payments on long-term debt and future minimum payments on capital lease obligations are summarized in the following tables.

Long-term debt service requirements to maturity as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2014	\$ 17,277	\$ 33,981	\$ 51,258
2015	18,136	33,077	51,213
2016	19,038	32,099	51,137
2017	19,705	31,053	50,758
2018	21,326	29,925	51,251
2019-2023	118,300	129,612	247,912
2024-2028	148,390	90,720	239,110
2029-2033	199,640	39,078	238,718
2034-2036	20,855	2,461	23,316
	<u>582,667</u>	<u>422,006</u>	<u>1,004,673</u>
Less: Unamortized bond discount	(1,897)	-	(1,897)
	<u>\$ 580,770</u>	<u>\$ 422,006</u>	<u>\$ 1,002,776</u>

Capital lease payments as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2014	\$ 1,945	\$ 3,003	\$ 4,948
2015	2,408	2,900	5,308
2016	2,539	2,769	5,308
2017	2,678	2,631	5,309
2018	2,825	2,485	5,310
2019-2023	17,308	9,815	27,123
2024-2028	11,535	5,751	17,286
2029-2032	11,980	1,849	13,829
	<u>\$ 53,218</u>	<u>\$ 31,203</u>	<u>\$ 84,421</u>

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Long-term debt and capital lease obligations, third party payors settlements and accrued claims liability activities for the years ended June 30, 2013 and 2012 are as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	\$469,475	\$ -	\$(13,004)	\$ 456,471	\$ 13,662
Certificates of participation	127,630	-	(3,090)	124,540	3,215
Notes payable	2,023	-	(367)	1,656	400
Unamortized bond discount	(2,001)	-	104	(1,897)	-
	<u>597,127</u>	<u>-</u>	<u>(16,357)</u>	<u>580,770</u>	<u>17,277</u>
Capital lease obligations					
Building leases	54,997	-	(1,779)	53,218	1,945
	<u>54,997</u>	<u>-</u>	<u>(1,779)</u>	<u>53,218</u>	<u>1,945</u>
Third party payor settlements	47,228	1,211	(2,000)	46,439	-
Accrued claims liability and other	33,640	10,765	(13,829)	30,576	-
	<u>\$732,992</u>	<u>\$ 11,976</u>	<u>\$(33,965)</u>	<u>\$ 711,003</u>	<u>\$ 19,222</u>

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	\$478,130	\$ -	\$ (8,655)	\$ 469,475	\$ 13,004
Certificates of participation	130,615	-	(2,985)	127,630	3,090
Notes payable	2,673	-	(650)	2,023	400
Unamortized bond discount	(5,636)	-	3,635	(2,001)	-
	<u>605,782</u>	<u>-</u>	<u>(8,655)</u>	<u>597,127</u>	<u>16,494</u>
Capital lease obligations					
Building leases	56,686	-	(1,689)	54,997	1,779
	<u>56,686</u>	<u>-</u>	<u>(1,689)</u>	<u>54,997</u>	<u>1,779</u>
Third party payor settlements	11,391	50,327	(14,490)	47,228	-
Accrued claims liability and other	32,647	12,890	(11,897)	33,640	-
	<u>\$706,506</u>	<u>\$ 63,217</u>	<u>\$(36,731)</u>	<u>\$ 732,992</u>	<u>\$ 18,273</u>

The third party payor settlements amounts at June 30, 2013 and June 30, 2012 include the discounted value of the \$74,710 of liabilities that were to be repaid during 2013-2029 under Medicaid settlement agreements with the State in 2012 and 2009.

Based on an actuarial valuation, the University recorded an accrued liability for workers compensation claims of \$30,500 and \$33,557 at June 30, 2013 and 2012, respectively, on a discounted basis assuming an interest rate of 3.25% in 2013 and 2012. Actual losses will vary due to the uncertainty inherent in the projections used in the actuarial valuation.

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9. Retirement Benefits Plans

Retirement benefits for substantially all full-time employees are provided either through the Alternate Benefits Program (“ABP”) or the Public Employees’ Retirement – Social Security Integration Act (“PERS”). Under these plans, participants make annual contributions, and the State, in accordance with state statutes, makes employer contributions on behalf of the University for these plans. Pension expense paid by the State approximated \$60,516 in 2013 and \$56,894 in 2012 and is reflected in the consolidated statements of revenues, expenses and changes in net assets as fringe benefits paid by the State. The University has no direct pension obligation associated with the State plans and no liability for such costs has been recorded in the consolidated financial statements.

Employees of New Jersey state colleges and universities are employees of the State, therefore, the other post employment benefits liability is a liability of and recorded by the State, as the State is legally responsible for these contributions.

Total payroll of the University’s plan participants was \$757,160 and \$756,504 for 2013 and 2012, respectively. Summary information regarding these plans is provided below.

Alternate Benefits Program

Plan Description—ABP is a defined contribution plan for full-time members of the faculties of the University’s schools, plus other staff employees. This plan is underwritten by several plan participants to fund pension benefits for education institutions. ABP is administered by the State of New Jersey, Division of Pension and Benefits (the “Division”). Benefits under ABP are generally paid at retirement as a lump sum or annuity payment.

A separate financial report that includes financial statements and required supplementary information related to ABP is issued annually and can be obtained by contacting the Division.

Contributions—The State contributes a fixed rate of 8% of employees’ compensation and employees contribute 5%. The contribution requirements for plan members and the University are established and may be amended by the Division.

Contributions to ABP were as follows:

	Year Ended June 30,	
	2013	2012
Employee contributions	\$ 30,958	\$ 30,134
Employer contributions (paid by the State)	42,689	42,719
Basis for determining contributions - participating employee salaries	533,606	533,988

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Public Employees' Retirement System

Plan Description—PERS is a multiple-employer, public cost-sharing defined benefit retirement system which is administered by the State. University employees of a certain classification are required as a condition of employment to be members of PERS. Annual benefits are equal to the final average salary multiplied by years of service divided by 55. Final average salary is defined as 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 after ten years of credited service. Members are eligible for retirement at age 62 with no minimum years of service required. Members who have 25 years or more of credited service may also select early retirement without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits which are established by State statute. The State issues a financial report available to the public that includes financial statements and required supplementary information for PERS, which may be obtained from the Division.

Contributions—Covered University employees are required by PERS to contribute 6.6% and 6.5% of their annual compensation during 2013 and 2012, respectively. The State contributes the remaining amounts necessary to pay benefits when due, which is based upon an actuarially determined percentage of total compensation of all active members. Contributions to PERS were as follows:

	Year Ended June 30,	
	2013	2012
Employee contributions	\$ 15,369	\$ 14,335
Employer contributions (paid by the State)	17,827	14,175
Employer contributions as a percentage of salary expense	8%	6%
Basis for determining contributions - participating employee salaries	223,554	222,516

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10. Commitments and Contingencies

The University has a contract with Ellucian Company LP, formerly SunGard Higher Education, for software and outsourcing services needed to maintain the University's integrated administrative computer system, which expires on July 31, 2013 at an annual cost of \$1,295.

In June 2009, the University entered into a lease agreement for telecommunications equipment that requires payments of \$1,400 per year through 2016.

The University has several major construction contracts in process for construction and renovation projects. As of June 30, 2013 and 2012, the remaining balance on these contracts was \$16,728 and \$12,845, respectively.

The University is obligated under noncancelable operating leases for various facilities and equipment. Minimum payments for operating leases with noncancelable terms in excess of one year are as follows:

Year Ending June 30,

2014	\$ 5,450
2015	3,543
2016	2,287
2017	1,885
2018	1,730
2019-2023	8,631
2024-2028	7,156
2029-2033	6,454
2034 and thereafter	1,733
	<u>\$ 38,869</u>

Total rent expense for these operating leases were \$3,368 and \$5,064 in 2013 and 2012, respectively.

The University, under various Jobs, Education and Competitiveness contracts, is required to establish a maintenance reserve fund which totaled \$4,125 as of June 30, 2013 and 2012, respectively.

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 its financial statements.

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11. Legal Matters

The University is a party in various legal proceedings arising in the ordinary course of its operations. In the opinion of management, the University has adequate insurance to cover the estimated potential liability for damages in those cases, or, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on the University's financial position, results of operations, or cash flows.

In connection 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 entered into a five year Corporate Integrity Agreement (“CIA”) with the Office of Inspector General of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, the University agreed to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs. Related liabilities have been estimated and recorded within the 2013 and 2012 financial statements, respectively.

From time to time, the University becomes aware of Federal and/or State inquiries and investigations and may receive subpoenas and other requests for information. The University cooperates with the agencies and provides the information and data requested. Although the ultimate outcome of any such inquiries may be unknown at this time, management believes they will not have a material effect on the University's financial position, operating results or cash flows.

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12. Natural Expenses By Functional Classification

The University reports operating expenses by functional classification. Details of these expenses by natural classification are as follows:

	Year Ended June 30, 2013				
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Total
Instruction	\$ 129,663	\$ 55,552	\$ 11,921	\$ -	\$ 197,136
Research	58,497	20,060	81,065	-	159,622
Public service	74,640	29,460	13,983	-	118,083
Academic and student support	21,976	4,268	11,515	-	37,759
Institutional and administrative support	48,572	32,093	42,965	-	123,630
Patient care services	372,467	147,926	179,115	-	699,508
Professional services and contracts	251,987	53,340	80,648	-	385,975
Operation and maintenance of plant	22,983	6,815	30,714	-	60,512
Depreciation	-	-	-	66,759	66,759
Insurance	586	231	11,488	-	12,305
Auxiliary enterprises and other	2,326	809	12,047	-	15,182
Total operating expenses	<u>\$ 983,697</u>	<u>\$350,554</u>	<u>\$475,461</u>	<u>\$ 66,759</u>	<u>\$1,876,471</u>

	Year Ended June 30, 2012				
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Total
Instruction	\$ 129,932	\$ 42,545	\$ 12,171	\$ -	\$ 184,648
Research	65,331	19,057	84,562	-	168,950
Public service	71,224	22,630	14,974	-	108,828
Academic and student support	17,893	4,987	7,782	-	30,662
Institutional and administrative support	60,941	37,914	15,493	-	114,348
Patient care services	365,771	104,137	196,162	-	666,070
Professional services and contracts	237,114	41,352	80,856	-	359,322
Operation and maintenance of plant	20,216	12,808	20,714	-	53,738
Depreciation	-	-	-	67,103	67,103
Insurance	575	208	10,108	-	10,891
Auxiliary enterprises and other	2,152	745	14,506	-	17,403
Total operating expenses	<u>\$ 971,149</u>	<u>\$286,383</u>	<u>\$457,328</u>	<u>\$ 67,103</u>	<u>\$1,781,963</u>

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13. Component Unit - New Jersey Health Foundation, Inc.

The following information has been taken from the Foundation's audited financial statements.

Summary of Significant Accounting Policies

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Grants Payable

Grants are distributed in the areas of research, research training, educational enrichment, student assistance, university ventures, and community health. Grants payable are recorded at the time authorized by the board of trustees of the Foundation; an award letter is sent to the recipient and grants are expected to be paid within one year.

Included in grants payable as of June 30, 2013 is approximately \$1,300 which has been authorized by the Board of Directors of the Foundation to provide transitional funding to the RU Foundation and Rowan University Foundation for fundraising operations.

Concentration of Credit Risk

The Foundation maintains a significant and diverse investment portfolio, which includes money market funds, debt and equity securities and alternative assets. Alternative assets include interests in limited partnerships and offshore funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals and nondisclosure of portfolio composition. The Foundation reviews the performance and risks associated with these investments on at least a monthly basis. In addition, the Foundation utilizes the services of an investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Foundation of any such changes.

As the Foundation is dependent on investment return to fund a significant portion of its operations, a significant decrease in investment return may have a material impact on the financial position, changes in net assets, and cash flows of the Foundation.

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Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820, *Fair Value Measurements* (formerly referred to as SFAS No. 157), establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.
- Level 2: Investments in certain entities that calculate net asset value per share (or its equivalent) in which the Foundation has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date. Level 2 also includes investments with observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes foreign long only equity securities.
- Level 3: Investments in certain entities that calculate net asset value per share in which the Foundation either will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent) or in which the Foundation cannot redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date but the investment may be redeemable with the investee at a future date. These investment prices are based on the respective net asset value reported by the administrator and/or management of the investment fund in which the Foundation invests. The inputs in the determination of fair value require significant management judgment or estimation. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer.

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Investments

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to allow for the annual appropriation under its spending policy, fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance Committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed-income securities, the Foundation may also hold shares or units in institutional funds as well as in alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Private equity strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Foundation's interests in alternative investment funds are generally reported at the net asset value (NAV) provided by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2013 and 2012, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

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The following table summarizes the Foundation's investment and other assets by major category in the fair value hierarchy as June 30, 2013 and 2012, as well as related strategy, liquidity and funding commitments:

	June 30, 2012				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Long-term investment strategies:						
Traditional fixed income funds	\$ 16,649	\$ -	\$ -	\$ 16,649	Daily	1
Domestic equities:					Daily Level 1/ Monthly Level	
Large-mid cap	41,512	5,035	-	46,547		2
Small cap value	4,897	-	-	4,897	Daily	1
Small cap	6,380	-	-	6,380	Daily	30
Total	52,789	5,035	-	57,824		
Global (excluding U.S.) equities:						
Developed markets	-	18,562	-	18,562	Monthly	5
Emerging markets	6,073	-	-	6,073	Daily	1
Total	6,073	18,562	-	24,635		
Hedged equity funds of funds:						
Long/short strategies	-	-	9,526	9,526	Locked-up (1)	60
Absolute return/multiple strategies	-	-	20,970	20,970	Locked-up (2)	100
Total	-	-	30,496	30,496		
Private equity and venture capital funds	-	-	7,254	7,254	Illiquid (3)	N/A
Other debt securities	6,203			6,203		
Other equity securities	2,905	-	-	2,905	Daily	1
Total long-term investments	84,619	23,597	37,750	145,966		
Cash equivalents – money market	29,933	-	-	29,933	Daily	1
Total	\$ 114,552	\$ 23,597	\$ 37,750	\$175,899		

(1) These funds are subject to lock-ups expiring in 2016.

(2) \$15 million of these funds are subject to a three year lock-up expiring December 2013; \$8 million of these funds are subject to a three year lock-up expiring December 2015.

(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate \$1.5 million.

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	June 30, 2013				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Long-term investment strategies:						
Traditional fixed income funds	\$ 14,179	\$ -	\$ -	\$ 14,179	Daily	1
Domestic equities:					Daily Level 1/ Monthly Level 2	
Large-mid cap	49,707	6,209	-	55,916		2
Small cap value	6,479	-	-	6,479	Daily	1
Small cap	7,876	-	-	7,876	Daily	30
Total	64,062	6,209	-	70,271		
Global (excluding U.S.) equities:						
Developed markets	-	21,363	-	21,363	Monthly	5
Emerging markets	6,147	-	-	6,147	Daily	1
Total	6,147	21,363	-	27,510		
Hedged equity funds of funds:						
Long/short strategies	-	-	14,480	14,480	Locked-up (1)	60
Absolute return/multiple strategies	-	-	19,312	19,312	Locked-up (2)	100
Total	-	-	33,792	33,792		
Private equity and venture capital funds	-	-	6,640	6,640	Illiquid (3)	N/A
Other debt securities	6,635	-	-	6,635		
Other equity securities	3,267	-	-	3,267	Daily	1
Total long-term investments	94,290	27,572	40,432	162,294		
Cash equivalents – money market funds	21,058	-	-	21,058	Daily	1
Total	\$ 115,348	\$ 27,572	\$ 40,432	\$ 183,352		

(1) These funds are subject to lock-ups expiring 2015

(2) \$13 million of these funds are subject to a three year lock-up expiring December 2013; \$8 million of these funds are subject to a three year lock-up expiring December 2012.

(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate \$1.5 million.

Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, some of which are marketable or not difficult to value. Because each fund's reported NAV is used as a practical expedient to estimate the fair value of the Foundation's interest therein, the level in which a fund's fair value measurement is classified is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

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The following table presents the Foundation's activities for the years ended June 30, 2013 and 2012 for investments classified in Level 3:

	2013		
	Hedged equity funds of funds	Private equity and venture capital funds	Total
Level 3 roll forward			
Beginning value as of July 1, 2012	\$ 30,496	\$ 7,254	\$ 37,750
Acquisitions	7,500	430	7,930
Redemptions	(7,783)	(1,284)	(9,067)
Net realized and unrealized gains	3,579	240	3,819
Fair value at June 30, 2013	<u>\$ 33,792</u>	<u>\$ 6,640</u>	<u>\$ 40,432</u>

	2012		
	Hedged equity funds of funds	Private equity and venture capital funds	Total
Level 3 roll forward			
Beginning value as of July 1, 2011	\$ 33,651	\$ 7,418	\$ 41,069
Acquisitions	-	425	425
Redemptions	(3,139)	(462)	(3,601)
Net realized and unrealized gains	(16)	(127)	(143)
Fair value at June 30, 2012	<u>\$ 30,496</u>	<u>\$ 7,254</u>	<u>\$ 37,750</u>

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the Foundation may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

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Certain hedge funds of funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the Foundation makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

Investment liquidity as of June 30, 2013 and 2012 is aggregated below based on redemption or sale period:

	Investment fair values	
	2013	2012
Investment redemption or sale period:		
Daily	\$ 115,347	\$ 114,552
Monthly	27,573	23,597
Subject to rolling lock-ups	33,792	30,496
Illiquid	6,640	7,254
	<u>\$ 183,352</u>	<u>\$ 175,899</u>

Net Asset Balances

Temporarily Restricted Net Assets

As of June 30, 2013 and 2012, temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Construction of facilities	\$ 3,477	\$ 3,012
Research grants	13,551	13,696
Faculty chairs and support	9,600	5,046
Lectures and events	541	247
Continuing education program support	519	1,172
Scholarships and fellowships	8,347	5,750
Other designated program support	13,504	16,595
	<u>\$ 49,539</u>	<u>\$ 45,518</u>

Permanently Restricted Net Assets

As of June 30, 2013 and 2012, permanently restricted net assets consist of endowment contributions from donors with income to be used for specific or general purposes as follows:

	<u>2013</u>	<u>2012</u>
Faculty chairs	\$ 36,465	\$ 32,908
Research	26,214	25,473
Construction of facilities	12,161	12,210
Lectureships	1,118	1,091
Scholarships and fellowships	15,853	15,113
Other	4,829	4,553
	<u>\$ 96,640</u>	<u>\$ 91,348</u>

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The Foundation's endowment consists of 297 and 289 funds as of June 30, 2013 and 2012, respectively, that have been established by the Foundation to support faculty chairs, research, lectureships, scholarships, fellowships and other programs at the University. These funds are invested by the Foundation. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Uniform Prudent Management of Institutional Funds Act (the Act)

The Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the prudence standard prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation and the University
7. The investment policies of the Foundation

Spending and Investment Policies

The Foundation has a policy of appropriating for distribution each year 5% of the lesser of (1) each of its eligible endowment fund's average fair value based on the twelve quarters preceding the beginning of the fiscal year end or (2) fair value at the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that exceed the net appreciation classified in temporarily restricted net assets are classified as board designated net assets. Future gains to restore the fair value of the donor-restricted endowment funds to the required level shall first be reported as increases in board designated net assets to the extent of the deficiency with excess reported as increases in temporarily restricted net assets. There are no deficiencies as of June 30, 2013 and 2012.

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Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Foundation's Finance Committee of the Board of Directors, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category.

The following represents the net asset classes of the Foundation's board designated and donor-restricted endowment funds as of June 30, 2013 and 2012:

	2013			
	Board designated	Temporarily restricted	Permanently restricted	Total
Board designated endowment funds	\$ 36,567	\$ -	\$ -	\$ 36,567
Donor-restricted endowment funds	-	25,262	96,640	121,902
Total endowment funds	36,567	25,262	96,640	158,469
Other non-endowment funds	3,038	24,277	-	27,315
Total net assets	<u>\$ 39,605</u>	<u>\$ 49,539</u>	<u>\$ 96,640</u>	<u>\$ 185,784</u>

	2012			
	Board designated	Temporarily restricted	Permanently restricted	Total
Board designated endowment funds	\$ 37,173	\$ -	\$ -	\$ 37,173
Donor-restricted endowment funds	-	13,889	91,348	105,237
Total endowment funds	37,173	13,889	91,348	142,410
Other non-endowment funds	2,603	31,629	-	34,232
Total net assets	<u>\$ 39,776</u>	<u>\$ 45,518</u>	<u>\$ 91,348</u>	<u>\$ 176,642</u>

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The following table presents changes in endowments for the year ended June 30, 2013 and 2012:

	Board designated	Temporarily restricted	Permanently	Total
Endowment net assets at June 30, 2011	\$ 41,717	\$ 23,103	\$ 86,748	\$ 151,568
Investment income	522	1,432	-	1,954
Net depreciation (realized and unrealized)	(1,123)	(3,653)	-	(4,776)
Contributions	-	-	4,598	4,598
Appropriation of endowment assets for expenditure	(14)	(4,495)	-	(4,509)
Cost recovery and investment fees	(961)	(2,498)	-	(3,459)
Write-off of contribution receivable	-	-	(50)	(50)
Board designated expenses	(2,969)	-	-	(2,969)
Transfers	-	-	52	52
Endowment net assets at June 30, 2012	<u>37,172</u>	<u>13,889</u>	<u>91,348</u>	<u>142,409</u>
Investment income	468	1,424	-	1,892
Net appreciation (realized and unrealized)	4,827	16,554	-	21,381
Contributions	40	-	5,597	5,637
Appropriation of endowment assets for expenditure	(2,002)	(3,807)	-	(5,809)
Cost recovery and investment fees	(781)	(2,798)	-	(3,579)
Write-off of contribution receivable	-	-	(436)	(436)
Board designated expenses	(2,757)	-	-	(2,757)
Matching fund transfer	(400)	-	400	-
Transfers	-	-	(269)	(269)
Endowment net assets at June 30, 2013	<u>\$ 36,567</u>	<u>\$ 25,262</u>	<u>\$ 96,640</u>	<u>\$ 158,469</u>

Contributions Receivable

Contributions receivable consist of the following as of June 30, 2013 and 2012:

	2013	2012
Unconditional promises to give, net	\$ 10,296	\$ 16,640
Receivable under charitable remainder trust agreements	<u>2,018</u>	<u>1,961</u>
	<u>\$ 12,314</u>	<u>\$ 18,601</u>

Contributions receivable are expected to be received subsequent to June 30, 2013 and 2012 as follows:

	2013	2012
Less than one year	\$ 7,852	\$ 13,774
One year to five years	2,725	4,597
Five years to ten years	3,019	1,978
Present value discount ranging from 1.5% to 6%	(1,132)	(1,523)
Allowance for uncollectible contributions receivable	<u>(150)</u>	<u>(225)</u>
	<u>\$ 12,314</u>	<u>\$ 18,601</u>

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14. Component Unit - Cancer Institute of New Jersey Foundation, Inc.

The following information has been taken from the CINJ Foundation's audited financial statements.

Investments

As of June 30, 2013 and 2012 investments consist of the following:

Short-term investments:	2013	2012
Certificates of deposit - temporarily restricted	\$ 2,763	\$ 3,910
Certificates of deposit - permanently restricted	<u>240</u>	<u>679</u>
Total short-term investments	<u>3,003</u>	<u>4,589</u>
Long-term investments:		
Certificates of deposit - temporarily restricted	802	-
Certificates of deposits - permanently restricted	192	-
Fair value of \$4 million second-to-die universal Life Insurance Policy - permanently restricted	<u>35</u>	<u>35</u>
Total long-term investments	<u>1,029</u>	<u>35</u>
Total investments	<u>\$ 4,032</u>	<u>\$ 4,624</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Interest and dividend income	\$ 24	\$ 36	\$ (7)	\$ 53
Unrealized (loss)	-	(25)	(43)	(68)
Net realized (loss)	<u>-</u>	<u>(8)</u>	<u>(7)</u>	<u>(15)</u>
Net earnings (loss) on investments	<u>\$ 24</u>	<u>\$ 3</u>	<u>\$ (57)</u>	<u>\$ (30)</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Interest and dividend income	\$ 18	\$ 3	\$ 3	\$ 24
Unrealized (loss)	-	(1)	-	(1)
Net realized gain	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Net earnings on investments	<u>\$ 18</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 25</u>

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Fair Value Accounting

The CINJ Foundation has adopted the accounting guidance related to Fair Value Measurements with respect to its financial assets and liabilities. Fair Value Measurements defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under Fair Value Measurements as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value under Fair Value Measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs (of which the first two are considered observable) and the last unobservable, that may be used to measure fair value and they are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with Fair Value Measurements, the following table represents the CINJ Foundation's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 4,141	\$ -	\$ -	\$ 4,141
Short-term investments:				
Certificates of deposit - financial services	3,003	-	-	3,003
Long-term investments:				
Certificates of deposit - financial services	994	-	-	994
Exchange traded fund - S&P500	-	-	-	-
Life insurance	-	-	35	35
Cash equivalents restricted for long-term purposes	446	-	-	446
Total long-term investments	<u>1,440</u>	<u>-</u>	<u>35</u>	<u>1,475</u>
Total investments	<u>\$ 8,584</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 8,619</u>

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In accordance with Fair Value Measurements, the following table represents the CINJ Foundation's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 4,107	\$ -	\$ -	\$ 4,107
Short-term investments:				
Certificates of deposit - financial services	4,589	-	-	4,589
Long-term investments:				
Life insurance	-	-	35	35
Cash equivalents restricted for long-term purposes	196	-	-	196
Total long-term investments	<u>196</u>	<u>-</u>	<u>35</u>	<u>231</u>
Total investments	<u>\$ 8,892</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 8,927</u>

Money market funds, certificates of deposit, marketable securities and exchange traded funds are valued using quoted market prices in active markets for identical assets. Corporate bonds are valued at market price or market price for similar assets in active markets. In the event that quoted market prices in active markets and other observable measurement criteria are not available, CINJ Foundation will develop measurement criteria based upon the best information available. There have been no changes in the methodologies used for periods presented in these financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CINJ Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a summary of activity for the year ended June 30, 2012 and June 30, 2013 for assets measured at fair value based upon unobservable measure criteria:

Balance, June 30, 2011	\$ 49
Change in cash surrender value of life insurance policy purchased	<u>(14)</u>
Balance, June 30, 2012	35
Change in cash surrender value of life insurance policy purchased	<u>-</u>
Balance, June 30, 2013	<u>\$ 35</u>

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Contributions Receivable

Contributions receivable include only unconditional promises to give and are expected to be received subsequent to June 30, 2013 and 2012 as follows:

	2013	2012
One year or less	\$ 674	\$ 706
One year to five years	28	193
	<u>702</u>	<u>899</u>
Allowance for uncollectible contributions	(105)	(113)
Present value discount at 3.5% for 2013 and 2012	(9)	(20)
	<u>\$ 588</u>	<u>\$ 766</u>

Contributions receivable are classified as follows as of June 30:

	2013	2012
Unrestricted	\$ 109	\$ 98
Temporarily Restricted	460	650
Permanently Restricted	18	18
	<u>\$ 587</u>	<u>\$ 766</u>

Endowment Funds

Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds provides guidance on the net asset classification of donor restricted endowment funds for not-for-profits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures relating to endowment funds for all not-for-profits whether or not they are subject to UPMIFA. The State of New Jersey adopted UPMIFA on June 10, 2009.

The CINJ Foundation's endowment consists of four (4) individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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(In thousands of dollars)

Interpretation of Relevant Law

The Board of Trustees of the CINJ Foundation has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CINJ Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as permanently restricted net assets until those amounts are appropriated for expenditure by the CINJ Foundation in a manner consistent with the standard of prudence prescribed by state law. The CINJ Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the CINJ Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the CINJ Foundation
- The investment policies of the CINJ Foundation

Return Objectives and Risk Parameters

The CINJ Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary purpose of endowment funds is to provide the CINJ Foundation with recurrent and growing financial support to be used in perpetuity to support the mission of the CINJ Foundation or to be used as required by restricted fund stipulations. A secondary objective is to provide the CINJ Foundation with financial support as required by the Board of Trustees in the event of a financial emergency and operating budget deficits.

The CINJ Foundation's investment objectives of Endowment Funds are to:

- Preserve and increase the capital value of the Fund, while providing an annual cash distribution if designated by the Investment Committee of the Board of Trustees.
- Maintain the purchasing power of current and future assets by producing positive inflation adjusted returns.
- Maximize returns within reasonable and prudent levels of risk in accordance within accepted fiduciary standards and maintain an appropriate policy of investment quality and diversification.

The CINJ Foundation continues to be cautious given the ongoing economic climate. The CINJ Foundation started a conservative, timed investment of the existing endowment funds during fiscal year 2010. Holdings associated with this investment plan were liquidated in fiscal year 2012 due to market volatility. All investments are constantly monitored and adjustments are made as considered necessary.

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(In thousands of dollars)

Strategies Employed for Achieving Objectives

The CINJ Foundation had established a long-term endowment strategy at a point in time where the economic climate was quite different than that of today.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The primary purpose of the Endowment Fund is to provide the CINJ Foundation with recurrent and growing financial support to be used in perpetuity to support the mission of the CINJ Foundation or to be used as required by restricted fund stipulations. Income from the endowed funds may be used to pay or reimburse the CINJ Foundation for overhead related to the administration of any endowed fund, with details of those payments to be worked out as the need arises in individual cases. A secondary spending objective is to provide the CINJ Foundation with financial support as required by the Board of Trustees in the event of a financial emergency and operating budget deficits.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2013 and 2012:

	Permanently Restricted	
	2013	2012
Endowment net assets, beginning	\$ 929	\$ 985
Investment return	3	(57)
Contribution (Net)	1	1
Endowment net assets, ending - with purpose restrictions	<u>\$ 933</u>	<u>\$ 929</u>

15. Component Unit - University Physicians Associates of New Jersey, Inc.

The following information has been taken from UPA's audited financial statements.

Investments and Assets Whose Use is Limited

Assets Limited as to Use

Assets limited as to use at June 30, 2013 and 2012 is set forth in the following table:

	2013	2012
Cash and cash equivalents whose use is limited	<u>\$ 2,664</u>	<u>\$ 3,663</u>

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(In thousands of dollars)

Current Investments

The composition of current investments reported as trading securities at June 30, 2013 and 2012 is set forth in the following table:

	2013	2012
Cash and cash equivalents	\$ 2,238	\$ 1,345
Marketable equity securities	10,185	6,925
U.S. government securities	2,781	2,574
Bonds	<u>1,460</u>	<u>1,051</u>
Total current investments	<u>\$ 16,664</u>	<u>\$ 11,895</u>

Investment income and net unrealized gains on long-term investments, cash and cash equivalents whose use is limited, and cash and cash equivalents for the years ended June 30, 2013 and 2012 consisted of the following:

	2013	2012
Interest and dividend income	\$ 141	\$ 6
Net unrealized and realized gains	<u>1,340</u>	<u>40</u>
	<u>\$ 1,481</u>	<u>\$ 46</u>

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2013 are as follows:

	Valuation	Quoted	Significant Other	Significant	Total
	Techniques (1)	Prices in	Observable	Unobservable	Fair Value
		Active Markets	Inputs	Inputs	
		Level 1	Level 2	Level 3	
Assets					
Marketable equity securities	M	\$ 10,185	\$ -	\$ -	\$ 10,185
U.S. government securities	M	-	2,781	-	2,781
Bonds	M	<u>-</u>	<u>1,460</u>	<u>-</u>	<u>1,460</u>
Total assets		<u>\$ 10,185</u>	<u>\$ 4,241</u>	<u>\$ -</u>	<u>\$ 14,426</u>

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

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The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2012 are as follows:

	Valuation Techniques (1)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets					
Marketable equity securities	M	\$ 6,925	\$ -	\$ -	\$ 6,925
U.S. government securities	M	-	2,574	-	2,574
Bonds	M	-	1,051	-	1,051
Total assets		<u>\$ 6,925</u>	<u>\$ 3,625</u>	<u>\$ -</u>	<u>\$ 10,550</u>

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

At June 30, 2013 and 2012, there was approximately \$2,200 and \$1,300, respectively of cash and cash equivalents in investments within the combined statements of assets, liabilities and net assets 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, money market funds and U.S. government securities are based on quoted market prices and 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 or priced using a model-based valuation are classified as Level 2.

Supplementary Information

University of Medicine and Dentistry of New Jersey
Combining Statements of Net Position – Piscataway and Newark Centers of University Behavioral HealthCare
(In thousands of dollars)

	<u>June 30, 2013</u>			<u>June 30, 2012</u>		
	<u>Piscataway Center</u>	<u>Newark Center</u>	<u>Total</u>	<u>Piscataway Center</u>	<u>Newark Center</u>	<u>Total</u>
Assets						
Current assets						
Cash and cash equivalents	\$ 4,017	\$ 7,228	\$ 11,245	\$ 8,034	\$ 4,418	\$ 12,452
Accounts receivable, net of allowance for doubtful accounts of \$2,016 in 2013 and \$2,286 in 2012	5,508	2,559	8,067	4,448	2,126	6,574
Other receivables, net of allowance for doubtful accounts of \$7 in 2013 and \$18 in 2012	1,700	6	1,706	2,002	219	2,221
Grants Receivable	6,173	2,112	8,285	6,409	1,718	8,127
Inventories and other assets	206	-	206	76	-	76
Total current assets	<u>17,604</u>	<u>11,905</u>	<u>29,509</u>	<u>20,969</u>	<u>8,481</u>	<u>29,450</u>
Noncurrent assets						
Capital assets, net	16,207	463	16,670	18,520	348	18,868
Total assets	<u>33,811</u>	<u>12,368</u>	<u>46,179</u>	<u>39,489</u>	<u>8,829</u>	<u>48,318</u>
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	5,126	844	5,970	6,154	959	7,113
Third party payor settlements	400	-	400	120	-	120
Accrued vacation	2,601	868	3,469	2,203	681	2,884
Due to other funds	405	-	405	439	-	439
Advances for grants	1,439	1,022	2,461	3,029	1,781	4,810
Total current liabilities	<u>9,971</u>	<u>2,734</u>	<u>12,705</u>	<u>11,945</u>	<u>3,421</u>	<u>15,366</u>
Noncurrent liabilities:						
Accrued claims liability and other	1,276	-	1,276	-	-	-
Long-term debt and capital lease obligations	522	254	776	522	254	776
Total liabilities	<u>11,769</u>	<u>2,988</u>	<u>14,757</u>	<u>12,467</u>	<u>3,675</u>	<u>16,142</u>
Net Position	<u>\$ 22,042</u>	<u>\$ 9,380</u>	<u>\$ 31,422</u>	<u>\$ 27,022</u>	<u>\$ 5,154</u>	<u>\$ 32,176</u>

University of Medicine and Dentistry of New Jersey
Combining Statements of Revenues, Expenses and Changes in Net Position –
Piscataway and Newark Centers of University Behavioral HealthCare
(In thousands of dollars)

	Year ended June 30, 2013			Year ended June 30, 2012		
	Piscataway Center	Newark Center	Total	Piscataway Center	Newark Center	Total
Operating revenues						
Government grants and contracts	\$ 18,366	\$ 5,212	\$ 23,578	\$ 18,250	\$ 3,647	\$ 21,897
Private grants and contracts	642	-	642	627	-	627
Net patient service revenues	16,985	9,001	25,986	16,116	7,219	23,335
Professional services and contracts	10,332	585	10,917	11,312	905	12,217
Other operating revenues	631	15	646	432	17	449
Total operating revenues	<u>46,956</u>	<u>\$ 14,813</u>	<u>61,769</u>	<u>46,737</u>	<u>11,788</u>	<u>58,525</u>
Operating expenses						
Research	982	-	982	539	-	539
Public service	23,539	6,633	30,172	21,586	4,633	26,219
Institutional & administrative support	874	286	1,160	1,689	380	2,069
Patient care services	49,096	18,161	67,257	48,345	15,515	63,860
Depreciation	2,237	64	2,301	1,453	60	1,513
Insurance	436	335	771	436	335	771
Total operating expenses	<u>77,164</u>	<u>25,479</u>	<u>102,643</u>	<u>74,048</u>	<u>20,923</u>	<u>94,971</u>
Operating loss	<u>(30,208)</u>	<u>(10,666)</u>	<u>(40,874)</u>	<u>(27,311)</u>	<u>(9,135)</u>	<u>(36,446)</u>
Nonoperating revenues (expenses)						
State appropriations - operations	10,012	8,999	19,011	13,205	7,612	20,817
Fringe benefits paid by the State	17,980	6,427	24,407	13,646	4,626	18,272
Other	(1,447)	(534)	(1,981)	(1,317)	(660)	(1,977)
Total nonoperating revenues, net	<u>26,545</u>	<u>14,892</u>	<u>41,437</u>	<u>25,534</u>	<u>11,578</u>	<u>37,112</u>
(Decrease) increase in net position	<u>(3,663)</u>	<u>4,226</u>	<u>563</u>	<u>(1,777)</u>	<u>2,443</u>	<u>666</u>
Fund balance transfer	(1,317)	-	(1,317)	-	-	-
Net position - beginning of year	<u>27,022</u>	<u>5,154</u>	<u>32,176</u>	<u>28,799</u>	<u>2,711</u>	<u>31,510</u>
Net position - end of year	<u>\$ 22,042</u>	<u>\$ 9,380</u>	<u>\$ 31,422</u>	<u>\$ 27,022</u>	<u>\$ 5,154</u>	<u>\$ 32,176</u>

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster						
New Jersey Department of Environmental Protection						
New Jersey Environmental Protection Agency						
SR04-063	Cultural Uses of Mercury	1-Sep-04	31-Dec-08	\$ 27,216	\$ 27,216	\$ (3,024)
SR06-039	Distribution of Chromium Species	25-May-06	25-May-08	130,000	129,287	(713)
SR11-010	Evaluation of Two Samples	1-Oct-08	31-Dec-12	718,380	718,380	15,350
HUD-C-77-05	Blood Monitoring Program	1-Jun-10	31-Aug-13	285,823	222,039	76,152
Total New Jersey Environmental Protection Agency				1,161,419	1,096,921	87,764
New Jersey Division of Parks and Forestry						
NJDEP 102259	Trace Metal Analysis	18-Feb-11	31-Jan-99	12,341	9,772	1,420
Total New Jersey Division of Parks and Forestry				12,341	9,772	1,420
Total New Jersey Department of Environmental Protection				1,173,760	1,106,693	89,184
Governor's Council for Medical Research and Treatment of Autism						
10-407-SCH-E0	NJ council treatment	1-Jun-10	27-Jun-14	469,550	269,888	103,744
10-404-SCHE-0	NJ Gov Autism 10404-s	28-Jun-10	27-Jun-13	469,550	469,550	111,189
Total Governor's Council for Medical Research and Treatment of Autism				939,100	739,438	214,934
New Jersey Department of Health and Senior Services						
Commission on Cancer Research						
09-1077-CCR-E0	Effect of Fetal Zeara	26-Jun-09	30-Jun-13	235,074	235,226	24,865
09-1167-CCR-E0	Epithelial Integrity	1-Jul-08	30-Jun-12	132,000	132,000	235
09-1966-CCR-E0	Effect of Poly Polyme	1-Sep-08	31-Aug-10	43,391	43,391	1,050
09-1970-CCR-E0	The Role of Leukemia	26-Jun-09	30-Jun-13	270,189	270,189	20,342
10-1072-CCR-E0	A novel biological therapy	1-Dec-09	30-Nov-12	286,900	286,900	41,322
10-1961-CCR-E0	Role of IDO-blockade	1-Dec-09	30-Nov-12	233,121	233,121	4,345
10-1963-CCR-E0	Genetic Variants Implants	1-Dec-09	30-Jun-13	147,300	147,300	49,610
10-1964-CCR-E0	MSCs in African Americans	1-Dec-09	30-Jul-12	150,000	143,456	(2,344)
DFHS11CRS004	(SURE) at CINJ	1-Jun-11	31-Aug-12	24,869	24,811	14,488
DFHS120CPR012	The Role of Mst 1 In	1-Jun-12	1-Sep-14	45,000	45,101	45,101
DFHS12CRP016	Arida & Aridib in specificity determination	1-Jul-12	30-Jun-14	45,000	38,742	38,742
DFHS13CRP014	The Role of Chronic Stress in Colon Cancer	1-Jul-12	30-Jun-14	45,000	44,599	44,599
DFHS13CRP029	Construction of a Mouse Model	1-Jul-12	30-Jun-14	45,000	11,755	11,755
FHS-2013-EIP	Detection of Tumor Cancer	1-Mar-12	1-Jun-14	11,179	11,179	11,179
05-1963-CCR	Cis-Spreading Mechani	1-Jun-05	31-May-07	96,800	95,477	188
Total Commission on Cancer Research				1,810,822	1,763,246	305,477
Family Health Services						
10-402-SCH-E-0	Autism Control	28-Jun-10	27-Jun-13	469,550	469,550	135,674

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster (continued)						
New Jersey Department of Health and Senior Services (continued)						
Family Health Services (continued)						
MOA	Evaluation of NJ comprehensive	1-Mar-04	30-Jun-99	\$ 325,000	\$ 324,848	\$ 1,070
	Total Family Health Services			<u>794,550</u>	<u>794,398</u>	<u>136,744</u>
Special Children's Health Services						
DFHS11AUB004	Autism-Gov's Council	1-Jul-10	30-Jun-12	250,000	250,000	(206,106)
	Total Special Children's Health Services			<u>250,000</u>	<u>250,000</u>	<u>(206,106)</u>
New Jersey Commission on Spinal Cord Research						
07-3060-SCR-E-0	Molecular Mechanisms	15-Dec-06	30-Dec-08	331,112	331,012	(100)
08-3082-SCR-E-0	Spinal Cord Injury	15-Jun-08	30-Jun-11	378,532	378,532	(896)
08-3073-SCR-E-0	Novel Targets	15-Dec-07	30-Dec-10	197,562	197,562	(970)
09-2945-SCR-E-0	Molecular Mechanisms	15-Jun-09	30-Jun-12	100,000	100,000	360
09-3084-SCR-E-0	Molecular Promoting	15-Jun-09	30-Jun-12	368,515	368,626	(8,042)
09-3207-BIR-E-2	Stimulating CNS Regeneration	1-Jun-08	31-May-13	331,101	331,101	(620)
10-3088-SC-R-E-0	NJSCR Axon Remyelination	15-Dec-09	30-Dec-12	400,000	398,087	77,725
10-3092-SCR-E-0	NJSCR Orphan GPCR	15-Jun-10	30-Jun-13	600,000	596,774	203,036
11-2955-SCR-E-0	NJSCR Fellow Mirsa	15-Jun-11	30-Jun-14	100,000	98,894	53,517
CSCR111RG015	Spinal Cord Individual	15-Jun-11	30-Jun-14	365,011	177,346	102,192
CSCR121RG007	Effects of TLR 9 Ligation	15-Jun-12	30-Jun-15	199,060	94,392	94,392
	Total New Jersey Commission on Spinal Cord Research			<u>3,370,893</u>	<u>3,072,327</u>	<u>520,595</u>
New Jersey Office of Cancer Control and Prevention						
MOA	Evaluation of NJ Comprehensive Plan	1-Apr-05	30-Jun-99	325,000	324,931	178
MOA	Evaluation of NJ Comprehensive Plan	1-Feb-06	30-Jun-99	125,000	118,195	6,275
MOA	Evaluation Technology	1-Feb-06	30-Jun-99	60,000	31,803	14,043
27068	CCCP	1-Jul-06	30-Jun-99	100,000	26,249	54
MOA	Ongoing Transitional	1-Jul-11	30-Jun-13	1,892,291	1,428,959	928,074
	Total New Jersey Office of Cancer Control and Prevention			<u>2,502,291</u>	<u>1,930,137</u>	<u>948,623</u>
New Jersey Commission on Brain Injury Research						
09-3213-BIR-E-0	Tonic Gabageric inhib	1-Jun-09	31-May-13	779,424	782,033	67,534
10-3207-BIR-E-3	Stimulating CNS Regeneration	1-Jun-10	31-May-13	971,789	947,701	134,836
103205-BIR-E-3	NJ Comm on Brain Injury	1-Jul-08	31-May-13	495,000	486,371	29,154
CBIR12PIL028	Mitochondrial Function	1-Jun-12	30-May-14	90,000	7,050	7,050
11-3223-BIR-E-0	Role of Semilunar granule	1-Jun-11	31-May-14	209,808	111,588	48,726
CBIR11PIL033	Regulation of Neuronal	1-Jun-11	30-Sep-13	180,000	170,992	109,529

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster (continued)						
New Jersey Department of Health and Senior Services (continued)						
New Jersey Commission on Brain Injury Research (continued)						
CBIR12FEL025	Delivery of Neural St	1-Jun-12	31-May-15	\$ 31,700	\$ 29,389	\$ 28,597
	Total New Jersey Commission on Brain Injury Research			<u>2,757,721</u>	<u>2,535,123</u>	<u>425,425</u>
Public Health Infrastructure, Laboratories and Emergency Preparedness						
MOA	The Hepac Support Program	1-Jan-08	30-Jun-09	113,029	113,029	2
	Total Public Health Infrastructure, Laboratories and Emergency Preparedness			<u>113,029</u>	<u>113,029</u>	<u>2</u>
Division of Addiction Services						
UMDNJ-SF-01	DAS - ADDRESSING TOBACCO	1-Oct-11	31-Mar-14	1,094,472	636,434	368,508
	Total Division of Addiction Services			<u>1,094,472</u>	<u>636,434</u>	<u>368,508</u>
	Total New Jersey Department of Health and Senior Services			<u>12,693,778</u>	<u>11,094,694</u>	<u>2,499,268</u>
New Jersey Department of Education						
Student Assistance Educational Opportunity						
SRR016706A	Laser Scanning Confocal	1-Apr-03	31-Mar-99	220,000	110,000	(206)
	Total New Jersey Department of Education			<u>220,000</u>	<u>110,000</u>	<u>(206)</u>
Governor's Commission on Science and Technology						
06-2042-014-74	Gliogenic Potential	1-Jan-06	31-Dec-08	300,000	300,001	(16,929)
07-2042-014-79	Post Transplant High Dose	1-Sep-07	31-Aug-10	252,007	252,007	(2,319)
07-2042-014-84	Vasculogenesis Embyo	1-Jul-07	30-Jun-10	298,246	298,246	(1,097)
07-2042-014-85	Stem Cell Therapeutic	1-Jul-07	30-Jun-09	300,000	299,999	(10,229)
07-2042-014-98	Arterial Access Catheter	1-Jan-08	30-Jun-10	15,000	13,644	1,750
CAUT13APS010	NJ Govern. Council Autism	28-Dec-12	27-Dec-13	425,000	42,746	42,746
	Total Governor's Commission on Science and Technology			<u>1,590,253</u>	<u>1,206,643</u>	<u>13,922</u>
	Total Research and Development and Research Training Cluster			<u>16,616,891</u>	<u>14,257,468</u>	<u>2,817,102</u>
Student Financial Aid Cluster						
Department of Higher Education						
MOA	College Access Challenge	1-Jul-08	30-Jun-13	23,750	14,224	8,516
	Total Department of Higher Education			<u>23,750</u>	<u>14,224</u>	<u>8,516</u>
Education Opportunity Fund						
2011-12 EOF PUBLIC	2011-12 EOF PUBLIC	1-Jul-11	30-Jun-12	17,400	17,407	13,050
2011-2012 EDUCATIONAL	2011-2012 EDUCATIONAL	1-Jul-11	30-Jun-12	26,100	39,400	250
EOF	EOF Academic Year 2008	1-Jun-07	31-Jul-08	92,241	92,243	2

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number Student Financial Aid Cluster (continued) Education Opportunity Fund (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
EOF	EOF Summer Prog FY 2013	1-Jun-12	31-Jul-13	\$ 24,126	\$ 23,386	\$ 23,386
EOF	EOF Academic Yr. Program	1-Jun-12	30-Jul-13	103,899	86,258	86,258
EOF	Urban Scholarship	1-Jul-05	30-Jun-13	1,000	1,930	930
EOF	EOF-GSBS FY 2011	1-Jun-10	31-Jul-11	45,675	60,900	15,225
EOF	EOF-SHRP-UNDERGRADUATE	1-Jun-11	31-Jul-12	47,150	40,825	4,025
EOF	EOF-SHRP-GRADUATE FY-12	1-Jun-11	31-Jul-12	21,750	26,100	4,350
EOF	EOF-SHRP UNDERGRADUATE	1-Jun-12	31-Jul-13	36,800	24,725	24,725
EOF	EOF-SHRP GRADUATE FY-13	1-Jun-12	31-Jul-13	21,750	26,100	26,100
EOF	EOF-GSBS FY-2013	1-Jun-12	31-Jul-13	34,800	13,050	13,050
EOF 2012-2013 RWJMS	EOF 2012-2013 RWJMS	1-Jul-12	31-Jul-13	39,150	30,450	39,150
EOF FY 06	PREP Program	1-Jun-05	31-Jul-06	62,542	63,172	68
EOF FY 10	2010 (FY 10/11) SUMMER	20-Jun-10	31-Jul-10	50,578	47,292	(49)
EOF FY 12	EOF-ACADEMIC Yr. PROG	1-Jun-11	30-Jun-12	96,962	96,962	7,599
EOF FY 13	Summer Prep FY12 & 13	1-Jun-12	31-Jul-13	127,060	91,254	83,304
EOF SOM	EOF-SOM	1-Jul-11	30-Jun-12	178,350	178,350	104,400
EOF-MLK-NJDS FY-2013	EOF-MLK-NJDS FY-2013	1-Jun-12	31-Jul-13	37,683	17,222	34,445
EOF-NJDS FY-2013	EOF-NJDS FY-2013	1-Jun-12	31-Jul-13	30,450	23,925	30,450
EOF-NJMS FY-2013	EOF-NJMS FY-2013	1-Jun-12	31-Jul-13	41,325	30,450	39,150
EOF-SOM	Summer Prep FY12	1-Jun-11	31-Aug-11	39,544	39,675	(576)
MLK 2012-2013 RWJMS	MLK 2012-2013 RWJMS	1-Jul-12	31-Jul-13	34,445	34,445	34,445
MLK FY 10	MLK FY 10	1-Jul-09	30-Jun-10	124,300	124,300	(46,405)
MLK FY 11	Martint Luther King	1-Jul-10	30-Jun-11	92,800	92,800	46,405
MLK FY 12	MLK Physician Dent School	1-Jul-11	30-Jun-12	228,224	145,114	83,110
NJ EOF SUPPORT	NJ EOF Support	1-Jun-12	31-Jul-13	63,087	27,108	27,108
Total Education Opportunity Fund				1,719,191	1,494,842	693,954
Higher Education Student Assistance Authority						
NJ TAG FY 2013	NJ TAG FY 2013	1-Jul-12	30-Jun-13	385,000	384,654	384,654
Total Higher Education Student Assistance Authority				385,000	384,654	384,654
Total Department of Higher Education				2,127,941	1,893,720	1,087,124
Total Student Financial Aid Cluster				2,127,941	1,893,720	1,087,124

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number Other Programs	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
Department of Higher Education						
Higher Education Student Assistance Authority						
03CSH034SLOA	Primary Care Loan Program	1-Jul-92	30-Jun-99	\$ 27,118,866	\$ 20,198,105	\$ 1,176,475
	Total Higher Education Student Assistance Authority			<u>27,118,866</u>	<u>20,198,105</u>	<u>1,176,475</u>
	Total Department of Higher Education			<u>27,118,866</u>	<u>20,198,105</u>	<u>1,176,475</u>
Department of Education						
Division of Vocational Education						
MOU	Occupational Education	1-Nov-11	31-Oct-12	225,000	223,361	89,181
MOU	MOU Professional	1-Mar-13	31-Oct-14	124,845	15,335	15,335
MOA	Occupational Education	1-Nov-12	31-Oct-13	275,000	151,302	151,302
	Total Division of Vocational Education			<u>624,845</u>	<u>389,998</u>	<u>255,818</u>
Division of Libraries						
2013-1135	Statewide Library Service	1-Jan-99	30-Jun-13	715,000	714,204	22,766
	Total Division of Libraries			<u>715,000</u>	<u>714,204</u>	<u>22,766</u>
Special Education Division						
MOU	NJ DOE MOU January 2013, June, 2015	1-Jan-13	30-Jun-15	608,523	486,361	486,361
MOU	NJ DOE- MOU 2012	1-Jul-11	31-Dec-12	1,420,307	1,420,307	543,606
	Total Special Education Division			<u>2,028,830</u>	<u>1,906,668</u>	<u>1,029,966</u>
	Total Department of Education			<u>3,368,675</u>	<u>3,010,870</u>	<u>1,308,551</u>
Department of Law and Public Safety						
MOU	Continuing Education Course	1-Apr-08	31-Jan-14	331,800	217,490	71,981
	Total Department of Law and Public Safety			<u>331,800</u>	<u>217,490</u>	<u>71,981</u>
Division of Criminal Justice						
SP13-115-EMS	NJ EMS TASK FORCE	1-Jul-12	30-Jun-13	24,000	17,584	6,416
GR1206	Juvenile Sex Offender	1-Oct-11	30-Sep-12	71,813	56,648	39,070
	Total Division of Criminal Justice			<u>95,813</u>	<u>74,232</u>	<u>45,486</u>
	Total Department of Law and Public Safety			<u>427,613</u>	<u>291,722</u>	<u>117,467</u>
Department of Children and Family Health Services						
Division of Child Behavioral Health Services						
11EGMR	Childrens Training & Teaching	1-Jan-11	31-Dec-11	1,682,943	1,418,549	6,646
13DRMR	OP Adult APN Child	1-Jul-12	30-Jun-13	2,347,063	2,058,086	2,058,086
12DRMR	Partial Care Child	1-Jul-11	30-Jun-12	2,491,344	2,491,344	206,136
	Total Divison of Child Behavioral Health Services			<u>6,521,350</u>	<u>5,967,979</u>	<u>2,270,868</u>

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
Department of Children and Family Health Services (continued)						
Division of Youth and Family Service						
13AKMP	School Based Youth 13	1-Jul-12	30-Jun-13	\$ 448,889	\$ 416,722	\$ 416,722
11AKMP	S.B School Based Youth	1-Jul-10	30-Jun-11	443,889	443,889	51
12AKMP	School Based Youth	1-Jul-11	30-Jun-12	441,900	441,900	28,816
11HGMM	TTA Medical Director	1-Jan-11	31-Dec-11	266,541	249,795	(1,750)
13HGMM	TTA Medical Director	1-Jan-13	31-Dec-13	266,541	115,808	115,808
13AXMR	CMR Middlesex	1-Jul-12	30-Jun-13	1,324,478	83,227	83,227
13EGMR	Res. Child Middlesex	1-Jan-13	31-Dec-13	1,886,096	681,881	681,881
13ARGR	Children's Mobile Resources	1-Jul-12	30-Jun-13	(77,363)	(77,363)	(77,363)
12ARGR	Children's Mobile Resources	1-Jul-11	30-Jun-12	334,722	334,722	334,722
12AXMR	Children's Mobile Resources	1-Jul-11	30-Jun-12	207,871	207,871	199,772
12EGMR	Res. Child Middlesex	1-Jan-12	31-Dec-12	1,450,640	1,450,640	855,588
12HGMM	TTA MED Director	1-Jan-12	31-Dec-12	266,541	259,524	142,658
Total Division of Youth and Family Service				7,260,745	4,608,615	2,780,130
Total Department of Children and Family Health Services				13,782,095	10,576,594	5,050,999
New Jersey Department of Health and Senior Services						
Office of Emergency Medical Services						
MOA	EMS Youth Trauma Initiative	1-Jan-11	31-Dec-11	148,765	149,245	17,805
PHLP12HEL002	North Star Program FY 12	1-Jul-11	30-Jun-12	1,645,692	15,822,267	51,062
PHLP13HEL008	North Star Program FY 13	1-Jul-12	30-Jun-13	1,265,905	1,184,521	1,184,521
PHLP13HEL011	Airmedical Communications	1-Jul-12	30-Jun-13	429,739	475,574	474,126
Total Office of Emergency Medical Services				3,490,101	17,631,607	1,727,514
Communicable Disease Service						
EPI-2011-TBCLINICSE	Tuberculosis Control	1-Jul-10	30-Jun-11	1,016,995	1,016,995	(0)
EPID12TBS005	LATTIMORE STATE-TUBERCULOSIS	1-Jul-11	30-Jun-12	1,004,113	1,001,295	31,863
MOA	Antimicrobial Resistance	1-Jan-11	31-Dec-11	276,532	276,531	32
Total Communicable Disease Service				2,297,640	2,294,821	31,895
Division of Epidemiology and Disease Control						
MOA	Surveillance & Investigaton	1-Jan-12	31-Jul-14	191,583	115,172	109,847
MOA	Antimicrobial Resistance	1-Jan-12	31-Dec-14	244,539	187,175	129,324
EPID11TAC008	TB Education for Clinicians	1-Jan-11	31-Dec-11	23,671	23,671	1,038
MOA	Vaccine Preventable D	1-Jul-12	30-Jun-13	127,406	4,948	4,948
EPID13TAC005	TB Education for Clinicians	1-Sep-12	31-Dec-13	25,879	8,169	8,169
EPID13TAC006	Lattimore Practice	1-Sep-12	31-Dec-13	307,616	151,648	151,648
Total Division of Epidemiology and Disease Control				920,694	490,783	404,973

The accompanying notes are an integral part of this schedule.

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		From	To			
New Jersey Department of Health and Senior Services (continued)						
Regional Medical Program						
01-3008-SCR-S-0	SCR-201-015-Microglia	15-Jun-01	30-Jun-06	\$ 200,000	\$ 189,026	\$ 814
Total Regional Medical Program				<u>200,000</u>	<u>189,026</u>	<u>814</u>
Division of AIDS Prevention and Control						
AIDS12CTR038	NJ Rapid HIV Testing	1-Jul-11	30-Jun-12	80,984	80,984	80,984
AIDS13NAV006	HIV Prevention	1-Jan-13	31-Dec-13	150,000	80,762	80,762
NJDHSS	MOA between NJDHSS	1-Jan-13	31-Dec-13	104,788	30,562	30,562
DOAS12CDS010	NJDHS CDSMP Capacity	1-Jan-13	31-Aug-13	11,500	800	800
04-2033-AID-E-0	Care and Treatment Service	1-Apr-09	1-Mar-10	270,000	270,000	5,000
AIDS12CTR009	AIDS12CTR009	1-Jul-11	30-Jun-12	409,701	245,922	1,905
AIDS12PIN001	NJ AIDS/HIV STD Hotline	1-Jan-12	31-Dec-12	439,700	439,700	229,666
AIDS12RWB01L	Care and Treatment Service	1-Apr-12	31-Mar-13	250,000	250,000	211,296
AIDS13CTN021	Routine HIV Testing	1-Jul-12	30-Jun-13	215,204	70,199	70,199
AIDS13CTN042	Routine HIV Testing	1-Jan-13	31-Dec-13	473,131	155,354	155,354
AIDS13PIN013	NJ AIDS/HIV STD Hotline	1-Jan-13	31-Dec-13	439,700	205,257	205,257
AIDS13RWB01L	Care and Treatment Service	1-Apr-13	31-Mar-14	227,232	54,819	54,819
MOA	MOA between DHSS and UMDNJ	1-Jul-13	30-Jun-14	277,576	207,286	95,839
PHLP12PIE001	NJ Poison EMS 2012	1-Jul-11	30-Jun-12	587,000	587,000	36,367
PHLP13PIE002	NJ Poison EMS 2013	1-Jul-12	30-Jun-13	587,000	571,809	571,809
07-826-AID-E-0	Comprehensive HIV Service	1-Jan-07	31-Dec-07	116,778	116,778	750
11DHAS04C	DHAS-HIV/AIDS Quality	1-Apr-11	31-Mar-12	157,507	151,663	140
AIDS09CTR013	Child and Adolescent	1-Jan-09	31-Dec-13	400	400	400
AIDS11CTN004	STOP Mobile Medical	1-Jan-11	31-Dec-11	273,000	273,000	(8,039)
AIDS12CTN017	STOP Counseling	1-Jan-12	30-Jun-12	136,500	136,500	28,346
AIDS12CTR030	HIV/AIDS Care and Treatment	1-Jul-11	30-Jun-12	218,868	225,886	14,117
AIDS12CTR031	AIDS 2012 Care and Treatment	1-Jul-11	30-Jun-12	539,617	538,748	24,490
AIDS12CTR036	Rapid HIV Testing	1-Jul-11	30-Jun-12	94,966	94,966	4,731
AIDS12HER016	Mylestone Prevention	1-Jul-11	30-Jun-12	251,778	251,778	9,555
AIDS13CTN006	STOP Testing Program	1-Jul-12	30-Jun-13	275,000	249,234	249,234
AIDS13CTN009	HIV/AIDS Care and Treatment	1-Jul-12	30-Jun-13	150,000	135,117	135,117
AIDS13CTN022	AIDS 13 CTN 022	1-Jul-12	30-Jun-13	116,542	108,267	108,267
AIDS13CTN024	NJ Rapid HIV Testing	1-Jul-12	1-Jul-13	493,785	391,330	391,330
AIDS13CTR026	UMDNJ Dayam Care	1-Jul-12	30-Jun-13	12,569	8,475	8,475
AIDS13CTR037	AIDS 2013 Care and Treatment	1-Jul-12	30-Jun-13	647,108	615,585	615,585

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State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
New Jersey Department of Health and Senior Services (continued)						
Division of AIDS Prevention and Control (continued)						
AIDS13HER020	Milestone Prevention	1-Jul-12	30-Jun-13	\$ 150,000	\$ 89,097	\$ 89,097
MOA	DHSS Education and Training	1-Jul-12	30-Jun-13	299,110	226,289	226,289
MOA	Quality Management	1-Apr-13	31-Mar-14	11,754	11,754	11,754
MOA	DHAS-HIV/AIDS Quality	1-Jul-11	30-Jun-12	282,585	282,584	28,453
MOA	HIV/AIDS Quality Management	1-Apr-12	31-Mar-13	171,237	180,281	148,136
Total Division of AIDS Prevention and Control				8,922,620	7,338,187	3,916,845
Special Children's Health Service						
10-405-SCH-E-0	Self Representation	28-Jun-10	27-Jun-13	469,550	462,596	223,748
DFHS11AUC005	Governor's Council	1-Jul-10	30-Jun-12	697,000	697,000	(280,583)
DFHS12NWB012 - 46.0	FY 2012-New born Screening	1-Jul-11	30-Jun-12	127,950	127,950	7,511
DFHS12NWB014	FY2012 New born Screening	1-Jul-11	30-Jun-12	79,000	79,000	2,614
DFHS13EIP006	Teriary Ped's Subspecialty	1-Jul-12	30-Jun-13	326,990	318,636	318,636
DFHS13NWB010	FY 2013-New born Screening	1-Jul-12	30-Jun-13	127,950	116,305	116,305
DFHS13NWB012	FY2013 New born Screening	1-Jul-12	30-Jun-13	79,000	79,320	79,320
Total Special Children's Health Service				1,907,440	1,880,807	467,549
Family Health Service						
06-253-HD-1	HDSA-06-253-HD-1	1-Jul-05	30-Jun-06	128,405	109,026	468
10177HDE0	Huntington Disease	1-Jul-09	30-Jun-10	233,780	197,070	(58,470)
10-3095-SCR-E-0	Altered Brain Connect	15-Jun-10	30-Jun-13	198,120	95,412	74,434
10-408-SCH-E-0	Altered Brain Connect	28-Jun-10	27-Jun-12	-	-	(1,067)
DFHS11EVL006	Special Child Health	1-Jul-10	30-Jun-11	164,000	164,000	2,787
DFHS12EVL012	Special Child Health	1-Jul-11	30-Jun-12	164,000	164,000	(2,993)
DFHS12HD0001	Huntington's Disease	1-Jul-11	30-Jun-12	82,400	82,400	61,787
DFHS12HD0001	NJISA Huntington's Di	1-Jul-10	30-Jun-12	70,000	110,538	10,573
DFHS12HD0001	Huntington's Dis. FY1	1-Jul-11	30-Jun-12	308,140	132,913	26,247
DFHS12HEM002	Hemophilia Services 2	1-Jul-11	30-Jun-12	271,975	271,975	12,731
DFHS12NWB003	University New born Sc	1-Jul-11	30-Jun-12	650,000	650,000	19,581
DFHS13EVL009	Special Child Health	1-Jul-12	30-Jun-13	179,000	163,434	163,434
DFHS13HD0001	Huntington's Disease	1-Jul-12	30-Jun-13	85,000	87,869	87,869
DFHS13HDS001	Huntington Disease	7-Jan-12	30-Jun-13	308,140	165,529	165,529
DFHS13HEM004	Hemophilia Services 2	1-Jul-12	30-Jun-13	271,975	260,277	260,277
DFHS13NWB014	New born Screening and	1-Jul-12	30-Jun-13	605,000	652,487	652,487
FHS-2013-EIP	EIP Program	1-Jul-06	30-Jun-14	5,119,014	4,632,769	1,585,390
PHLP13FUL022	REGIONAL HEALTHCARE FACILI	1-Oct-12	30-Sep-13	298,444	265,755	265,755
RW PART B/DFHS12PDA	RW Part B 2011-2012	1-Aug-11	31-Jul-12	315,000	318,223	32,481
RYAN WHITE PART B	Ryan White Part B	1-Aug-12	31-Jul-13	315,000	264,672	264,672

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		From	To				
New Jersey Department of Health and Senior Services (continued)							
Family Health Service (continued)							
	RYAN WHITE PART D	RW Part D 2011-2012	1-Aug-11	31-Jul-12	\$ 343,377	\$ 343,877	\$ 31,015
	RYAN WHITE PART D	Ryan White Part D	1-Aug-11	31-Jul-12	345,877	297,958	297,958
	HHSN261200544005C	Transitional Phase	1-Aug-09	31-Jul-10	794,144	795,703	(8,557)
	13-309-FP-E-O	Family Planning Service	1-Jan-10	31-Dec-10	17,816	17,816	(214)
	12-508-ADA-O	Treatment Services for Women	7/1/2011	8/31/2012	156,500	156,500	38,142
	13-508-ADA-O	Treatment Services for Women	9/1/2012	8/31/2013	156,546	149,163	123,350
	P3DE07R	Developmental Disability	1-Jul-06	30-Jun-07	133,116	133,116	40
	P7GE13N	New Jersey FASD Education	1-Apr-12	30-Jun-13	124,706	115,499	115,499
	Total Family Health Service				<u>11,839,475</u>	<u>10,797,981</u>	<u>4,221,208</u>
Office of Minority and Multicultural Health							
	MGMT13MMH001	Chronic Disease Self	1-Jan-13	30-Jun-13	36,000	4,933	4,933
	MGMT12MMH006	Chronic Disease Self	1-Oct-11	30-Jun-12	18,000	17,673	109
	Total Office of Minority and Multicultural Health				<u>54,000</u>	<u>22,606</u>	<u>5,042</u>
Office of Local Public Health							
	AIDS11CTR013	FY 2011 HIV CTRS	1-Jul-10	30-Jun-11	473,131	424,820	1
	DFHS13OTR011	Outreach and Education	1-Oct-12	30-Jun-13	150,000	58,814	58,814
	MOA	Vital Statistics and Death Reporting	1-Sep-10	31-Aug-12	181,205	181,205	47,665
	MOA	Vital Statistics and Death Reporting	1-Sep-12	31-Aug-13	383,953	293,258	293,258
	MOA	Vital Statistics and Reporting	21-May-12	30-Sep-12	16,439	16,437	16,437
	Total Office of Local Public Health				<u>1,204,728</u>	<u>974,535</u>	<u>416,176</u>
Office of Cancer Control and Prevention							
	DFHS11CCC010	NJ CCP ECCC FY 11	1-Jul-10	30-Jun-11	42,800	42,800	130
	DFHS12CCC014	NJ CCP ECCC FY 12	1-Jul-11	30-Jun-12	52,407	52,407	2,714
	DFHS12CED011	Save Women and Men	1-Jul-11	30-Jun-12	551,390	561,242	18,322
	DFHS13CCC009	Essex Passaic Chronic	1-Jul-12	30-Jun-13	132,763	117,249	117,249
	MOA	Evaluation and Technical	15-Sep-09	30-Jun-12	158,957	158,957	5,005
	MOA	Evaluation and OCCP Coalition	25-May-12	15-Jan-13	64,331	64,331	55,054
	Total Office of Cancer Control and Prevention				<u>1,002,648</u>	<u>996,986</u>	<u>198,474</u>
Department of Occupational Health							
	MOA	NJ Immunization Information	1-Mar-12	31-Dec-14	251,187	91,655	91,655
	Total Department of Occupational Health				<u>251,187</u>	<u>91,655</u>	<u>91,655</u>
New Jersey Comprehensive Tobacco Control Program							
	MOA	Overall Evaluation	1-Jul-12	30-Jun-13	250,000	248,577	248,577

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State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
New Jersey Department of Health and Senior Services (continued)						
New Jersey Comprehensive Tobacco Control Program (continued)						
MOA	Evaluation of NJ Tobacco Program	1-Jul-11	30-Jun-14	\$ 50,000	\$ 50,000	\$ 8,810
Total New Jersey Comprehensive Tobacco Control Program				300,000	298,577	257,387
Division of Alcoholism, Drug Abuse and Addiction Services						
12-498-ADA-09	Women's Outpatient Advocate	1-Jul-11	30-Jun-12	227,252	227,252	12,745
13-498-ADA-0	AIM	1-Jul-12	30-Jun-13	234,331	222,547	222,547
Total Division of Alcoholism, Drug Abuse and Addiction Services				461,583	449,799	235,291
Public Health, Laboratories and Emergency Preparedness						
PHLP13MCC009	MEDICAL COORDINATION	1-Jul-12	30-Jun-13	160,788	148,691	148,691
PHLP12MCC002	MEDICAL COORDINATION	1-May-11	30-Jun-12	187,989	133,511	16,714
PHLP13MNI019	Emergency Preparedness	1-Jul-11	30-Jun-12	4,540	4,540	4,540
Total Public Health, Laboratories and Emergency Preparedness				353,317	286,742	169,945
Women and Infanct Children (WIC)						
DFHS13WIC011	WOMEN INFANT AND CHILDREN	1-Oct-12	30-Sep-13	941,297	637,645	628,000
DFHS12WIC014	WOMEN, INFANT AND CHILDREN	1-Oct-11	30-Sep-12	941,450	918,031	266,089
Total Women and Infanct Children (WIC)				1,882,747	1,555,676	894,089
NJDHSS Office of the Commissioner						
MOA	Nursing Home Project	1-Jan-13	31-Dec-14	222,305	92,511	92,511
Total Office of Policy and Strategic Planning				222,305	92,511	92,511
Department of Youth and Family Services						
12CYGM	Adolescent Pregnancy Prevention	1-Jul-11	30-Jun-12	627,112	32,712	3,564
13CYGP	Adolescent Pregnancy Prevention	1-Jul-12	30-Jun-13	63,277	59,452	57,209
13NOGM	Risk Reduction Program	1-Jul-12	30-Jun-13	84,215	79,490	78,208
09XDDS	DYFS Cares FY 09	1-Jul-08	30-Jun-09	1,835,060	1,835,387	401
11XDDS	DYFS11XDDS G & A	1-Jul-10	30-Jun-11	1,838,911	1,837,818	6,504
12AHMM	Pediatric Care Coordination	1-Jul-11	30-Jun-12	118,228	118,227	308
12CYGM	Teens Networking Today	1-Jul-11	30-Jun-12	522,364	509,549	(274)
12CYGP	School Based Youth 2912	1-Jul-11	30-Jun-12	327,614	324,246	12,563
12NOGM	Risk Reduction Program	1-Jul-11	30-Jun-12	84,215	84,215	2,353
12XDDS	DYFS12XDDS G & A	1-Jul-11	30-Jun-12	2,415,494	233,729	499,575
13AHMM	Case Managed DYFS	1-Jul-12	30-Jun-13	118,228	111,952	111,952
13CYGM	Boarder Baby Program	1-Jul-12	30-Jun-13	525,364	462,159	462,159

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		From	To			
New Jersey Department of Health and Senior Services (continued)						
Department of Youth and Family Services (continued)						
13CYGP	School Based Youth	1-Jul-12	30-Jun-13	\$ 327,614	\$ 324,246	\$ 302,087
13LSMR	Children's Mental Health	1-Jan-13	30-Jun-13	100,000	76,113	76,113
13XDDS	DYFS13XDDS G & A	1-Jul-12	30-Jun-13	2,415,495	2,572,152	2,572,152
10CYGM	UMDNJ Family Planning	1-Jan-10	30-Jun-11	666,108	649,112	2,648
10RNGM	Child Health Nursing	1-Jul-09	30-Jun-10	32,890,685	32,890,206	(479)
11AGMM	Child Health at Risk	1-Jul-10	30-Jun-11	126,580	126,580	(909)
11BYDS	Abused and Neglected Children	1-Jul-10	30-Jun-11	176,699	177,549	851
11RNGM	Child Health Nursing	1-Jul-10	30-Jun-11	32,186,800	32,187,569	(3,922)
12AGMM	CARRI Children at Risk	1-Jul-11	30-Jun-12	158,392	141,158	10,512
DFHS12H&S001	Stroke Risk Reduction	1-Dec-11	30-Jun-12	65,000	65,000	4,375
DFHS13DPC&S004	Heart Attack and Stroke	1-Oct-12	30-Sep-13	100,000	100,000	100,000
DFHS13H&S001	Stroke Risk Reduction	29-Mar-13	29-Jun-13	66,000	41,067	41,067
DFHS13H&S013	Essex Area Heart Attack	1-Oct-12	30-Sep-13	76,000	34,180	34,180
12BYDS	Abused and Neglected Children	1-Jul-11	30-Jun-12	197,890	197,890	29,919
12RNGM	Child Health Nursing	1-Jul-11	30-Jun-12	31,020,199	31,013,305	1,226,408
13AGMM	CARRI Children at Risk	1-Jul-12	30-Jun-13	158,392	150,901	150,901
13BYDS	Abused and Neglected Children	1-Jul-12	30-Jun-13	197,890	166,096	166,096
13RNGM	Child Health Nursing	1-Jul-12	30-Jun-13	35,350,000	32,736,583	32,736,583
DFHS12NWB013	Newborn Screening	1-Jul-11	30-Jun-12	73,657	73,657	2,682
DFHS13NWB013	Newborn Screening	1-Jul-12	30-Jun-13	75,000	69,034	69,034
Total Department of Youth and Family Services				144,988,483	139,481,337	38,754,822
State of New Jersey Gerontology Program						
13ALZ003	COPSA Alzheimers FY2013	1-Jul-12	30-Jun-13	751,800	716,854	716,854
DACS12ALZ001	COPSA Alzheimers FY12	1-Jul-11	30-Jun-12	747,572	747,572	32,014
Total State of New Jersey Gerontology Program				1,499,372	1,464,426	748,868
Total Department of Health and Senior Services				181,798,340	186,338,061	52,635,060
New Jersey Department of Human Services						
Department of Mental Health Services						
40011	Integrated Employment	1-Jul-12	30-Jun-13	2,743,262	2,639,625	1,431,102
C60203-13	Juvenile Involvement	1-Jul-12	30-Jun-13	83,132	81,510	81,510
C-70011	Supported Employment	1-Oct-12	30-Sep-13	10,000	25,994	25,994
50065	Using Peer Counselors	1-Jul-12	30-Jun-13	134,812	124,719	65,031
60173	Wellness Coach Training	24-Jan-11	30-Jun-12	102,556	102,556	899
60174	TTI Older Adults	6-Jan-12	30-Jun-13	132,080	131,597	128,454

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		From	To			
New Jersey Department of Human Services (continued)						
Department of Mental Health Services (continued)						
4000812	Crisis DMHS-40008-FY12	1-Jul-11	30-Jun-12	\$ 374,690	\$ 363,120	\$ 24,011
4000813	Crisis Prev & Intervention	1-Jul-12	30-Jun-13	374,690	327,230	326,350
10-1425-GER	COPSA Alzheimers FY2010	1-Jul-09	30-Jun-10	696,893	696,893	(649)
13HBMR	Residential Child Middlesex	1-Jul-12	30-Jun-13	1,000	232	232
13LMMR	Mom 2 Mom	1-Jan-13	31-Dec-13	396,886	105,300	105,300
20101-11	Post Partum Depression	1-Jul-10	30-Jun-11	251,631	250,471	(1,161)
7011-13	SEP Adult	1-Jul-12	1-Jul-12	11,903	11,903	11,903
C20101-10	MICA	1-Jul-09	30-Jun-10	1,409,073	1,408,987	(86)
C20101-12	EISS	1-Jul-11	30-Jun-12	8,449,275	8,449,275	411,043
C20101-13	PC Mica Adult Middlesex	1-Jul-12	30-Jun-13	9,193,570	8,675,950	8,675,233
C20101-14	MICA	1-Jul-13	30-Jun-14	-	(601)	(601)
C30215-12	Partial Care Adult	1-Jul-11	30-Jun-12	2,345,972	2,345,972	102,947
C30215-13	Partial Care Adult	1-Jul-12	30-Jun-13	4,434,639	3,200,802	3,200,710
C50007-12	TAC Program	1-Jul-11	30-Jun-12	999,857	999,857	34,865
C50007-13	TAC Program	1-Jul-12	30-Jun-13	1,027,819	925,465	925,465
C50007-14	TAC Program	1-Jul-13	30-Jun-14	-	4	4
C50029-12	Greystone	1-Jul-11	30-Jun-12	334,157	334,157	9,777
C50029-13	Greystone	1-Jul-12	30-Jun-13	864,788	277,600	277,600
C50032-13	Cop 2 Cop	1-Jul-12	30-Jun-13	400,000	375,406	375,406
C50033-12	Cop 2 Cop	1-Jul-11	30-Jun-12	365,502	365,502	16,240
C60168	1st Responders	1-Dec-12	30-Jun-13	22,950	16,445	16,445
C60203-13	Juvenile Involvement	1-Jul-12	30-Jun-13	83,132	81,510	81,510
C-70011	Supported Employment	1-Oct-12	30-Sep-13	10,000	25,994	25,994
Total Department of Mental Health Services				35,254,269	32,343,477	16,351,528
Division of Developmental Disabilities						
400810	40008-CRISIS	1-Jul-09	30-Jun-10	408,469	340,071	(840)
07ML12C	NJ DHS DDD 2012	1-Jul-11	30-Jun-12	1,711,841	1,711,841	149,255
07ML13C	NJ DHS DDD 2013	1-Jul-12	30-Jun-13	1,813,380	1,570,012	1,570,012
08ML12C	Dev Disab Family Supp	1-Oct-11	30-Sep-12	485,554	485,554	151,719
08ML13C	Dev Disab Family Supp	1-Oct-12	30-Sep-13	485,554	336,968	336,968
50DL08R	FY '08 Dually Comm 50	1-Jul-07	30-Jun-08	421,105	406,138	(1,620)
50DL10RI	50DL10R Community	1-Jul-09	30-Jun-10	787,323	787,323	(3,150)
50DL12R	Dually Diagnosed Inst	1-Jul-11	30-Jun-12	278,103	259,425	15,651
50DL12R	50DL12R-Community	1-Jul-11	30-Jun-12	839,451	793,772	37,856
50DL12R	50DL12R-G & A	1-Jul-11	30-Jun-12	-	235,214	9,399
50DL13R	Dually Diagnosed FY13	1-Jul-12	30-Jun-13	254,048	221,612	221,612
50DL13R	Dually Diagnosed FY13	1-Jul-12	30-Jun-13	278,175	218,369	216,609
50DL13R	Dually Diagnosed FY13	1-Jul-12	30-Jun-13	829,925	722,116	720,356

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2013 Disbursements and Reclassifications
		From	To			
New Jersey Department of Human Services (continued)						
Division of Developmental Disabilities (continued)						
H21MC06772	TRAUMATIC BRAIN INJUR	30-Jun-10	30-Jun-13	\$ 7,000	\$ 6,679	\$ 3,956
P3DE12R	Developmental Disabli	1-Jul-11	30-Jun-12	229,797	229,797	7,566
Total Division of Developmental Disabilities				<u>8,829,725</u>	<u>8,324,890</u>	<u>3,435,349</u>
Division of Addiction Services						
MOA	DMHAS Rapid HIV Testing	1-Oct-11	30-Sep-12	864,978	574,192	169,880
MOA	Rapid HIV Testing Div	1-Oct-10	30-Sep-11	563,220	562,860	(1,394)
MOA	DMHAS Rapid HIV Testing	1-Oct-12	30-Sep-13	880,858	415,145	415,145
Total Division of Addiction Services				<u>2,309,056</u>	<u>1,552,197</u>	<u>583,631</u>
State of New Jersey Developmental Disabilities Council						
P7GE9N	Safety Education	1-Jul-08	30-Jun-12	120,945	113,806	1,862
Total State of New Jersey Developmental Disabilities Council				<u>120,945</u>	<u>113,806</u>	<u>1,862</u>
Total New Jersey Department of Human Services				<u>46,513,995</u>	<u>42,334,369</u>	<u>20,372,371</u>
New Jersey Commission on Cancer Research						
DFHS12CRP018	2012 Post Doc Fellow s	1-Jul-12	30-Jun-14	91,000	36,703	36,703
DFHS13PCP014	Activating Cancer Immunity	7-Jan-12	30-Jun-13	-	846	846
Total New Jersey Commission on Cancer Research				<u>91,000</u>	<u>37,549</u>	<u>37,549</u>
New Jersey Department of Highway Traffic Safety						
STP-C00S(069)CON	Pedestrian Safety	3-Jun-10	3-Jun-13	150,000	150,000	34,040
Total New Jersey Department of Highway Traffic Safety				<u>150,000</u>	<u>150,000</u>	<u>34,040</u>
New Jersey Department of Military and Veterans Affairs						
VL12P27	NJ Helpline Program	1-Jul-11	30-Jul-12	300,000	300,468	13,475
VL13P27	NJ Helpline Program	1-Jul-12	30-Jun-13	300,000	273,104	273,104
Total New Jersey Department of Military and Veterans Affairs				<u>600,000</u>	<u>573,572</u>	<u>286,580</u>
Total Other Programs				<u>273,850,584</u>	<u>263,510,841</u>	<u>81,019,091</u>
Total Expenditures of State Awards				<u>292,595,415</u>	<u>279,662,029</u>	<u>84,923,316</u>

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2013

	Total Awarded Amount and Adjustments	FY 2013 Total Disbursements and Reclassifications
State Operating Appropriation		
Department of State	\$ 164,303,000	\$ 164,303,000
Department of Human Services	17,945,000	17,945,000
Department of Health and Senior Services	18,000,000	18,000,000
Total Direct Appropriation	<u>200,248,000</u>	<u>200,248,000</u>
Department of State		
Fringe Benefits paid by the State	255,273,000	255,273,000
Total Indirect Appropriation	<u>255,273,000</u>	<u>255,273,000</u>
Total Operating Appropriation	<u>455,521,000</u>	<u>455,521,000</u>
Total State of New Jersey Funding 2013	<u>\$ 748,116,415</u>	<u>\$ 540,444,316</u>

The accompanying notes are an integral part of this schedule.

University of Medicine and Dentistry of New Jersey

Notes to Schedule of Expenditures of State Awards

Year Ended June 30, 2013

1. Basis of Presentation

The accompanying schedule of expenditures of state awards (the "Schedule") has been prepared in accordance with the provisions of New Jersey Department of the Treasury Circular Letter 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of the Schedule is to present a summary of those activities of the University for the year ended June 30, 2013 which have been financed by the State of New Jersey. For purposes of the Schedule, state awards include any assistance provided by a state agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct, indirect and state operating capital appropriations, loans and loan guarantees. The appropriations do not represent contracts or grants. Federal awards to the State of New Jersey which the State has passed through to the University have been included in the University's Reports on Federal Awards in Accordance with OMB Circular A-133. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to, and does not, present either the consolidated financial position, or consolidated statement of revenues, expenditures and other changes in net assets of the University.

Negative amounts on the Schedule represent adjustments to the prior year expenditures in the normal course of business and negative amounts in the current year awards represent adjustments in the award budget as negotiated with the respective state agencies.

The schedule of expenditures of state awards does not include expenditures of state awards, if any, for New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc., discretely presented component units of the University. These entities have their own independent audits.

The significant accounting principles followed by the University in preparing the accompanying schedule of expenditures of state awards are as follows:

Expenditures for direct and indirect costs are recognized as incurred using the accrual method of accounting and in accordance with OMB Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect costs are generally recovered at rates specified under the various grants and contracts.

2. UMDNJ Restructuring

As discussed in footnote 1 to the June 30, 2013 financial statements of the University of Medicine and Dentistry of New Jersey, On August 22, 2012, the Governor of New Jersey signed into law the New Jersey Medical and Health Sciences Education Restructuring Act (the "Act") which integrated UMDNJ, except for the School of Osteopathic Medicine (SOM) and University Hospital (UH), into Rutgers University ("Rutgers"). SOM was transferred to Rowan University ("Rowan"). UH will continue to exist as an instrumentality of the State and a body corporate and politic, maintaining its status as the principal teaching hospital of New Jersey Medical School, New Jersey Dental School and any other medical education programs located in Newark.

University of Medicine and Dentistry of New Jersey
Notes to Schedule of Expenditures of State Awards
Year Ended June 30, 2013

3. Subrecipients

Of the state expenditures presented in the Schedule, the University provided state awards to subrecipients during the year ended June 30, 2013 as follows:

State Grantor Department / Program Reference	Contract Number	Amount Provided to Subrecipients
Research and Development and Research Training Cluster	Various	\$ 49,716
Other Programs		
New Jersey Department of Health and Senior Services New Jersey Comprehensive Tobacco Program Overall Evaluation of the NJ Comp Tobacco	MOA	110,000
New Jersey Department of Health and Senior Services Office of Cancer Control and Prevention Essex Passaic Chronic Disease Coaliton	DFHS13CCC009	40,300
New Jersey Department of Human Services Division of Mental Health Services Using Peer Counselors to Address	50065	6,531



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To Rochelle Hendricks, New Jersey Secretary of Higher Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Medicine and Dentistry of New Jersey, a component unit of the State of New Jersey (the "University"), and the related consolidated statements of revenues, expenses and changes in net position and of cash flows of the business-type activities as of and for the year ended June 30, 2013 and the statements of net assets of the aggregate discretely presented component units, and the related statements of revenues, expenses and changes in net assets as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the University's basic financial statements (as listed in the accompanying index) and have issued our report thereon dated November 5, 2013. The financial statements of New Jersey Health Foundation, Inc., the Cancer Institute of New Jersey Foundation, Inc and University Physician Associates of New Jersey, Inc (discrete component units of the University) were not audited in accordance with *Government Auditing Standards*. An unmodified opinion was issued on the consolidated financial statements of the business-type activities. Our opinion was modified to reflect a qualified opinion on the financial statements of the aggregate discretely presented component units due to the fact that the financial statements of University Physician Associates of New Jersey, Inc. , a discretely presented component unit of the University, 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. In addition, an emphasis of matter paragraph was included in our report on the University's basic financial statements related to the New Jersey Medical and Health Sciences Restructuring Act (the "Act") as disclosed in Note 1 to the basic financial statements and the new accounting guidance adopted in fiscal year 2013 related to the presentation of deferred inflows and outflows which changed the manner in which the University accounts for debt refunding and debt issuance costs as discussed in Note 3 to the basic financial statements. Our opinion was not modified with respect to these emphases of matter paragraphs.

Our report includes a reference to other auditors who audited the financial statements of the New Jersey Health Foundation, Inc., and the Cancer Institute of New Jersey Foundation, Inc., both discrete component units of the University, as described in our report on the University's basic financial statements. As noted above, these discrete component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Part II – Financial Statement Findings item 2013-01 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", is written over a faint, larger version of the PwC logo.

November 5, 2013



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with New Jersey Department of the Treasury
Circular Letter 04-04-OMB**

To Rochelle Hendricks, New Jersey Secretary of Higher Education

Report on Compliance for Each Major State Program

We have audited the University of Medicine and Dentistry of New Jersey's (the "University") compliance with the types of compliance requirements described in the New Jersey Department of the Treasury Circular Letter No.04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of the University's major state programs for the year ended June 30, 2013. The University's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The schedule of expenditures of state awards for the year ended June 30, 2013 and our audit described below do not include expenditures of state awards, if any, for New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc., the discretely presented component units of the University. These entities have their own independent audits. Our report on the basic financial statements also includes a reference to other auditors who audited the financial statements of New Jersey Health Foundation, Inc. and the Cancer Institute of New Jersey Foundation, Inc.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey Department of the Treasury Circular Letter No.04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey Department of the Treasury Circular Letter No.04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the University's compliance.



Opinion on Each Major State Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with New Jersey Department of the Treasury Circular Letter No.04-04-OMB and which are described in the accompanying schedule of findings and questioned costs as items 2013-03 and 2013-04. Our opinion on each major state program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey Department of the Treasury Circular Letter No.04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

As noted previously, the schedule of expenditures of state awards does not include expenditures of state awards, if any, for New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc., discretely presented component units of the University. These entities have their own independent audits. Thus, our consideration of the University's internal control over compliance with the requirements that could have a direct and material effect on a major state program as discussed in the above paragraph did not include considerations related to these discretely presented component units.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in



internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-02, which we consider to be a significant deficiency. The University's response to the internal control over compliance finding identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey Department of the Treasury Circular Letter No.04-04-OMB. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Picewaterhouse LLP".

March 28, 2014

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified*
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with New Jersey Department of the Treasury Circular Letter 04-04-OMB?	Yes

Identification of Major Programs

Name of State Program or Cluster	Award Number
Child Health Nursing	13RNGM / 12RNGM
Dept of Youth and Family Services G & A	13XDDS / 12XDDS
NJ Dept of Human Services DDD	07ML13C / 07ML12C
EIP Program	FHS-2013-EIP
North Star Program	PHLP13HEL008 / PHLP12HEL002 / PHLP13HEL011
Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,547,700
Auditee qualified as low-risk auditee?	Yes

* As presented on page 1 of this New Jersey Department of the Treasury Circular Letter 04-04 OMB report, an unmodified opinion has been issued on the consolidated financial statements of the business-type activities of the University. A modified opinion has been issued on the aggregate discretely presented component units since one of the discretely presented component units, University Physician Associates of New Jersey, Inc , prepares its financial statements 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. University Physician Associates of New Jersey, Inc. is not subject to New Jersey Department of the Treasury Circular Letter 04-04 OMB reporting requirements.

University of Medicine and Dentistry of New Jersey

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part II—Financial Statement Findings

2013-01: Information Technology (Significant Deficiency)

Criteria:

Information Technology General Computer Controls are important to support proper and consistent operation of key IT dependent controls

We considered the Information Technology General Computer Controls (“ITGCs”) over financially significant information technology systems at the University level, School of Osteopathic Medicine (“SOM”), Robert Wood Johnson Medical Group (“RWJMG”) University Behavioral HealthCare (“UBHC”) and University Hospital (“UH”).

Auditor judgment is utilized to identify and select for testing those ITGCs and systems that are important to supporting the proper and consistent operation of key IT-dependent controls. In this regard, we considered controls over certain key interfaces to confirm the completeness and accuracy of data transfers between in-scope systems, restricted access to programs and data and change management procedures over authorization, definition, testing and implementation.

We identified deficiencies within the below control areas and systems including the general ledger system and billing and collection systems at the units noted above. As a result of the common themes of the findings and the overall increase in the number of IT related observations from the prior years, particularly surrounding "access" to UH billing systems, we believe that in aggregate the control deficiencies within this comment equate to the level of a significant deficiency (a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance).

The below is a summary of the identified deficiencies within the relevant units noted above and our observations.

A. User Access

Ensure access to the application data is restricted to authorized personnel and terminated employees have access removed timely

(University Hospital and School of Osteopathic Medicine billing systems, University wide's Banner general ledger, ImageNow(invoice approval/ payables) and SciQuest (purchasing) applications)

We noted that terminated users were not removed timely from the applications and remained active. We also noted that management was unable to provide formal evidence of approval to support access granted in certain instances. Specifically we noted the following:

- *UH billing applications:* 157 terminated users remained active on University Hospital billing system applications during the audit period and management was unable to provide formal evidence of approval to support the access granted to 14 users. This reflected a significant increase over the prior year's results where 25 terminated users remained active at the time of our testing.
- *University Wide applications:* 6,9 and 23 terminated users remained active in the SciQuest, ImageNow and Banner systems, respectively. In FY 2012, testing did not identify instances of terminated users with access to SciQuest or Banner.

University of Medicine and Dentistry of New Jersey

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

- *SOM*: 1 terminated user remained active in IDX application as of our testing date.

Inappropriate/ unauthorized access to financial applications increases the risk of unauthorized transactions, which could have an adverse impact on the financial statements. Accordingly, we recommend management re-enforce their policies and procedures to ensure the removal of the access for terminated users occurs in a timely manner and that management retain formal evidence of approval from an authorized individual each time a user is created or access is changed

Management's Response

Please see management's views and corrective action plan following these findings.

B. Formal Review of User Access Rights

Perform a formal periodic review of the user access rights on financially significant applications and underlying infrastructure by competent and authorized personnel to ensure authorized access to the application/infrastructure is maintained over time

While University and SOM Management do have a periodic business and IT user access review in place for the SciQuest, Banner and SOM IDX billing applications and underlying infrastructure, we identified that individuals were reviewing and approving their own access. We also noted that while UH management also had a periodic business and IT user access review in place over its billing applications and their underlying infrastructure, the first semi-annual review was not performed in a timely manner and management did not perform the second semi-annual review until after the fiscal year (August 2013) and therefore it could not be utilized to support the Fiscal year 2013 system controls.

Without evidence of an independent reviewer performing the formal periodic review of user access in a timely manner, management is unable to ensure that the user access within an application is commensurate with users' job responsibilities over time, which could have an adverse impact on the financial statements. It should be noted that additional audit procedures performed by PwC did not identify inappropriate access as of June 30, 2013 in this population.

We recommend management further assess who they deem as competent and authorized personnel to perform their semi-annual review of the user access rights and implement a process to ensure users are not reviewing and approving their own access.

Management's Response

Please see management's views and corrective action plan following these findings.

C. Enhance controls over Change Management/Project Management

i. Restrict Access within the change management process to segregate users with program development abilities from those that can migrate changes to production

(SOM and University wide)

Specifically we noted that the IDX support personnel at SOM (15 personnel) and ImageNow IT support team at the University wide level (6 personnel) responsible for migrating IDX or ImageNow

University of Medicine and Dentistry of New Jersey

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

application changes to production also have access to modify program code within the IDX or ImageNow applications

Access to both functions increases the risk that unauthorized changes are made to the application that is not in line with the organizations' business needs. Unauthorized changes could adversely impact the application functionality and integrity of financial data.

While we understand in regard to ImageNow, management has a control in place whereby an independent reviewer approves the change before it is implemented to production, we recommend management assess the change management access rights based upon job responsibilities and organizational requirements. Management should consider either segregating development access from production access in user roles or implementing an independent review after the change is in production to confirm changes developed and migrated to production are authorized.

Management's Response

Please see management's views and corrective action plan following these findings.

ii. Prior to the implementation of a new system perform functional testing by the IT department, security testing by the administration team and user acceptance testing by the end user community

(SOM)

We noted that SOM management performed a hardware migration from the HP Open VMS operating system to Windows. While management did provide a test plan, formal evidence of testing results was not retained.

Without formal evidence validating that testing has been performed, management is unable to ensure that the system is functioning as required to meet the needs of the business, which could have an adverse impact of on the financial statements.

We recommend that management reinforce their project management controls to ensure formal documentation of testing at all levels is performed and retained prior to going live with future projects.

Management's Response

Please see management's views and corrective action plan following these findings.

iii. Project Management: Ensure controls around access to programs and data and program change are in place for key financial systems and their supporting infrastructure.

(SOM)

As a result of decommissioning HP Open VMS, SOM management did not retain evidence to confirm controls were in place over access to programs and data or program change control for the period of time in which the operating system was supporting the IDX application (July 1, 2012 - January 19, 2013).

University of Medicine and Dentistry of New Jersey

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Lack of controls over the access to programs and data and program change domains, prevent management from ensuring that the system is functioning as required to meet the needs of the business, which could have an adverse impact of n the financial statements.

We recommend management retain evidence to support the operating effectiveness of key controls prior to decommissioning a system.

Management's Response

Please see management's views and corrective action plan following these findings.

iv. Enhance project management controls and retention of formal approval documentation.

(UH)

UH management implemented a new Radiant Module onto the EPIC application, replacing the legacy ProgRIS application on 12/11/2012. During our review of the implementation/project management controls and documentation, we noted the following:

- User Acceptance Testing (UAT) was performed by end users to confirm that the system could effectively function as intended. While management did retain evidence of test plans and executed test cases, formal evidence of management's review and approval of the testing results was not retained.
- Management did not retain evidence of the final approval from the business to confirm that the system was ready for go-live. While management did provide evidence of a 30 day Go-Live Readiness Assessment, management was unable to provide formal evidence that the project owner, business sponsors, and key members of the project team approved the go-live after the 30 day assessment was complete.

The lack of UAT/ testing or go-live approval from the business increases the risk that system functionality/converted data has not been appropriately tested causing potential system failures post go-live. System or operational failures could potentially prevent the business from operating effectively during the time of the failure

We recommend that management reinforce their project management controls to ensure formal documentation of testing, including management's review and approval, retained prior to going live with future projects.

Management's Response

Please see management's views and corrective action plan following these findings.

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part III—State Award Findings and Questioned Costs

2013-02 Information Technology (Significant Deficiency)

This finding and management’s views and corrective action plan are reported in “Part II-Financial Statement Findings” as finding 2013-01 to this schedule of findings and questioned costs. As noted in finding 2013-01, Part II, the significant deficiency has arisen as a result of the aggregation of the deficiencies reported in finding 2013-01.

2013-03 Effort and Payroll Reporting

OMB Circular A-21.J.10.c.2 requires that “after-the-fact activity reports will reasonably reflect the activities for which employees are compensated by the institution. Further, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.”

State XDDS – Youth and Family Services

Of the 30 semi-annual faculty effort report and non-faculty activity certifications, which include 30 direct cost salary selections, tested within this major program, the following finding was noted:

State Agency, Award Title, Number, and Year	Number of effort reports	Finding Noted
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New Jersey Department of Health and Senior Services

Child Abuse and Foster Care Services FY2012 and FY2013 13XDDS 7/1/2012 - 6/30/2013	1	The original effort report was not completed accurately and was revised and approved subsequent to our audit to reflect actual effort to the award. The grant was not overcharged based on the revised report.
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Cause

Effort reporting findings were due to misinterpretation of the appropriate methodology in which to complete the effort report and monitoring of the accuracy and submission of effort reporting.

Effect

Direct salary expenditures allocated to the grant may be inaccurate.

Recommendation

Management has a report to track budgeted and actual effort and salary allocated to government grants. We recommend that the University enhance their review procedures of manual salary charges to ensure that they are allocable to the award and add further clarity for effort applied to restricted grants.

Management’s Views and Corrective Action Plan

Please see management’s views and corrective action plan following these findings.

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

2013-04 Allowable Costs

OMB A-21 C.2 states “The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of these generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.”

State XDDS – Youth & Family Services

Of the 35 non-payroll direct cost and period of availability expenditures tested for this program, the following finding was noted:

State Agency, Award Title, Number, and Year	Number of Transactions	Finding Noted	Questioned Cost
New Jersey Department of Health and Senior Services			
Child Abuse and Foster Care Services FY2012 and FY2013 13XDDS 7/1/2012 - 6/30/2013	1	Charge incurred outside of the award period was charged to and reimbursed on the award. We noted the charge would have been allowable on the current year award.	\$4,174

Cause

The findings noted were due to management oversight when reviewing award expenditures.

Effect

The award is overcharged for unallowable expenditures as incurred outside of the grant period and evidence of agency approval was not provided.

Recommendation

We recommend that the University credit the award for the unallowable expenditures and enhance their review procedures of charges incurred to identify such issues promptly.

Management’s Views and Corrective Action Plan

Please see management’s views and corrective action plan following these findings.

University of Medicine and Dentistry of New Jersey

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

2012-01 Effort Reporting

Finding

Research and Development and Research Training Cluster

Of the 29 semi-annual faculty effort report and non-faculty activity certifications tested for this cluster, PwC noted six employees' semi-annual effort reports were completed inaccurately and that the grant was not over charged based on the revised effort report.

C20101-12 / C20101-11 - EISS

Of the 25 direct cost salary selections tested for this major program, PwC noted that one employee received a per diem of \$400 for work performed unrelated to this award however the amount was charged to the award.

C32015-12 / C32015-11 – Partial Care Adult

Of the 20 direct cost salary selections tested for this major program, PwC noted for one employee that although the effort report was appropriately approved, it could not be ascertained what the actual effort to the award was, as the break-out of effort was not specifically indicated.

Status

A formal procedure was developed to require a signoff by the Departmental Administrators to ensure their review of the report that tracks budgeted and actual effort and salary allocated to government grants and the corrective actions taken to address any differences. The confirmation includes signoff by the Grant Analysts and Grant Managers. An additional review by the Cost Analysis Department has been initiated to ensure that corrective actions have been implemented. Payroll allocation adjustments crediting the grants were made for the payroll findings.

2012-2 Allowable Costs

Finding

12RNGM – Child Health Nursing

Of the 15 non-payroll direct cost expenditures tested for this major program, PwC noted that while the budget allows for \$60 per annum per employee to be charged for medical exams and fees, the University had charged the grant \$100 per person (a total questioned cost of \$7,560).

Status

Management reviewed the finding with the Departmental Administrator and credited the grant for the finding.

Management's Views and Corrective Action Plan

Year Ended June 30, 2013

Part II – Financial Statement Finding

2013- 01 Information Technology (Significant Deficiency)

UMDNJ as a legal entity ceased to exist effective July 1, 2013 as a result of the New Jersey Medical and Health Sciences Education Restructuring Act. Since the Information Technology recommendation was considered a significant deficiency due to the number of observations, particularly surrounding “access” to UH billing systems, the management response below has been separately provided by UH, SOM and the University.

Responsible Party:

**University Hospital (“UH”): Director of IT Infrastructure, Director of Clinical Systems and
Director of Administrative Systems**

University: Assistant Director

School of Osteopathic Medicine (“SOM”): Assistant Director, IRT Clinical Systems

A. User Access

UH

Management has developed and is in the process of implementing an electronic access request form process. This process will allow users to complete the request from electronically as well as submit the form electronically to their department head for approval. This process will mitigate any future risk as all forms will be stored electronically and retained for future evidence.

Management has modified the existing controls to ensure timely inactivation of terminated employees and is implementing this process. A central log of all terminated employees will be created, so that there is one source of this information. This new policy will also require the individuals performing these tasks to document their action, which will be audited monthly by management.

University

In order to ensure more timely removal of application access a new monthly reconciliation will be added to our existing deprovisioning processes. At the conclusion of each calendar month, a report of all employee separations is generated and reconciled against the active user listings for these applications. This new review in conjunction with our existing automated procedures and the account recertification processes should eliminate or greatly reduce instances of untimely account removal.

SOM

We will re-enforce our efforts to deactivate users that appear on the termination report.

B. Formal Review of User Access Rights

University

Steps have been put in place to bolster the access review processes to ensure that all user access is independently reviewed. This will include module custodians, application security administrators and business area owners and will begin with our April 2014 review cycle..

SOM

It is the policy to complete all levels of testing from unit testing, functional testing, integration testing and end user sign off testing.

UH

Management will work to ensure that the agreed upon process is performed in a timely manner. The timeliness of this process this year was compounded by separation activities.

C. Enhance controls over Change Management/Project Management

i. Restrict Access within the change management process to segregate users with program development abilities from those that can migrate changes to production.

SOM

IDX is proprietary software and the vendor will make changes to its own code at different times. They will continue to work with our team to coordinate such changes.

University

In order to ensure that changes to the production environment match the approved and tested change, an individual without access to modify code has been placed in the role of change verifier in our change management procedures. The change verifier is the last step in the process and is responsible for validating the code change after the change is moved to production.

ii. Prior to the implementation of a new system perform functional testing by the IT department, security testing by the administration team and user acceptance testing by the end user community.

SOM

It is the documented policy to complete all levels of testing from unit testing, functional testing, integration testing and end user sign off testing.

iii. Project Management: Ensure controls around access to programs and data and program change are in place for key financial systems and their support infrastructure.

SOM

This is an infrastructure issues and we will continue to work with the teams to insure proper de-commissioning.

iv. Enhance project management controls and retention of formal approval documentation.

UH

Management has implemented a process to ensure this information is captured and retained for evidence, for all future projects.

Part III--State Award Findings and Questioned Costs

2013-02 Information Technology (Significant Deficiency)

(See above comments)

2013-03 Effort Reporting

Responsible Party:

SOM: Manager, Grants and Contracts

Management agrees with the recommendation and will increase communication with the department administrators and grant analysts at meetings and email notifications regarding the need for accurate effort reports, in addition to training sessions on this topic that will reinforce the procedure that requires a signoff by the department administrators of their review of the report that tracks budgeted and actual effort and salary allocated to government grants and corrective actions taken to address any differences.

2013-04 Allowable Costs

Responsible party:

SOM: Manager, Grants and Contracts

Management agrees with the recommendation and has credited the award for the unallowable expenditures and will enhance the review procedures of grant expenditures.

Sincerely,



Francis X. Colford
Associate Vice Chancellor for Finance