

**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, 2012**

University of Medicine and Dentistry of New Jersey
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June 30, 2012

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Report of Independent Auditors

To the Board of Trustees of the
University of Medicine and Dentistry of New Jersey

We have audited the consolidated statements of net assets 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 assets, and of cash flows of the business-type activities as of and for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, which collectively comprise the University's basic financial statements (as listed in the accompanying index). These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these 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 87% and 89% and total discrete net assets of 97% and 98% of the related aggregate discretely presented component unit totals as of June 30, 2012 and 2011, respectively, and total discrete operating revenues of 21% and 21% of the related aggregate discretely presented component unit totals for the years ended June 30, 2012 and 2011, 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 of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

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 departures from generally accepted accounting principles are material to the aggregate discretely presented component units.

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, 2012 and 2011, 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 audits and the reports of other auditors, except for the departure from accounting principles generally accepted in the United States of America described in the third 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, 2012 and 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, 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 ("Rutgers"). The Act will take effect on July 1, 2013. The Act indicates that UH will become a free standing institution of the State of New Jersey, while SOM is to be integrated into Rowan University ("Rowan").

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012 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, 2012. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 4 through 14 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information (Combining Statements of Net Assets and Combining Statements of Revenues, Expenses and Changes in Net Assets) for the Piscataway and Newark Centers of University Behavioral HealthCare presented on pages 61-62 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. The 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 audit was conducted for the purpose of forming an opinion on the financial statements, that collectively comprise the University's basic financial statements. The accompanying Schedule of Expenditures of State Awards for the year ended June 30, 2012 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 and State Aid*, 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. The Schedule of Expenditures of State Awards 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.



October 23, 2012

Management's Discussion and Analysis

University of Medicine and Dentistry of New Jersey

Management's Discussion and Analysis

June 30, 2012

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, 2012 and its results of operations for the year then ended, with comparative information as of and for the years ended June 30, 2011 and 2010. 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.

The University is 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 operates 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 is dedicated to the pursuit of excellence in:

- The undergraduate, graduate, postgraduate and continuing education of health professionals and scientists;
- The conduct of biomedical, psychosocial, clinical and public health research;
- Health promotion, disease prevention and the delivery of health care; and
- Service to its communities and the State.

The University has approximately 7,000 full and part time students, 1,400 medical interns and residents and 14,200 faculty and staff.

UMDNJ Restructuring

On August 22, 2012, 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 School of Osteopathic Medicine ("SOM"), into Rutgers University ("Rutgers"). The Act indicates that UH will become a free standing institution of the State, while SOM is to be integrated into Rowan University ("Rowan"). All assets, liabilities and debt of the University will be transferred as part of the integration. A School of Biomedical and Health Sciences will be created at Rutgers that will include all transferred units of the University.

UH will remain the principal teaching hospital for the Newark based medical, dental and nursing schools and its community mission will be preserved, with a goal of establishing a long term public/private partnership to manage UH.

The Act shall take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Act indicates that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Act, including debt issues, the allocation of budgets, state appropriations and other matters. Upon advice of the Committee or its subcommittees, the State Treasurer shall be empowered to take all necessary administrative actions to implement the provisions of the Act.

The University, Rutgers and Rowan are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration.

University of Medicine and Dentistry of New Jersey

Management's Discussion and Analysis

June 30, 2012

Financial Highlights

The University's financial position reflects total assets of \$1.5 billion and total liabilities of \$1.0 billion as of June 30, 2012. Net assets, which represent the residual interest in the University's assets less liabilities and indicate the resources available to continue the operations of the University in accordance with the designation of the assets, increased by \$0.7 million, or 0.1%, to \$484.2 million in 2012. This increase is primarily related to higher tuition and fees and the discount resulting from a Medicaid settlement agreement, which offset lower appropriation revenues. In 2011, net assets increased by \$0.5 million, or 0.1%, primarily due to higher tuition and fees revenues.

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 \$24.1 million, or 1.4%, to \$1.8 billion in 2012, due to higher salaries and fringe benefits.

Operating revenues increased by \$12.1 million, or 0.9%, to \$1.4 billion in 2011, reflecting higher tuition and fees, and net patient service revenues, partially offset by lower grants and contracts. Operating expenses decreased by \$44.8 million, or 2.5%, to \$1.8 billion in 2011, due to lower salaries, fringe benefits and supply costs.

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 1.9% rate increase and an increase in corresponding salaries.

State appropriations – operations decreased by \$47.8 million, or 18.2%, to \$214.6 million in 2011, reflecting a decrease in support for UH operations and the educational units. Fringe benefits paid by the State decreased by \$9.0 million, or 4.7%, to \$183.9 million in 2011 due to a decrease in corresponding salaries.

Consolidated Financial Statements

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

University of Medicine and Dentistry of New Jersey
Management's Discussion and Analysis
June 30, 2012

Consolidated Statements of Net Assets

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

Net assets are divided into four categories. Net assets invested in capital, net of related debt, represent the University's equity in capital assets owned by the University. Restricted expendable net assets primarily include research grants, appropriations, debt service and capital project funds that are subject to donor restrictions governing their use. Restricted nonexpendable net assets represent endowment funds, which are used primarily for investment purposes, and government grants for student loans. Unrestricted net assets are available to the University for general purposes, but may be internally designated for various academic and healthcare programs.

A summary of the University's assets, liabilities and net assets as of June 30, 2012, 2011, and 2010 follows:

<i>(In millions)</i>	2012	2011	2010
Assets			
Current assets			
Cash and cash equivalents	\$ 184.4	\$ 196.6	\$ 192.8
Receivables	300.8	265.8	261.3
Assets held by trustees and other	37.9	37.7	31.3
Noncurrent assets			
Endowment and other investments	21.1	20.9	23.9
Assets held by trustees and other	108.8	109.6	107.6
Capital assets, net	862.0	895.5	933.7
Total assets	<u>1,515.0</u>	<u>1,526.1</u>	<u>1,550.6</u>
Liabilities			
Current liabilities			
	319.4	350.1	364.3
Noncurrent liabilities			
	711.4	692.5	703.3
Total liabilities	<u>1,030.8</u>	<u>1,042.6</u>	<u>1,067.6</u>
Net assets			
Invested in capital, net of related debt	282.5	304.9	336.5
Restricted expendable	162.9	155.4	158.8
Restricted nonexpendable	67.3	66.5	60.8
Unrestricted	<u>(28.5)</u>	<u>(43.3)</u>	<u>(73.1)</u>
Total net assets	<u>\$ 484.2</u>	<u>\$ 483.5</u>	<u>\$ 483.0</u>

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.

In 2011, the increase in cash and cash equivalents of \$3.8 million was primarily due to improved financial results and tight fiscal controls, which offset the decrease in State appropriations.

Receivables increased by \$35.0 million in 2012, primarily due to amounts owed by affiliated hospitals and the State of New Jersey Department of Corrections ("DOC") for services rendered. In 2011, receivables increased by \$4.5 million.

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Assets held by trustees and other – current and noncurrent decreased by \$0.6 million and increased by \$8.4 million in 2012 and 2011, respectively, due to deposits with trustees for debt service payments.

Capital assets, net decreased by \$33.5 million in 2012 and \$38.2 million in 2011, as depreciation expense exceeded capital additions in each year.

Current liabilities consist primarily of accounts payable, accrued compensation and other liabilities and include \$1.9 million and \$55.7 million of amounts due to third party payors as of June 30, 2012 and 2011, respectively, related to healthcare cost report adjustments. 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 Medicaid settlement agreement. In 2011, current liabilities decreased by \$14.2 million.

Noncurrent liabilities consist primarily of long-term debt and capital lease obligations. In 2012, noncurrent liabilities increased by \$18.9 million, due to the reclassification described above. In 2011, noncurrent liabilities decreased by \$10.8 million, due to long-term debt repayments.

The decreases in net assets invested in capital of \$22.4 million and \$31.6 million in 2012 and 2011, respectively, were due to depreciation expense, which exceeded capital additions and debt reductions.

In 2012, restricted expendable net assets increased by \$7.5 million, primarily due to an increase in research and designated activity. In 2011, restricted expendable net assets decreased by \$3.4 million, primarily due to debt service activity.

In 2012 and 2011, the deficit related to unrestricted net assets improved by \$14.8 million and \$29.8 million, respectively, primarily due to improved operating results.

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Consolidated Statements of Revenues, Expenses and Changes in Net Assets

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

A summary of the University's revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010 follows:

<i>(In millions)</i>	2012	2011	2010
Operating revenues			
Tuition and fees, net	\$ 126.4	\$ 115.9	\$ 96.8
Governmental and private grants and contracts	296.0	318.6	329.2
Net patient service revenues	528.3	517.7	505.9
Professional services and contracts	392.5	370.8	379.7
Other	59.4	61.3	60.5
Total operating revenues	<u>1,402.6</u>	<u>1,384.3</u>	<u>1,372.1</u>
Operating expenses	<u>1,782.0</u>	<u>1,757.9</u>	<u>1,802.7</u>
Operating loss	<u>(379.4)</u>	<u>(373.6)</u>	<u>(430.6)</u>
Nonoperating revenues (expenses)			
State appropriations - operations	205.9	214.6	262.4
Fringe benefits paid by the State	204.7	183.9	192.9
Affiliate grant	-	-	(10.6)
Interest expense and other	(35.3)	(30.5)	(35.7)
Total nonoperating revenues, net	<u>375.3</u>	<u>368.0</u>	<u>409.0</u>
Other revenues			
Capital grant	<u>4.8</u>	<u>6.1</u>	<u>-</u>
Increase (decrease) in net assets	<u>0.7</u>	<u>0.5</u>	<u>(21.6)</u>
Net assets - beginning of year	<u>483.5</u>	<u>483.0</u>	<u>504.6</u>
Net assets - end of year	<u>\$ 484.2</u>	<u>\$ 483.5</u>	<u>\$ 483.0</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. The University will continue to aggressively seek funding from all possible sources and to manage these resources to fund its operating activities.

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.

University of Medicine and Dentistry of New Jersey

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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 9.1% and 19.7% in 2012 and 2011, respectively, due to an average rate increase of 4.9% and 16.0% and an increase in student enrollment of 3.1% and 6.7% in 2012 and 2011, respectively, which reflects the strong demand for the University's health related academic programs. The schools received State appropriations of \$251.4 million and \$251.2 million in 2012 and 2011, respectively, which included \$92.1 million and \$89.5 million of fringe benefits paid by the State.

Research Activities

Governmental and private grants and contracts revenues decreased by \$22.6 million, or 7.1%, in 2012 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 increased by \$10.6 million in 2012, due primarily to the favorable impact of the June 2012 Medicaid settlement agreement with the State. The State established a long term repayment plan for \$51.7 million of liabilities from 2013 through 2021, which resulted in a \$14.5 million present value discount of the balances. The healthcare units received State appropriations of \$159.0 million and \$140.4 million in 2012 and 2011, respectively, which included \$106.9 million and \$93.5 million of fringe benefits paid by the State.

UH's net patient service revenues totaled \$472.5 million in 2012, as compared to \$461.4 million in 2011 and \$450.9 million in 2010. 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 97,613 in 2012 remained virtually unchanged from 97,214 in 2011 which represented a 2% decrease from 2010. Inpatient discharges, which account for approximately 70% of UH's net patient service revenues, decreased by 6% to 18,573 in 2012, after a 1.8% decrease to 19,754 in 2011. Clinic visits, which generate outpatient revenues, decreased by 5.6% to 169,541 in 2012, after a decline of 10.6% to 179,659 in 2011.

The level of charity care services provided by UH represents approximately 25% of its patient case volume. Charity care funding from the State totaled \$101.7 million in 2012, \$100.0 million in 2011 and \$92.8 million in 2010, and is projected to total \$100.7 million in 2013. 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 \$223.3 million in 2012, \$216.8 million in 2011 and \$222.7 million in 2010.

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 \$138.4 million in 2012, \$134.8 million in 2011 and \$137.3 million in 2010.

State Appropriations-Operations

State appropriations-operations decreased by \$8.7 million in 2012, reflecting decreased support for educational units. State appropriations-operations decreased by \$47.8 million in 2011, reflecting decreased support for UH operations and the educational units.

The State's 2013 budget includes appropriations for the University totaling \$200.2 million. The decrease of \$5.7 million is related to the transfer of funding to Rowan for faculty support at an affiliated hospital.

Capital Grant

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 \$4.2 million in 2012 and \$6.1 million in 2011 for this project, with the balance of \$1.1 million expected to be recorded in 2013.

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 \$0.6 million in 2012 for this project, with the balance of \$14.2 million expected to be recorded in 2013 and 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, 2012, 2011 and 2010 follows:

<i>(In millions)</i>	2012	2011	2010
Instruction	\$ 184.6	\$ 184.6	\$ 183.2
Research	169.0	185.6	186.6
Public service	108.8	109.3	115.4
Institutional and administrative support	114.4	113.6	103.1
Patient care services	666.1	646.9	685.3
Professional services and contracts	359.3	341.1	345.1
Operation and maintenance of plant	53.7	56.6	55.6
Depreciation	67.1	68.3	70.8
Insurance	10.9	5.4	10.1
Other	48.1	46.5	47.5
Total	<u>\$ 1,782.0</u>	<u>\$ 1,757.9</u>	<u>\$ 1,802.7</u>

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The increase in operating expenses of \$24.1 million, or 1.4%, in 2012 is primarily attributable to the increase in costs related to patient care services and professional services and contracts, partially offset by a decrease in research activity.

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 1.9% rate increase and an increase in corresponding salaries. UH's operating expenses increased by \$10.2 million, or 2.0%, in 2012, due to an increase in fringe benefits expenses and supplies and services costs.

The decrease in operating expenses of \$44.8 million, or 2.5%, in 2011 is primarily attributable to the decrease in costs related to patient care services.

The overall decrease in 2011 reflects decreases in salaries and wages of \$17.2 million, fringe benefit costs of \$10.7 million, supplies and services costs of \$14.4 million and depreciation expense of \$2.5 million. UH's operating expenses decreased by \$28.3 million, or 5.2%, in 2011 as a result of operational improvements regarding staff reductions, physician compensation, supply efficiencies and lower utility costs.

Capital Assets and Debt Activities

It is the University's objective to manage its financial resources effectively. The University maintains 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. The ratings reflect concerns about UH's financial performance and the University's level of liquidity.

All of the University's debt agreements are fixed rate agreements and their fair value approximates their carrying amounts.

As part of its mission, the University recognizes 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 \$34.7 million in 2012, \$33.5 million in 2011 and \$18.8 million in 2010. The major capital activities in 2012 and 2011 were for equipment purchases and infrastructure improvements.

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 assets invested in capital of \$282.5 million.

As of June 30, 2011, the University had \$2,021.2 million invested in capital assets, which was reduced by \$1,125.7 million of accumulated depreciation and \$590.6 million of expended debt, resulting in net assets invested in capital of \$304.9 million.

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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, 2012, 2011 and 2010 follows:

<i>(In millions)</i>	2012	2011	2010
Cash and cash equivalents (used in) provided by:			
Operating activities	\$ (147.7)	\$ (137.7)	\$ (163.9)
Noncapital financing activities	209.7	216.7	238.5
Capital financing activities	(80.2)	(74.3)	(62.8)
Investing activities	<u>6.0</u>	<u>(0.9)</u>	<u>28.4</u>
Net (decrease) increase in cash	(12.2)	3.8	40.2
Cash and cash equivalents - beginning of year	<u>196.6</u>	<u>192.8</u>	<u>152.6</u>
Cash and cash equivalents - end of year	<u>\$ 184.4</u>	<u>\$ 196.6</u>	<u>\$ 192.8</u>

Cash used in operating activities increased by \$10.0 million in 2012 due to an increase in other receivables. Cash used in operating activities decreased by \$26.2 million in 2011 due to higher tuition and fees and patient service revenues, which offset lower grant revenues.

Cash provided by noncapital financing activities decreased by \$7.0 million and \$21.8 million in 2012 and 2011, respectively, due to lower State appropriations revenues.

Cash used in capital financing activities increased by \$5.9 million in 2012 and \$11.5 million in 2011 due to a higher level of debt repayments in 2012 and purchases of capital assets in 2011.

Cash provided by investing activities increased by \$6.9 million in 2012 due to the maturity of investments. Cash used in investing activities increased by \$29.3 million in 2011 due to the net activity with assets held by trustees.

Cash, Cash Equivalents, Investments and Assets Held by Trustees

The University's cash and cash equivalents balance includes \$114.5 million and \$167.5 million of funds as of June 30, 2012 and 2011, 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, 2012

Outlook

The financial performance of the University related to its academic and research mission's remains solid and reflects growth in student demand, enrollment and tuition and improved operating results at UH. The University expects this growth in academic activities to continue, while its 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.

State appropriations - operations are expected to decrease by approximately \$5.7 million in 2013, based upon the final State budget, which reflects a transfer to Rowan for faculty support at an affiliated hospital. To address the budgetary uncertainty related to the level of State appropriations, the University continues to develop cost saving strategies that include reductions in the level of employees, supplies and services costs, purchasing improvements and to renegotiate affiliation agreements and commercial payor contracts. The University reassessed its tuition structure for 2013 in light of the expected level of State appropriations and increased the medical and dental school tuition rates by 5%. Tuition revenues are expected to increase by \$7.0 million in 2013 from these rate increases and a projected growth in enrollment.

Growth in governmental and private grants and contracts is critical to the University's 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. Research revenues are expected to decrease slightly in 2013 due to lower expense activity. The University faces challenges to maintain its growth in Federal research funding, while it expands its collaborative efforts with other state universities.

As a result of the tuition increases, the implementation of cost saving strategies and revenue initiatives, the University projects breakeven operating results for its academic and research missions in 2013, excluding the impact of depreciation expense.

UH continues to be faced with financial challenges. The favorable \$14.5 million impact of the Medicaid settlement agreement with the State enabled UH to achieve a surplus from operations in 2012. In 2011 UH achieved a slight loss after a breakeven result in 2010. Since it is a safety net hospital and has a high level of uninsured and Medicaid patients UH must deal with the adverse financial impact of revenue collections and reimbursement issues related to its payors. The level of charity care services and related expenses remains high, while funding remains at a level that is insufficient to cover costs. UH also provides the highest level of graduate medical level education ("GME") in the State, for which it received \$14.8 million as reimbursement from the Medicaid program.

UH projects a breakeven budget in 2013 with little change in patient volumes, due to a projected rate increase and the continued implementation of strategies that are designed to stabilize its financial operations on both a short-term and long-term basis. The University continues to advocate with State officials regarding increasing reimbursement levels for GME activities.

UBHC and CINJ are expected to maintain financial stability in the future. State appropriations - operations for these units totaled \$39.4 million in 2012, and are projected to remain level in 2013.

University of Medicine and Dentistry of New Jersey

Management's Discussion and Analysis

June 30, 2012

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 \$139.4 million of annual revenues in 2013.

As a labor-intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. Approximately 80% of the University's employees are represented by collective bargaining agreements. The University is currently negotiating with unions regarding wage and benefit issues.

Efforts continue to implement strategies to stabilize the University's financial condition and to collaborate with the State to jointly address the financial challenges of UH. These efforts are focused on securing the resources necessary to provide New Jersey's citizens with world-class education, leading-edge research and the highest quality healthcare.

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 2012 and 2011 financial statements, respectively.

From time to time, the University becomes aware of Federal and/or State inquires 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 inquires 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 Assets
(In thousands of dollars)

	June 30,	
	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 184,428	\$ 196,577
Short-term investments	96	5,191
Accounts receivable, net of allowance for doubtful accounts of \$237,973 in 2012 and \$262,953 in 2011	119,279	118,513
Other receivables, net of allowance for doubtful accounts of \$16,545 in 2012 and \$20,878 in 2011	109,214	66,738
Grants receivable, net of allowance for doubtful accounts of \$7,582 in 2012 and 2011	72,228	80,590
Inventories and other assets	21,307	16,013
Assets held by trustees - current portion	16,482	16,480
Total current assets	<u>523,034</u>	<u>500,102</u>
Noncurrent assets		
Endowment investments	20,648	20,343
Other long-term investments	473	557
Loans to students	33,605	34,027
Deferred financing costs and other	13,242	14,638
Assets held by trustees	61,968	60,908
Capital assets, net	862,027	895,537
Total noncurrent assets	<u>991,963</u>	<u>1,026,010</u>
Total assets	<u>1,514,997</u>	<u>1,526,112</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	176,516	166,366
Estimated third party payors settlements - current portion	1,914	55,736
Accrued vacation	47,003	48,098
Deferred revenues	75,717	65,923
Long-term debt and capital lease obligations - current portion	18,273	13,979
Total current liabilities	<u>319,423</u>	<u>350,102</u>
Noncurrent liabilities		
Accrued claims liability and other	33,640	32,647
Estimated third party payors settlements	47,228	11,391
Long-term debt and capital lease obligations	630,505	648,489
Total noncurrent liabilities	<u>711,373</u>	<u>692,527</u>
Total liabilities	<u>1,030,796</u>	<u>1,042,629</u>
Net Assets		
Invested in capital, net of related debt	282,443	304,875
Restricted expendable	162,924	155,410
Restricted nonexpendable	67,342	66,529
Unrestricted	(28,508)	(43,331)
Total net assets	<u>\$ 484,201</u>	<u>\$ 483,483</u>

The accompanying notes are an integral part of these financial statements

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

	Year Ended June 30,	
	2012	2011
Operating revenues		
Tuition and fees, net	\$ 126,363	\$ 115,870
Governmental grants and contracts	230,415	250,337
Private grants and contracts	65,545	68,234
Net patient service revenues	528,359	517,682
Professional services and contracts	392,509	370,795
Auxiliary sales and services	19,748	19,862
Other operating revenues	39,641	41,464
Total operating revenues	<u>1,402,580</u>	<u>1,384,244</u>
Operating expenses		
Instruction	184,648	184,564
Research	168,950	185,635
Public service	108,828	109,324
Academic and student support	30,662	29,771
Institutional and administrative support	114,348	113,626
Patient care services	666,070	646,897
Professional services and contracts	359,322	341,134
Operation and maintenance of plant	53,738	56,576
Depreciation	67,103	68,268
Insurance	10,891	5,351
Auxiliary enterprises and other	17,403	16,776
Total operating expenses	<u>1,781,963</u>	<u>1,757,922</u>
Operating loss	<u>(379,383)</u>	<u>(373,678)</u>
Nonoperating revenues (expenses)		
State appropriations - operations	205,938	214,570
Fringe benefits paid by the State	204,649	183,906
Investment income	2,061	2,558
Unrealized appreciation on investments	131	2,110
Net interest expense	(38,570)	(39,171)
Other	1,066	4,049
Total nonoperating revenues, net	<u>375,275</u>	<u>368,022</u>
Other revenues		
Capital grant	4,826	6,124
Increase in net assets	718	468
Net assets - beginning of year	483,483	483,015
Net assets - end of year	<u>\$ 484,201</u>	<u>\$ 483,483</u>

The accompanying notes are an integral part of these financial statements

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

	Year Ended June 30,	
	2012	2011
Cash flows from operating activities		
Tuition and fees	\$ 128,003	\$ 118,469
Research grants and contracts	311,203	304,496
Services to patients	508,029	515,782
Professional services and contracts	394,088	368,507
Other receipts	19,437	62,192
Loan repayments from students	4,354	4,198
Loans to students	(4,430)	(7,126)
Payments to employees	(1,056,792)	(1,041,163)
Payments to vendors	(451,558)	(463,091)
Net cash and cash equivalents used in operating activities	<u>(147,666)</u>	<u>(137,736)</u>
Cash flows from noncapital financing activities		
State appropriations	205,938	214,570
Other receipts, net	3,795	2,130
Net cash and cash equivalents provided by noncapital financing activities	<u>209,733</u>	<u>216,700</u>
Cash flows from capital financing activities		
Capital grant received	4,073	3,822
Proceeds from sale of capital assets	-	6,200
Purchases of capital assets	(31,583)	(33,899)
Principal payments on debt and capital lease obligations	(13,978)	(11,227)
Interest payments on debt and capital lease obligations	(38,771)	(39,226)
Net cash and cash equivalents used in capital financing activities	<u>(80,259)</u>	<u>(74,330)</u>
Cash flows from investing activities		
Deposits with assets held by trustees	(38,686)	(90,819)
Utilization of assets held by trustees	37,624	87,170
Proceeds from sale and maturity of investments	5,000	-
Interest on investments	2,105	2,746
Net cash and cash equivalents provided by (used in) investing activities	<u>6,043</u>	<u>(903)</u>
Net (decrease) increase in cash and cash equivalents	(12,149)	3,731
Cash and cash equivalents - beginning of year	196,577	192,846
Cash and cash equivalents - end of year	<u>\$ 184,428</u>	<u>\$ 196,577</u>
Reconciliation of operating loss to net cash and cash equivalents used in operating activities		
Operating loss	\$ (379,383)	\$ (373,678)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Fringe benefits paid by the State	204,649	183,906
Depreciation and amortization expense	67,913	69,078
Provision for bad debts	158,615	153,601
Medicaid settlement with State	(14,490)	-
Other	-	(1,096)
Changes in assets and liabilities		
Receivables, net of contractual allowances	(193,064)	(157,440)
Inventories and other assets	(5,132)	1,162
Loans to students, net	(9)	(2,854)
Accounts payable and accrued expenses	2,688	(6,429)
Deferred revenues	10,547	(3,986)
Net cash and cash equivalents used in operating activities	<u>\$ (147,666)</u>	<u>\$ (137,736)</u>

The accompanying notes are an integral part of these 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, 2012				June 30, 2011			
	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
Assets								
Current assets								
Cash and cash equivalents	\$ 180	\$ 4,107	\$ 13,873	\$ 18,160	\$ 185	\$ 3,933	\$ 12,762	\$ 16,880
Cash and cash equivalents whose use is limited	-	-	3,663	3,663	-	-	1,875	1,875
Short term investments	29,933	4,589	11,568	46,090	29,371	3,340	11,572	44,283
Contributions receivable, net	13,774	706	-	14,480	7,735	2,086	-	9,821
Other assets	501	131	1,406	2,038	388	75	1,051	1,514
Total current assets	44,388	9,533	30,510	84,431	37,679	9,434	27,260	74,373
Noncurrent assets								
Cash equivalents restricted for long term purposes	-	196	-	196	-	3	-	3
Long term investments	145,966	35	327	146,328	156,114	2,600	287	159,001
Contributions receivable, net	4,827	61	-	4,888	12,519	139	-	12,658
Capital assets, net	2,192	3	55	2,250	2,204	1	67	2,272
Total noncurrent assets	152,985	295	382	153,662	170,837	2,743	354	173,934
Total assets	197,373	9,828	30,892	238,093	208,516	12,177	27,614	248,307
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	1,044	268	478	1,790	1,038	153	461	1,652
Grants payable	19,687	-	-	19,687	20,960	-	-	20,960
Payable to NJMS dept funds	-	-	1,305	1,305	-	-	1,523	1,523
Payable to NJMS dean's funds	-	-	5,002	5,002	-	-	2,843	2,843
Payable to physician overhead funds	-	-	-	-	-	-	8	8
Payable to department participant fund	-	-	5,151	5,151	-	-	3,584	3,584
Funds held in custody for others	-	-	-	-	302	-	-	302
Total current liabilities	20,731	268	11,936	32,935	22,300	153	8,419	30,872
Noncurrent liabilities								
Payable to participant division fund	-	-	12,874	12,874	-	-	14,610	14,610
Total liabilities	20,731	268	24,810	45,809	22,300	153	23,029	45,482
Net Assets								
Restricted expendable - temporarily restricted	45,518	8,049	-	53,567	55,809	10,654	-	66,463
Restricted non expendable - permanently restricted	91,348	929	-	92,277	86,748	985	-	87,733
Board designated - unrestricted	39,776	582	6,082	46,440	43,659	385	4,585	48,629
Total net assets	176,642	9,560	6,082	192,284	186,216	12,024	4,585	202,825
Total liabilities and net assets	\$ 197,373	\$ 9,828	\$ 30,892	\$ 238,093	\$ 208,516	\$ 12,177	\$ 27,614	\$ 248,307

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, 2012				Year Ended June 30, 2011			
	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	\$ 20,724	\$ 3,897	\$ -	\$ 24,621	\$ 21,535	\$ 2,958	\$ -	\$ 24,493
Net physician billings	-	-	94,055	94,055	-	-	90,383	90,383
Other revenues, net	38	-	-	38	40	-	-	40
Total operating revenues	<u>20,762</u>	<u>3,897</u>	<u>94,055</u>	<u>118,714</u>	<u>21,575</u>	<u>2,958</u>	<u>90,383</u>	<u>114,916</u>
Operating expenses								
Grants	21,379	5,171	-	26,550	22,962	4,285	-	27,247
Distributable to UPA physicians	-	-	37,081	37,081	-	-	36,000	36,000
Distributable to NJMS department funds	-	-	8,980	8,980	-	-	8,620	8,620
Distributable to NJMS division funds	-	-	18,802	18,802	-	-	17,323	17,323
Distributable to NJMS dean's fund	-	-	7,386	7,386	-	-	6,148	6,148
Distributable to UMDNJ medical malpractice fund	-	-	2,753	2,753	-	-	2,648	2,648
Fund raising	2,647	414	-	3,061	2,635	462	-	3,097
General and administrative	(366)	746	17,596	17,976	(482)	840	17,475	17,833
Total operating expenses	<u>23,660</u>	<u>6,331</u>	<u>92,598</u>	<u>122,589</u>	<u>25,115</u>	<u>5,587</u>	<u>88,214</u>	<u>118,916</u>
Operating (loss) gain	<u>(2,898)</u>	<u>(2,434)</u>	<u>1,457</u>	<u>(3,875)</u>	<u>(3,540)</u>	<u>(2,629)</u>	<u>2,169</u>	<u>(4,000)</u>
Nonoperating revenues (expenses)								
Net unrealized and realized (losses) gains on investment:	(4,934)	(30)	40	(4,924)	28,929	160	49	29,138
Interest and dividend income	2,054	-	-	2,054	1,609	-	-	1,609
Investment management and cost recovery fees	(3,519)	-	-	(3,519)	(3,399)	-	-	(3,399)
Refunded to grantor	(39)	-	-	(39)	(3)	-	-	(3)
Provision for uncollectible pledges	(238)	-	-	(238)	(243)	-	-	(243)
Total nonoperating revenues (expenses), net	<u>(6,676)</u>	<u>(30)</u>	<u>40</u>	<u>(6,666)</u>	<u>26,893</u>	<u>160</u>	<u>49</u>	<u>27,102</u>
(Decrease) increase in net assets	<u>(9,574)</u>	<u>(2,464)</u>	<u>1,497</u>	<u>(10,541)</u>	<u>23,353</u>	<u>(2,469)</u>	<u>2,218</u>	<u>23,102</u>
Net assets - beginning of year	<u>186,216</u>	<u>12,024</u>	<u>4,585</u>	<u>202,825</u>	<u>162,863</u>	<u>14,493</u>	<u>2,367</u>	<u>179,723</u>
Net assets - end 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>

The accompanying notes are an integral part of these financial statements

University of Medicine and Dentistry of New Jersey
Notes to Consolidated Financial Statements
June 30, 2012 and 2011
(In thousands of dollars)

1. Organization

The University of Medicine and Dentistry of New Jersey (the “University” or “UMDNJ”), a component unit of the State of New Jersey (the “State”), was established in 1964 and operates under the provisions of the “Medical and Dental Education Act of 1970” (the “Act”). The Act provided for the combination of the Rutgers Medical School and the New Jersey College of Medicine and Dentistry into a single entity known as the College of Medicine and Dentistry of New Jersey, which was subsequently renamed the University of Medicine and Dentistry of New Jersey. The Act also provides for the appointment of a Board of Trustees by the Governor of New Jersey. The Board of Trustees has general supervision over and is vested with the conduct of the University. The University receives appropriations for operations, fringe benefits and capital from the State, which are determined annually through the State’s legislative process.

The University is a body corporate and politic of the State. Accordingly, the University’s consolidated financial statements are included in the State’s Comprehensive Annual Financial Report.

The University’s consolidated financial statements include the following units:

Schools of the University:

- 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

University Health Care Units:

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

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

Lease Holding Corporation:

- University Care Corporation

As defined by Governmental Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No 14, *The Financial Reporting Entity*, the New Jersey Health Foundation, Inc., (the “Foundation”), which includes 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 the UMDNJ-New Jersey Medical School – University Physician Associates of New Jersey, Inc. (“UPA”) meet the criteria to be reported as component units of the University.

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).

During 2012 and 2011, the Foundation distributed \$21,379 and \$22,962, respectively, to fund University programs and operations. Included in the Foundation’s financial statements are \$19,687 and \$20,960 of grants payable to the University as of June 30, 2012 and 2011, 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.

During 2012 and 2011, the CINJ Foundation distributed \$5,171 and \$4,285, 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.

During 2012 and 2011, UPA distributed \$19,119 and \$17,416, respectively, to NJMS, which included contributions toward the medical malpractice fund. Included in UPA’s financial statements are \$8,181 and \$4,827 of distributions payable to the University as of June 30, 2012 and 2011, 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.

2. UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Restructuring Act (the “Act”), which integrates the University, except for UH and SOM, into Rutgers University (“Rutgers”). The Act indicates that UH will become a free standing institution of the State, while SOM is to be integrated into Rowan University (“Rowan”). All assets, liabilities and debt of the University will be transferred as part of the integration. A School of Biomedical and Health Sciences will be created at Rutgers that will include all the transferred units of the University.

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

UH will remain the principal teaching hospital for the Newark based medical, dental and nursing schools and its community mission will be preserved, with a goal of establishing a long term public/private partnership to manage UH.

The Act shall take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Act indicates that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Act, including debt issues, the allocation of budgets, state appropriations and other matters. Upon advice of the Committee or its subcommittees, the State Treasurer shall be empowered to take all necessary administrative actions to implement the provisions of the Act.

The University, Rutgers and Rowan are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration.

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. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

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.

University of Medicine and Dentistry of New Jersey

Notes to Consolidated Financial Statements

(In thousands of dollars)

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. For investments in mutual funds, the fair value per share, or unit, is the value that is determined and published and the basis for current transactions. 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 donor-restricted endowments. The unrealized net appreciation or depreciation on endowment investments is included in restricted nonexpendable net assets within the consolidated statements of revenues, expenses and changes in net assets. It is the University's policy to account for endowment appreciation in accordance with donor specifications.

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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 6).

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.

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 2012 or 2011.

Deferred Financing Costs and Other

Deferred financing costs represent costs incurred to obtain various capital financings and are amortized over the term of the related debt using the effective interest method or the straight-line method when not materially different. Deferred financing costs totaled \$7,827 and \$8,212, net of accumulated amortization of \$4,700 and \$4,315 as of June 30, 2012 and 2011, respectively.

In December 2006, the University acquired the intellectual property of Public Health Research Institute for approximately \$8,101. In June 2009, the University acquired various software licenses for \$2,000. These amounts are included in deferred financing costs and other and are being amortized over a ten year period.

Compensated Absences

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

Deferred Revenues

Deferred revenues 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 9).

Net Assets

Net assets of the University are classified in four components. *Net assets invested in capital, net of related debt* consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net 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 9. *Restricted nonexpendable net assets* are those subject to externally imposed stipulations

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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. *Unrestricted net assets* are remaining net assets that do not meet the definition of *net assets invested in capital, net of related debt* or *restricted*.

Revenues and Expenses

The University's consolidated statements of revenues, expenses and changes in net assets 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.

Net Patient Service Revenues and Patient Accounts Receivable

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 5).

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.

Auxiliary Sales and Services

Auxiliary sales and services revenues include revenues from parking facilities, the University's housing and dining facilities, as well as other business type activities such as the computer hardware store and the gift shop.

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.

New Authoritative Pronouncements

In November 2010, the GASB issued Statement 61, *the Financial Reporting Entity: Omnibus*, which GASB Statement 61 provides amended guidance regarding the criteria governing which of a governmental entity's related parties should be formally incorporated into its financial statements with a focus on component units. GASB 61 is effective for the University's fiscal year 2013 financial statements. The guidance should be applied retroactively if practicable; otherwise, the cumulative effect should be reported as a restatement of beginning net assets for the earliest period presented.

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In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement 62 extracts all relevant nonconflicting, noncontradictory provisions from pre-1989 private sector literature and issues them in the form of a GASB standard so that the private sector standards are no longer needed. Further, GASB Statement 62 eliminates the option, provided under GASB Statement 20 which the University currently applies, which allows the University to elect to apply nonconflicting, noncontradictory, post 1989 FASB standards. The provisions of this Statement are effective for the University's fiscal year 2013 financial statements.

In July 2011, the GASB issued Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for the University's fiscal year 2013 financial statements.

The University is evaluating the impact of the GASB Statements 61, 62 and 63 on its consolidated financial statements and disclosures.

4. Tuition and Fees, Net

Tuition and fees revenues are recorded on an accrual basis, net of allowances. 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 \$5,581 and \$5,890 in 2012 and 2011, respectively.

5. 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.

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- 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 of \$(4,351) in 2012 and \$932 in 2011 as a result of changes in estimated third party settlements.

The University has recorded liabilities related to UH's Medicaid cost reports totaling \$49,739 and \$71,676 as of June 30, 2012 and 2011, respectively, which are included in estimated third party payors settlements. These amounts reflect the impact of two settlement agreements with the State.

In January 2009, the University and the State entered into a settlement agreement regarding certain Medicaid liabilities totaling \$46,031. Under the agreement, the State forgave \$23,031 of these liabilities and established a long-term repayment plan for the remaining \$23,000. In June 2012, a second Medicaid settlement was executed with the State that provided for the long-term repayment of an additional \$51,679 of outstanding liabilities.

Under the agreements, the repayments are as follows: \$2,000 for the year commencing July 1, 2012; \$3,000 per year for each of the succeeding two years commencing July 1, 2013; \$4,000 per year for each of the succeeding two years commencing July 1, 2015; \$4,250 for the year commencing July 1, 2017; \$5,250 for each of the succeeding three years commencing July 1, 2018; \$26,179 in the year commencing July 1, 2021; \$1,500 per year for each of the succeeding three years commencing July 1, 2022; and \$2,000 per year for each of the succeeding four years commencing July 1, 2025. As a result of the repayment period, the University discounted the liabilities by \$13,200 and \$14,500, in 2009 and 2012 respectively, to their estimated present value. The discounts are being amortized over the repayment period. The agreements also require that UH use 50% of any surplus that it realizes in a year, net of capital expenditures, as repayment of liabilities.

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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 \$375,791 and \$407,423 in 2012 and 2011, for which UH received \$101,730 and \$100,016, respectively from the State's Charity Care Subsidy Fund. The University estimates that the cost of delivering this care was \$111,916 in 2012 and \$121,238 in 2011.

The components of net patient service revenues are as follows:

	Year Ended June 30,	
	2012	2011
Gross charges	<u>\$ 2,118,109</u>	<u>\$ 2,104,814</u>
Additions (deductions) from gross charges		
Health Care Subsidy Fund payments		
Charity care	101,730	100,016
Hospital relief	14,715	19,049
Contractual and other allowances	(1,587,148)	(1,574,295)
Provision for bad debts	(133,537)	(131,902)
Reduction of cost reports liabilities	14,490	-
Subtotal	<u>(1,589,750)</u>	<u>(1,587,132)</u>
Net patient service revenues	<u>\$ 528,359</u>	<u>\$ 517,682</u>

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6. Cash and Cash Equivalents, Investments and Assets Held by Trustees

Cash on deposit, which is included in cash and cash equivalents in the consolidated financial statements, is \$77,949 and \$39,405 as of June 30, 2012 and 2011, 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 \$114,468 and \$167,456 of funds as of June 30, 2012 and 2011, 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.

Investments consist of the following:

	Cost	Fair Value	Unrealized Gains
June 30, 2012			
Common stock	\$ 807	\$ 21,121	\$ 20,314
Mutual funds	80	96	16
	<u>\$ 887</u>	<u>\$ 21,217</u>	<u>\$ 20,330</u>
June 30, 2011			
Common stock	\$ 807	\$ 20,900	\$ 20,093
Corporate bonds	5,000	5,100	100
Mutual funds	78	91	13
	<u>\$ 5,885</u>	<u>\$ 26,091</u>	<u>\$ 20,206</u>

Investment maturities consist of the following:

	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years
June 30, 2012				
Mutual funds	96	96	-	-
	<u>\$ 96</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2011				
Corporate bonds	\$ 5,100	\$ 5,100	\$ -	\$ -
Mutual funds	91	91	-	-
	<u>\$ 5,191</u>	<u>\$ 5,191</u>	<u>\$ -</u>	<u>\$ -</u>

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Assets held by trustees consist of the following:

	Cost	Fair Value	Unrealized Gains
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>
June 30, 2011			
U.S. treasuries	\$ 25,318	\$ 25,344	\$ 26
Commercial paper	4,836	4,866	30
Repurchase agreements	19,843	19,843	-
Money market funds	27,190	27,190	-
Accrued interest	145	145	-
	<u>\$ 77,332</u>	<u>\$ 77,388</u>	<u>\$ 56</u>

Assets held by trustees maturities consist of the following:

	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
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>
June 30, 2011					
U.S. treasuries	\$ 25,344	\$ 25,344	\$ -	\$ -	\$ -
Commercial paper	4,866	4,866	-	-	-
Repurchase agreements	19,843	-	-	-	19,843
Money market funds	27,190	27,190	-	-	-
Accrued interest	145	145	-	-	-
	<u>\$ 77,388</u>	<u>\$ 57,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,843</u>

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.

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Investment income consists of the following:

	Year Ended June 30,	
	2012	2011
Interest income	\$ 1,339	\$ 1,847
Dividend income	722	682
Gain on sale of investment	-	29
	<u>\$ 2,061</u>	<u>\$ 2,558</u>

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 investments consist of the following:

	Year Ended June 30,	
	2012	2011
Corporate bonds	-	6.13%

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

	Year Ended June 30,	
	2012	2011
U.S. agencies	4.63%	-
Commercial paper	-	3.63%
Repurchase agreements	4.71%	4.71%
Cash management funds	0.02%	0.09%

Credit Risk

The University's investment policy limits investments in corporate bonds to the top rating issued by nationally recognized statistical rating agencies. As of June 30, 2011 investments in corporate bonds were rated A1 by Standard and Poor's. 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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7. Capital Assets

The historical cost of capital assets and capital assets activities for the years ended June 30, 2012 and 2011 are as follows:

	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>

	June 30, 2010	Additions	Retirements/ Capitalization	June 30, 2011
Depreciable assets				
Land improvements	\$ 8,680	\$ -	\$ (500)	\$ 8,180
Buildings and leasehold improvements	1,413,276	887	(4,519)	1,409,644
Equipment	503,684	23,006	(2,546)	524,144
Capital assets for investment in joint ventures	35,394	545	(9)	35,930
Capitalized interest	19,018	452	-	19,470
	<u>1,980,052</u>	<u>24,890</u>	<u>(7,574)</u>	<u>1,997,368</u>
Accumulated depreciation				
Land improvements	(5,327)	(309)	291	(5,345)
Buildings and leasehold improvements	(614,226)	(44,218)	2,024	(656,420)
Equipment	(417,404)	(22,982)	2,674	(437,712)
Capital assets for investment in joint ventures	(25,433)	(759)	1	(26,191)
	<u>(1,062,390)</u>	<u>(68,268)</u>	<u>4,990</u>	<u>(1,125,668)</u>
Accumulated amortization				
Capitalized interest	(2,254)	(445)	-	(2,699)
Non-depreciable assets				
Land	16,116	-	(315)	15,801
Construction in progress	2,132	16,756	(8,153)	10,735
	<u>\$ 933,656</u>	<u>\$ (27,067)</u>	<u>\$ (11,052)</u>	<u>\$ 895,537</u>

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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 \$36,011 and \$35,930 as of June 30, 2012 and 2011, respectively. Total accumulated depreciation related to these assets was \$26,974 and \$26,191 as of June 30, 2012 and 2011, respectively.

Included in the University's capital asset balances are assets acquired under capital leases totaling \$115,493 and \$113,554 as of June 30, 2012 and 2011, respectively. Total accumulated amortization related to these assets was \$52,971 and \$49,835 as of June 30, 2012 and 2011, respectively.

Included in the University's capital asset balances are capitalized interest costs of \$379 and \$452 as of June 30, 2012 and 2011, respectively.

8. 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 \$20,890 and \$21,112 in 2012 and 2011, respectively. Contributions to the Fund from the State totaled \$10,208 and \$15,542 in 2012 and 2011, respectively. Contributions to the Fund from the University's affiliates totaled \$8,186 and \$7,287 in 2012 and 2011, respectively, and are included in nonoperating revenues.

Net assets in the Fund amounted to (\$4,260) and (\$1,766) as of June 30, 2012 and 2011, respectively.

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

As of June 30, 2012 and 2011, long-term debt, including bonds and capital lease obligations, consists of the following:

	2012	2011
2002 Series A Bonds, May 2002 issue in the amount of \$224,130. Serial bonds in the amount of \$77,455 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.	\$ 193,100	\$ 200,215
2009 Series B Revenue Refunding Bonds, April 2009 issue in the amount of \$258,075. Serial bonds in the amount of \$72,625 bearing interest rates at 5.25%-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)	258,075	258,075
Certificates of Participation, Series 2003 (2)	50,670	52,070
Certificates of Participation, Series 2004 (3)	76,960	78,545
Capital building leases (4)	54,998	56,687
Capital improvement fund obligation (5)	18,299	19,839
Notes payable (6)	2,023	2,673
	<u>654,125</u>	<u>668,104</u>
Unamortized bond discount and loss on extinguishment of debt	<u>(5,347)</u>	<u>(5,636)</u>
Total long-term debt and capital lease obligations, net of discount	<u>\$ 648,778</u>	<u>\$ 662,468</u>

- (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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If the University expected to transfer, sell or divest more than 15% of its total assets or total revenues, the Agreement includes a provision that requires the University to certify that its debt service coverage ratio as defined in the Agreement is expected to be at least 3.0 for the year after the transfer or sale. If a certification cannot be made, then the University is required to defease or retire an amount of debt necessary to achieve the 3.0 ratio.

- (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 \$17,680 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 \$24,995 bearing interest at rates of 3.5% - 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, 2012, \$4,000 was drawn on the promissory note and principal payments were made in the amount of \$2,500.

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, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2013	\$ 16,494	\$ 34,934	\$ 51,428
2014	17,277	34,048	51,325
2015	18,136	33,145	51,281
2016	19,005	32,161	51,166
2017	19,705	31,120	50,825
2018-2022	114,681	137,093	251,774
2023-2027	140,085	101,103	241,188
2028-2032	192,165	53,153	245,318
2033-2036	61,580	5,083	66,663
	<u>599,128</u>	<u>461,840</u>	<u>1,060,968</u>
Less: Unamortized bond discount and loss on extinguishment of debt	<u>(5,347)</u>	<u>-</u>	<u>(5,347)</u>
	<u>\$593,781</u>	<u>\$461,840</u>	<u>\$ 1,055,621</u>

Capital lease payments as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2013	\$ 1,779	\$ 3,101	\$ 4,880
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
2018-2022	16,288	10,721	27,009
2023-2027	12,795	6,456	19,251
2028-2032	14,565	2,723	17,288
	<u>\$ 54,997</u>	<u>\$ 34,304</u>	<u>\$ 89,301</u>

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Long-term debt and capital lease obligations, estimated third party payors settlements and accrued claims liability activities for the years ended June 30, 2012 and 2011 are as follows:

	June 30,			June 30,	Amounts
	2011	Additions	Reductions	2012	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)	-	289	(5,347)	-
	<u>605,782</u>	<u>-</u>	<u>(12,001)</u>	<u>593,781</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>
Estimated third party payors 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>\$ (40,077)</u>	<u>\$729,646</u>	<u>\$ 18,273</u>

	June 30,			June 30,	Amounts
	2010	Additions	Reductions	2011	Due Within
					One Year
Bonds and notes payable					
Revenue bonds	\$485,336	\$ -	\$ (7,206)	\$478,130	\$ 8,655
Certificates of participation	133,475	-	(2,860)	130,615	2,985
Notes payable	3,073	-	(400)	2,673	650
Unamortized bond (discount)	(5,973)	-	337	(5,636)	-
	<u>615,911</u>	<u>-</u>	<u>(10,129)</u>	<u>605,782</u>	<u>12,290</u>
Capital lease obligations					
Building leases	58,292	-	(1,606)	56,686	1,689
	<u>58,292</u>	<u>-</u>	<u>(1,606)</u>	<u>56,686</u>	<u>1,689</u>
Estimated third party payors settlements	10,744	647	-	11,391	-
Accrued claims liability and other	30,455	13,239	(11,047)	32,647	-
	<u>\$715,402</u>	<u>\$ 13,886</u>	<u>\$ (22,782)</u>	<u>\$706,506</u>	<u>\$ 13,979</u>

The estimated third party payors settlements amount represents the discounted value of the \$74,710 of liabilities that are to be repaid during 2013-2029. Annual interest expense of \$2,088 will be recorded through 2029 and will increase this liability.

Based on an actuarial valuation, the University recorded an accrued liability for workers compensation claims of \$33,557 and \$32,557 at June 30, 2012 and 2011, respectively, on a discounted basis assuming an interest rate of 3.25% in 2012 and in 2011. Actual losses will vary due to the uncertainty inherent in the projections used in the actuarial valuation.

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10. 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 \$56,894 in 2012 and \$54,789 in 2011 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 \$756,504 and \$759,450 for 2012 and 2011, 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,	
	2012	2011
Employee contributions	\$ 30,134	\$ 30,216
Employer contributions (paid by the State)	42,719	42,775
Basis for determining contributions - participating employee salaries	533,988	534,684

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 60 with no minimum

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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. It may be obtained from the Division.

Contributions—Covered University employees are required by PERS to contribute 6.5% and 5.5% of their annual compensation during 2012 and 2011, 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,	
	2012	2011
Employee contributions	\$ 14,335	\$ 12,728
Employer contributions (paid by the State)	14,175	12,014
Employer contributions as a percentage of salary expense	6%	5%
Basis for determining contributions - participating employee salaries	222,516	224,766

11. Concentration of Credit Risk

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, 2012 and 2011 are due from the following payors:

	2012	2011
Medicare and Medicaid	32%	32%
Other third-party payors	36%	31%
Self-pay patients	32%	37%
	<u>100%</u>	<u>100%</u>

12. Fair Value of Financial Instruments

The University estimates the fair value of its revenue bonds based upon quoted market prices. As of June 30, 2012, the carrying amount and fair value of the bonds were approximately \$617,920 and \$662,942, respectively. As of June 30, 2011 the carrying amount and fair value of the bonds were approximately \$628,820 and \$638,845, respectively.

The carrying amount of all other financial instruments reported in the financial statements approximates their fair value.

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13. 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, 2012 and 2011, the remaining balance on these contracts was \$12,845 and \$7,358, 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,

2013	\$ 5,385
2014	5,008
2015	3,569
2016	2,274
2017	1,888
2018-2022	9,252
2023-2027	7,591
2028-2032	4,421
2033-and thereafter	1,804
	<u>\$ 41,192</u>

Total rent expense for these operating leases were \$5,064 and \$5,087 in 2012 and 2011, 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, 2012 and 2011, respectively.

During 2000, the Board of Trustees authorized the University to enter into two limited partnerships (Woodbury Mews 3, LLP and Woodbury Mews 4, LLP), which were formed to operate an assisted living facility and a dementia/Alzheimer's facility. In return for a 20% interest in each LLP, the University provided access to stand-by letters of credit totaling \$4,500. In 2004, one letter was amended downward by \$700. As of June 30, 2012 and 2011, \$3,800 was drawn on the letters of credit. The University reserved the entire \$3,800 in 2006.

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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14. 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 2012 and 2011 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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15. 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, 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>

	Year Ended June 30, 2011				
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Total
Instruction	\$ 132,717	\$ 39,890	\$ 11,957	\$ -	\$ 184,564
Research	70,158	19,573	95,904	-	185,635
Public service	73,557	17,735	18,032	-	109,324
Academic and student support	16,427	4,691	8,653	-	29,771
Institutional and administrative support	57,289	36,032	20,305	-	113,626
Patient care services	362,905	96,564	187,428	-	646,897
Professional services and contracts	228,113	38,445	74,576	-	341,134
Operation and maintenance of plant	22,029	12,344	22,203	-	56,576
Depreciation	-	-	-	68,268	68,268
Insurance	173	192	4,986	-	5,351
Auxiliary enterprises and other	2,236	678	13,862	-	16,776
Total operating expenses	<u>\$ 965,604</u>	<u>\$ 266,144</u>	<u>\$ 457,906</u>	<u>\$ 68,268</u>	<u>\$ 1,757,922</u>

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

The following information in note 16 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.

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; quotes 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 certain U.S. Government and agency mortgage-backed debt securities and corporate debt 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, 2012 and 2011, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

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The following table summarizes the Organization's investment and other assets by major category in the fair value hierarchy as June 30, 2012 and 2011, 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 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.

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	June 30, 2011				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Long-term investment strategies:						
Traditional fixed income funds	\$ 18,636	\$ -	\$ -	\$ 18,636	Daily	1
Domestic equities:						
					Daily Level 1/ Monthly Level 2	
Large-mid cap	41,153	7,761	-	48,914		2
Small cap value	5,605	-	-	5,605	Daily	1
Small cap	6,195	-	-	6,195	Daily	30
Total	52,953	7,761	-	60,714		
Global (excluding U.S.) equities:						
Developed markets	-	23,799	-	23,799	Monthly	5
Emerging markets	7,718	-	-	7,718	Daily	1
Total	7,718	23,799	-	31,517		
Hedged equity funds of funds:						
Long/short strategies	-	-	9,444	9,444	Locked-up (1)	60
Absolute return/multiple strategies	-	-	24,208	24,208	Locked-up (2)	100
Total	-	-	33,652	33,652		
Private equity and venture capital funds	-	-	7,417	7,417	Illiquid (3)	N/A
Other debt securities	1,002			1,002		
Other equity securities	3,177	-	-	3,177	Daily	1
Total long-term investments	83,486	31,560	41,069	156,115		
Cash equivalents – money market funds	29,371	-	-	29,371	Daily	1
Total	\$ 112,857	\$ 31,560	\$ 41,069	\$ 185,486		

(1) Approximately one-half of these funds are subject to lock-up expiring in 2013 and one-half expiring in 2012.

(2) \$13 million of these funds are subject to a three year lock-up expiring December 2013; \$4 million of these funds are subject to a three year lock-up expiring December 2012; \$7 million of these funds are subject to a three year lock-up expiring December 2011.

(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate \$1.8 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 Organization's activities for the year ended June 30, 2012 and 2011 for investments classified in Level 3:

<u>Level 3 roll forward</u>	2012		
	Hedged equity funds of funds	Private equity and venture capital funds	Total
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>

<u>Level 3 roll forward</u>	2011		
	Hedged equity funds of funds	Private equity and venture capital funds	Total
Beginning value as of July 1, 2010	\$ 30,683	\$ 6,493	\$ 37,176
Acquisitions	-	680	680
Redemptions	(735)	(327)	(1,062)
Net realized and unrealized gains	3,703	571	4,274
Fair value at June 30, 2011	<u>\$ 33,651</u>	<u>\$ 7,417</u>	<u>\$ 41,068</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 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, 2012 and 2011 is aggregated below based on redemption or sale period:

	Investment fair values	
	2012	2011
Investment redemption or sale period:		
Daily	\$ 114,552	\$ 112,856
Monthly	23,597	31,560
Subject to rolling lock-ups	30,496	33,651
Illiquid	7,254	7,417
	<u>\$ 175,899</u>	<u>\$ 185,484</u>

Net Asset Balances

Temporarily Restricted Net Assets

As of June 30, 2012 and 2011, temporarily restricted net assets are available for the following purposes:

	2012	2011
Construction of facilities	\$ 3,012	\$ 4,477
Research grants	13,696	18,465
Faculty chairs and support	5,046	9,035
Lectures and events	247	671
Continuing education program support	1,172	1,827
Scholarships and fellowships	5,750	4,978
Other designated program support	16,595	16,356
	<u>\$ 45,518</u>	<u>\$ 55,809</u>

Permanently Restricted Net Assets

As of June 30, 2012 and 2011, permanently restricted net assets consist of endowment contributions from donors with income to be used for specific or general purposes as follows:

	2012	2011
Faculty chairs	\$ 32,908	\$ 32,183
Research	25,473	24,003
Construction of facilities	12,210	12,061
Lectureships	1,091	1,038
Scholarships and fellowships	15,113	14,264
Other	4,553	3,199
	<u>\$ 91,348</u>	<u>\$ 86,748</u>

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The Foundation's endowment consists of 289 and 273 funds as of June 30, 2012 and 2011, 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, 2012 and 2011.

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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, 2012 and 2011:

	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>

	2011			
	Board designated	Temporarily restricted	Permanently restricted	Total
Board designated endowment funds	\$ 41,717	\$ -	\$ -	\$ 41,717
Donor-restricted endowment funds	-	23,103	86,748	109,851
Total endowment funds	41,717	23,103	86,748	151,568
Other non-endowment funds	1,941	32,706	-	34,647
Total net assets	<u>\$ 43,658</u>	<u>\$ 55,809</u>	<u>\$ 86,748</u>	<u>\$ 186,215</u>

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The following table presents changes in endowments for the year ended June 30, 2012 and 2011:

	Board designated	Temporarily restricted	Permanently	Total
Endowment net assets at June 30, 2010	\$ 37,616	\$ 7,068	\$ 85,023	\$ 129,707
Investment income	502	1,078	-	1,580
Net appreciation (realized and unrealized)	8,696	20,107	-	28,803
Contributions	-	-	1,711	1,711
Appropriation of endowment assets for expenditure	(1,995)	(2,702)	-	(4,697)
Cost recovery and investment fees	(952)	(2,448)	-	(3,400)
Refunded to grantor	-	-	-	-
Board designated expenses	(2,150)	-	-	(2,150)
Transfers	-	-	14	14
Endowment net assets at June 30, 2011	<u>41,717</u>	<u>23,103</u>	<u>86,748</u>	<u>151,568</u>
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	-	-	53	53
Endowment net assets at June 30, 2012	<u>\$ 37,172</u>	<u>\$ 13,889</u>	<u>\$ 91,349</u>	<u>\$ 142,410</u>

Contributions Receivable

Contributions receivable consist of the following as of June 30, 2012 and 2011:

	2012	2011
Unconditional promises to give, net	\$ 16,640	\$ 18,347
Receivable under charitable remainder trust agreements	1,961	1,907
	<u>\$ 18,601</u>	<u>\$ 20,254</u>

Contributions receivable are expected to be received subsequent to June 30, 2012 and 2011 as follows:

	2012	2011
Less than one year	\$ 13,774	\$ 7,735
One year to five years	4,597	12,454
Five years to ten years	1,978	1,927
Present value discount ranging from 1.5% to 6%	(1,523)	(1,634)
Allowance for uncollectible contributions receivable	(225)	(228)
	<u>\$ 18,601</u>	<u>\$ 20,254</u>

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

The following information in note 17 has been taken from the CINJ Foundation's audited financial statements.

Investments

As of June 30, 2012 and 2011 investments consist of the following:

Short-term investments:	2012	2011
Certificates of deposit - temporarily restricted	\$ 3,910	\$ 2,768
Certificates of deposit - permanently restricted	<u>679</u>	<u>572</u>
Total short-term investments	<u>4,589</u>	<u>3,340</u>
 Long-term investments:		
Corporate bonds - temporarily restricted	-	2,210
Exchange traded funds - permanently restricted	-	341
Fair value of \$4 million second-to-die universal Life Insurance Policy - permanently restricted	<u>35</u>	<u>49</u>
Total long-term investments	<u>35</u>	<u>2,600</u>
Total investments	<u>\$ 4,624</u>	<u>\$ 5,940</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	\$ 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, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Interest and dividend income	\$ 16	\$ 107	\$ 17	\$ 140
Unrealized (loss) gain	-	(36)	56	20
Net realized gain (loss)	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net earnings on investments	<u>\$ 17</u>	<u>\$ 70</u>	<u>\$ 73</u>	<u>\$ 160</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, 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>

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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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 3,933	\$ -	\$ -	\$ 3,933
Short-term investments:				
Certificates of deposit - financial services	3,340	-	-	3,340
Long-term investments:				
Corporate bonds - financial services - AAA	-	2,210	-	2,210
Exchange traded fund - S&P500	341	-	-	341
Life insurance	-	-	49	49
Cash equivalents restricted for long-term purposes	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total long-term investments	<u>344</u>	<u>2,210</u>	<u>49</u>	<u>2,603</u>
Total investments	<u>\$ 7,617</u>	<u>\$ 2,210</u>	<u>\$ 49</u>	<u>\$ 9,876</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, 2011 and June 30, 2012 for assets measured at fair value based upon unobservable measure criteria:

Balance, June 30, 2010	\$ 39
Change in cash surrender value of life insurance policy purchased	<u>10</u>
Balance, June 30, 2011	49
Change in cash surrender value of life insurance policy purchased	<u>(14)</u>
Balance, June 30, 2012	<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, 2012 and 2011 as follows:

	2012	2011
One year or less	\$ 706	\$ 2,087
One year to five years	<u>193</u>	<u>277</u>
	899	2,364
Allowance for uncollectible contributions	(113)	(52)
Present value discount at 3.5% for 2012 and 2011	<u>(20)</u>	<u>(86)</u>
	<u>\$ 766</u>	<u>\$ 2,226</u>

Contributions receivable are classified as follows as of June 30:

	2012	2011
Unrestricted	\$ 98	\$ 139
Temporarily Restricted	650	2,069
Permanently Restricted	<u>18</u>	<u>18</u>
	<u>\$ 766</u>	<u>\$ 2,226</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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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.

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. The investment committee is re-visiting the CINJ Foundation's policies in light of the unpredictable volatility of the financial markets.

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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, 2012 and 2011:

	Permanently Restricted	
	2012	2011
Endowment net assets, beginning	\$ 985	\$ 910
Investment return	(57)	73
Contribution (Net)	1	2
Administrative fee	-	-
Endowment net assets, ending - with purpose restrictions	<u>\$ 929</u>	<u>\$ 985</u>

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

The following information in note 18 has been taken from UPA's audited financial statements.

Investments and Assets Whose Use is Limited

Long Term Investments

Long term investments are stated at fair value and consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Marketable equity securities	<u>\$ 327</u>	<u>\$ 288</u>

Assets Limited as to Use

Assets limited as to use at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Cash and cash equivalents whose use is limited	<u>\$ 3,663</u>	<u>\$ 1,875</u>

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Current Investments

The composition of current investments reported as trading securities at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Cash and cash equivalents	\$ 1,345	\$ 1,293
Marketable equity securities	6,598	6,792
U.S. government securities	2,574	934
Bonds	1,051	2,553
Total current investments	<u>\$ 11,568</u>	<u>\$ 11,572</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, 2012 and 2011 consisted of the following:

	2012	2011
Interest income	\$ 43	\$ 1,416
Dividend income	3	3
Net unrealized gain	40	49
	<u>\$ 86</u>	<u>\$ 1,468</u>

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

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The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2011 are as follows:

		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
	Valuation Techniques (1)				
Assets					
Marketable equity securities	M	7,079	-	-	7,079
U.S. government securities	M		934	-	934
Bonds	M	-	2,553	-	2,553
Total assets		<u>\$ 7,079</u>	<u>\$ 3,487</u>	<u>\$ -</u>	<u>\$ 10,566</u>

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

At June 30, 2012 and 2011, there was approximately \$1.3 million 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 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 Assets – Piscataway and Newark Centers of University Behavioral HealthCare
(In thousands of dollars)

	<u>June 30, 2012</u>			<u>June 30, 2011</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	\$ 8,034	\$ 4,418	\$ 12,452	\$ 12,201	\$ 1,516	\$ 13,717
Accounts receivable, net of allowance for doubtful accounts of \$2,286 in 2012 and \$2,985 in 2011	4,448	2,126	6,574	5,059	1,620	6,679
Other receivables, net of allowance for doubtful accounts of \$18 in 2012 and \$23 in 2011	2,002	219	2,221	1,251	5	1,256
Grants Receivable	6,409	1,718	8,127	1,985	638	2,623
Inventories and other assets	76		76	74	-	74
Total current assets	<u>20,969</u>	<u>8,481</u>	<u>29,450</u>	<u>20,570</u>	<u>3,779</u>	<u>24,349</u>
Noncurrent assets						
Capital assets, net	<u>18,520</u>	<u>348</u>	<u>18,868</u>	<u>17,369</u>	<u>383</u>	<u>17,752</u>
Total assets	<u>39,489</u>	<u>8,829</u>	<u>48,318</u>	<u>37,939</u>	<u>4,162</u>	<u>42,101</u>
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	6,154	959	7,113	4,683	651	5,334
Estimated third party payors settlements	120	-	120	1,783	-	1,783
Accrued vacation	2,203	681	2,884	1,405	546	1,951
Due to other funds	439	-	439	472	-	472
Deferred revenue	3,029	1,781	4,810	25	-	25
Long-term debt and capital lease obligations-current	-	-	-	250	-	250
Total current liabilities	<u>11,945</u>	<u>3,421</u>	<u>15,366</u>	<u>8,618</u>	<u>1,197</u>	<u>9,815</u>
Noncurrent liabilities:						
Long-term debt and capital lease obligations	<u>522</u>	<u>254</u>	<u>776</u>	<u>522</u>	<u>254</u>	<u>776</u>
Total liabilities	<u>12,467</u>	<u>3,675</u>	<u>16,142</u>	<u>9,140</u>	<u>1,451</u>	<u>10,591</u>
Net Assets	<u>\$ 27,022</u>	<u>\$ 5,154</u>	<u>\$ 32,176</u>	<u>\$ 28,799</u>	<u>\$ 2,711</u>	<u>\$ 31,510</u>

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

	<u>Year ended June 30, 2012</u>			<u>Year ended June 30, 2011</u>		
	<u>Piscataway Center</u>	<u>Newark Center</u>	<u>Total</u>	<u>Piscataway Center</u>	<u>Newark Center</u>	<u>Total</u>
Operating revenues						
Government grants and contracts	\$ 18,250	\$ 3,647	\$ 21,897	\$ 16,246	\$ 3,967	\$ 20,213
Private grants and contracts	627	-	627	1,162	1	1,163
Net patient service revenues	16,116	7,219	23,335	19,562	7,143	26,705
Professional services and contracts	11,312	905	12,217	6,771	112	6,883
Other operating revenues	432	17	449	944	11	955
Total operating revenues	<u>46,737</u>	<u>11,788</u>	<u>58,525</u>	<u>44,685</u>	<u>11,234</u>	<u>55,919</u>
Operating expenses						
Research	539	-	539	891	-	891
Public service	21,586	4,633	26,219	16,498	3,968	20,466
Institutional & administrative support	1,689	380	2,069	(44)	(31)	(75)
Patient care services	48,345	15,515	63,860	44,253	14,904	59,157
Depreciation	1,453	60	1,513	1,823	77	1,900
Insurance and other	436	335	771	438	335	773
Total operating expenses	<u>74,048</u>	<u>20,923</u>	<u>94,971</u>	<u>63,859</u>	<u>19,253</u>	<u>83,112</u>
Operating loss	<u>(27,311)</u>	<u>(9,135)</u>	<u>(36,446)</u>	<u>(19,174)</u>	<u>(8,019)</u>	<u>(27,193)</u>
Nonoperating revenues (expenses)						
State appropriations - operations	13,205	7,612	20,817	10,880	7,825	18,705
Fringe benefits paid by the State	13,646	4,626	18,272	8,365	2,990	11,355
Other	(1,317)	(660)	(1,977)	555	(2,576)	(2,021)
Total nonoperating revenues, net	<u>25,534</u>	<u>11,578</u>	<u>37,112</u>	<u>19,800</u>	<u>8,239</u>	<u>28,039</u>
(Decrease) increase in net assets	(1,777)	2,443	666	626	220	846
Net assets - beginning of year	<u>28,799</u>	<u>2,711</u>	<u>31,510</u>	<u>28,173</u>	<u>2,491</u>	<u>30,664</u>
Net assets - end 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>

University of Medicine and Dentistry of New Jersey
Schedule of Expenditures of State Awards
Year Ended June 30, 2012

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster						
New Jersey Department of Environmental Protection						
New Jersey Environmental Protection Agency						
SR08-016	Chromium Exposure	15-Feb-08	30-Nov-09	\$ 342,888	\$ 342,888	\$ (52)
SR08-045	An Evaluation of Potentials	30-Jun-08	29-Dec-09	75,000	75,000	(6)
SR11-010	Evaluation of Two Samples	1-Oct-08	30-Jun-12	718,380	703,030	159,299
SR09-015	Chromium Exposure	1-Jun-09	9-Apr-11	476,429	476,429	4,079
HUD-C-77-05	Blood Monitoring Program	1-Jun-10	31-May-13	285,823	145,887	55,571
06-2042-014-78	PTH-mediated EGFR Signal	1-Jan-06	31-Dec-08	300,000	300,000	967
Total New Jersey Environmental Protection Agency				2,198,520	2,043,234	219,858
New Jersey Division of Parks and Forestry						
NJDEP 102259	Trace Metal Analysis	18-Feb-11	31-Jan-99	9,800	8,352	8,223
Total New Jersey Division of Parks and Forestry				9,800	8,352	8,223
New Jersey Meadowlands Commission						
MOA	Determination of Airborne	1-Apr-09	30-Jun-10	38,000	38,000	6
Total New Jersey Meadowlands Commission				38,000	38,000	6
Total New Jersey Department of Environmental Protection				2,246,320	2,089,586	228,087
Governor's Council for Medical Research and Treatment of Autism						
10-407-SCH-E0	NJ Council treatment	1-Jun-10	27-Jun-13	469,550	166,144	76,090
10-404-SCH-E0	NJ Gov Autism 10404-s	28-Jun-10	27-Jun-13	469,550	358,361	213,121
Total Governor's Council for Medical Research and Treatment of Autism				939,100	524,505	289,211
New Jersey Department of Health and Senior Services						
Commission on Cancer Research						
02-2403-CCR-S0	Role of CD30 in the G	1-Jul-02	30-Jun-04	21,094	21,094	-
05-2409-CCR-E-0	Role of p300/CBP in I	1-Jun-05	31-May-07	96,800	96,800	1,235
05-1963-CCR	Cis-Spreading Mechanism	1-Jun-05	31-May-07	96,800	95,288	837
05-1975-CCR-E0	Mechanisms of Mitochondrial	1-Jun-05	30-Jun-07	97,240	96,742	185
09-1097-CCR-E0	Mesenchymal stem cell	1-Jul-08	30-Jun-10	66,000	66,000	(2,181)
09-2404-CCR-R-0	Fellowship for Piotr	1-Apr-09	31-Mar-11	50,000	73,863	17,657
09-1160-CCR-E-0	UMDNJ-NJMS/UH Cancer	26-Jun-09	25-Jun-11	476,340	474,740	(8,472)
09-1076-CCR-E0	The role of E2f3 locu	26-Jun-09	31-Dec-11	269,139	269,139	36,393
10-1-CCR-E0	Deep Sequencing Analysis	1-Jul-09	30-Jun-11	500,000	494,285	45
10-1072-CCR-E0	A novel biological Theory	1-Dec-09	30-Nov-12	243,900	245,578	113,507
10-2412-CCR-E0	IGF signaling in normal	1-Dec-09	30-Nov-12	150,000	149,912	40,404
08-1083-CCR-E0	Roles of Atrophin Protein	1-Jul-07	30-Jun-08	45,876	45,876	(300)
912408	Novel Actin Regulator	1-Apr-09	31-Mar-11	86,167	86,167	4
09-1077-CCR-E0	Effect of Fetal Zeara	26-Jun-09	30-Jun-12	235,074	210,362	76,447
07-1056-CCR-E-0	Testosterone Suppleme	1-Jul-06	30-Jun-09	99,000	99,000	55
09-1167-CCR-E0	Epithelial Integrity	1-Jul-08	30-Jun-12	132,000	131,765	18,948
09-1128-CCR-E0	A Pilot Study of Nucleic	1-Jul-08	30-Jun-11	132,000	132,000	715
09-1079-CCR-E0	The Role of PD2 in	26-Jun-09	25-Jun-11	130,044	130,044	3,661
09-1144-CCR-E0	Allogeneic Cellular T	26-Jun-09	25-Jun-11	236,189	236,189	16,476
09-1970-CCR-E0	The Role of Leukemia	26-Jun-09	25-Jun-12	270,189	249,847	79,841
09-1082-CCR-E0	A Computational & Systemical	26-Jun-09	25-Jun-11	545,067	545,067	126,766
10-1964-CCR-E0	MSCs in African American	1-Dec-09	30-Jul-12	150,000	145,800	55,124

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, 2012

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster (continued)						
New Jersey Department of Health and Senior Services (continued)						
Commission on Cancer Research (continued)						
10-1963-CCR-E0	Genetic Variants Implants	1-Dec-09	30-Nov-12	150,000	97,689	529
10-1961-CCR-E0	Role of IDO-blockade	1-Dec-09	30-Nov-12	243,900	228,776	104,102
10-2410-CCR-E0	GLS2, a Novel p53 Tar	1-Dec-09	30-Nov-11	253,726	253,726	74,239
10-2411-CCR-E0	Pten & p53 in Ovarian	1-Dec-09	30-Nov-11	129,566	139,530	39,303
10-1094-CCR-E0	Evaluating Intervention	1-Jan-10	31-Dec-11	25,000	25,000	15,829
FSH-2011-CRSF-004	(SURE) at CINJ	1-Jun-11	31-Aug-12	30,000	10,323	10,323
Total Commission on Cancer Research				4,961,111	4,850,602	821,672
Division of Epidemiology and Disease Control						
MOA	On line CME Activity	1-Mar-09	31-Dec-09	98,204	86,386	21,417
Total Division of Epidemiology and Disease Control				98,204	86,386	21,417
Family Health Services						
99-VAWA-33	Develop A Database	1-Sep-00	30-Jun-99	304,538	304,538	(3,191)
MOA. NJDHSS	Evaluation of New Jersey	24-Apr-03	30-Jun-99	160,000	160,000	1
MOA	Evaluation of NJ comprehensive	1-Mar-04	30-Jun-99	325,000	323,778	(311)
10-402-SCH-E-0	Autism and Control of	28-Jun-10	27-Jun-13	469,550	335,614	225,624
Total Family Health Services				1,259,088	1,123,930	222,123
Special Children's Health Services						
DFHS11AUB004	Autism-Gov's Council	1-Jul-10	30-Jun-12	250,000	456,107	456,107
Total Special Children's Health Services				250,000	456,107	456,107
New Jersey Commission on Spinal Cord Research						
05-3051-SCR-E-0	Preservation of Sperm	1-Jul-05	30-Jun-08	389,821	389,821	219
06-2913-SCR-E-0	Grad Student Fellowship	15-Jun-06	30-Jun-08	50,069	50,069	-
08-3073-SCR-E-0	Novel Targets for Neurons	15-Dec-07	30-Dec-10	197,562	198,532	(434)
09-3207-BIR-E-2	Stimulating CNS Regeneration	1-Jun-08	31-May-13	331,101	331,722	(138,655)
08-3082-SCR-E-0	Spinal Cord Injury	15-Jun-08	30-Jun-11	378,532	379,428	(16,004)
08-3207-BIR-E-1	Stimulating CNS Regeneration	1-Jun-08	31-May-11	244,858	244,858	(89,471)
04-3029-SCR-E-0	Inhibitory Mechanisms	15-Jun-04	30-Jun-08	364,092	364,092	(78)
05-3047-SCR-E-0	Glial Migration	15-Jun-05	30-Jun-07	361,399	361,399	-
05-3050-SCR-E-0	Effects of EES	15-Jun-05	30-Jun-07	152,265	152,265	-
06-3058-SCR-E-0	Engineering Nanofibrial	15-Jun-06	30-Jun-09	315,462	309,279	(68,011)
07-3060-SCR-E-0	Molecular Mechanisms	15-Dec-06	30-Dec-08	331,112	331,112	(20)
07-2933-SCR-E-0	Poiods spinal cord	15-Jun-07	30-Jun-09	57,279	57,279	(150)
09-2944-SCR-E-0	Axon regeneration	15-Jun-09	14-Jun-12	60,000	58,541	7,070
09-3084-SCR-E-0	Molecules Promoting A	15-Jun-09	30-Jun-12	368,515	376,667	186,527
09-2945-SCR-E-0	Molecular Mechanisms	15-Jun-09	30-Jun-12	100,000	99,640	37,754
10-2946-SCR-E-0	Molecular Mechanisms	15-Dec-09	30-Dec-12	150,000	149,079	46,055
10-3088-SC-R-E-0	NJSCR axon remyelinat	15-Dec-09	30-Dec-12	400,000	320,363	98,689
CSCR111RG015	Spinal Cord Individual	15-Jun-11	30-Jun-14	179,741	75,154	75,154
04-3033-SCR-E-0	NJSCR Mouse Sponal c	1-Jul-04	30-Jun-07	399,967	399,967	-
09-3087-SCR-E-0	Foxn4 Neurogen NJSCR	15-Jun-09	30-Jun-11	193,764	193,764	38
10-3092-SCR-E-0	NJSCR Orphan GPCR	15-Jun-10	30-Jun-13	600,000	393,738	244,187
11-2955-SCR-E-0	NJSCR Fellow Mirsa	15-Jun-11	30-Jun-14	50,000	45,377	45,377
Total New Jersey Commission on Spinal Cord Research				5,675,539	5,282,146	428,247

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, 2012

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Research and Development and Research Training Cluster (continued)						
New Jersey Department of Health and Senior Services (continued)						
New Jersey Office of Cancer Control and Prevention						
MOA	MOA Evaluation of NJ	1-Apr-05	30-Jun-99	325,000	324,753	26,653
MOA	MOA Evaluation of Coding	1-Feb-06	30-Jun-99	125,000	111,920	38,216
MOA	MOA Evaluation	1-Feb-06	30-Jun-99	60,000	17,761	11,931
MOA	Ongoing Transitional	1-Jul-11	30-Jun-12	921,769	500,885	500,885
08-1082-CCR-E0	Function of Non-CodinG	1-Jun-07	30-Jun-09	49,500	49,028	997
Total New Jersey Office of Cancer Control and Prevention				1,481,269	1,004,347	578,682
New Jersey Commission on Brain Injury Research						
09-3213-BIR-E-0	Tonic Gabageric inhib	1-Jun-09	31-May-13	449,424	384,826	109,900
10-3207-BIR-E-3	CNS Regeneration yr3	1-Jun-10	31-May-13	562,104	407,591	211,965
10-3207-BIR-E-3	CNS Animal Core yr3	1-Apr-10	31-May-13	139,309	147,405	115,684
10-3207-BIR-E-0	Stimulating CNS Regen	1-Jun-10	31-May-13	275,017	257,869	206,709
11-3223-BIR-E-0	Role of Semilunar granule	1-Jun-11	31-May-14	209,808	62,861	62,861
CBIR12FEL025	Delivery of Neural St	1-Jun-12	31-May-15	31,700	792	792
07-3203-BIR-E-0	NJ com Brain injury Research	1-Apr-07	31-Mar-10	297,217	297,217	307
103205-BIR-E-3	NJ Comm on Brain Injury	1-Jul-08	31-May-13	495,000	457,218	82,119
09-3212-BIR-E-0	IGF protrin to Brain	1-Jun-09	30-Jun-12	330,000	329,673	78,269
CBIR11PIL033	Regulation of Neuronatal	1-Jun-11	31-May-13	180,000	61,463	61,463
Total New Jersey Commission on Brain Injury Research				2,969,579	2,406,915	930,069
Public Health Infrastructure, Laboratories and Emergency Preparedness						
MOA	The Hepac Support Program	1-Jan-08	30-Jun-09	113,027	113,027	(1)
Total Public Health Infrastructure, Laboratories and Emergency Preparedness				113,027	113,027	(1)
New Jersey Division of Aging and Community Services						
NJDHSS	MOA between NJDHSS	1-Sep-10	31-Mar-11	30,000	30,000	7,941
Total New Jersey Division of Aging and Community Services				30,000	30,000	7,941
Office of Local Health						
MOA	MOA-Potassium Iodide	31-Mar-05	30-Jun-07	45,000	45,000	5,173
Total Office of Local Health				45,000	45,000	5,173
Division of Addiction Services						
HESC-08-01-00	NJ Stem cell Bioengin	1-Oct-07	30-Sep-10	300,000	300,000	(168)
UMDNJ-SF-01	DAS - ADDRESSING TOBACCO	1-Oct-11	31-Mar-13	650,000	267,926	267,926
Total Division of Addiction Services				950,000	567,926	267,758
Maternal and Child Health Program						
01-100-4535-129-J00	Oral/Dental Health	1-Mar-02	30-Jun-07	97,048	97,048	(23,192)
Total Maternal and Child Health Program				97,048	97,048	(23,192)
Total New Jersey Department of Health and Senior Services				17,929,865	16,063,434	3,715,996
Governor's Commission on Science and Technology						
07-2042-014-82	Stem Cell Based TheraPY	1-Aug-07	31-Aug-09	300,000	298,201	2,506
07-2042-014-83	Stem Cells in Lung Cancer	1-Jul-07	31-Dec-09	300,000	300,000	(10,232)
07-2042-014-92	Stem Cell research 07	1-Sep-07	31-Aug-10	268,533	268,533	(225)
07-2042-014-98	Arterial Access Catheter	1-Jan-08	30-Jun-10	15,000	11,894	1,500
07-2042-014-93	NJCST Differentiation	1-Jul-07	30-Jun-10	300,000	300,000	43
Total Governor's Commission on Science and Technology				1,183,533	1,178,628	(6,408)
Total Research and Development and Research Training Cluster				22,298,818	19,856,153	4,226,886

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, 2012

State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Student Financial Aid Cluster						
Department of Higher Education						
MOA	College Access Challenge	1-Jul-08	30-Jun-12	23,750	5,708	1,944
Education Opportunity Fund						
EOF 2008	EOF 2008	1-Jun-07	31-Jul-08	47,850	47,850	-
EOF 2011	EOF 2011	1-Jun-10	31-Jul-11	94,282	94,282	6,762
EOF 2012	EOF 2012	1-Jun-11	31-Jul-12	477,329	446,052	445,971
EOF 2013	EOF 2013	1-Jun-12	31-Jul-13	63,087	(15,974)	(15,974)
MLK 2006	MLK 2006	1-Jul-05	30-Jun-06	121,470	121,470	-
MLK 2011	MLK 2011	1-Jun-10	31-Jul-11	139,266	139,266	-
MLK 2012	MLK 2012	1-Jun-11	31-Jul-12	302,000	336,446	290,024
MLK 2013	MLK 2013	1-Jun-12	31-Jul-13	-	(34,446)	(34,446)
2010 (FY10/11) SUMMER	2010 (FY10/11) SUMMER	20-Jun-10	31-Jul-10	119,254	99,103	(12,622)
Summer Prep FY12	Summer Prep FY12	1-Jun-11	31-Aug-11	-	40,251	26,750
Total Education Opportunity Fund				1,364,538	1,274,300	706,465
Higher Education Student Assistance Authority						
URBAN SCHOLARSHIP AID	URBAN SCHOLARSHIP AID	1-Jul-07	30-Jun-13	3,720	3,720	930
DSFY03SA	Edward Bloustein Dist	1-Jul-02	30-Jun-12	3,046	2,930	930
TAG	TAG- FY 2011	1-Jul-11	30-Jun-12	336,075	339,903	339,903
Total Higher Education Student Assistance Authority				342,841	346,553	341,763
Total Department of Higher Education				1,731,129	1,626,561	1,050,172
Total Student Financial Aid Cluster				1,731,129	1,626,561	1,050,172
Other Programs						
Department of Higher Education						
Higher Education Student Assistance Authority						
03CSH034SLOA	Prim. Care Loan Program	1-Jul-92	30-Jun-99	25,993,866	20,350,653	1,344,060
Total Higher Education Student Assistance Authority				25,993,866	20,350,653	1,344,060
Total Department of Higher Education				25,993,866	20,350,653	1,344,060
Department of Education						
Division of Vocational Education						
MOU	Occupational Education	1-Nov-10	31-Oct-11	225,000	225,000	90,221
MOA	Occupational Education	1-Nov-11	31-Oct-12	225,000	134,180	134,180
Total Division of Vocational Education				450,000	359,180	224,401
Division of Libraries						
2001-0535	Statewide Library Service	1-Jan-99	30-Jun-12	693,000	691,438	31,385
Total Division of Libraries				693,000	691,438	31,385
Special Education Division						
MOU	NJ DOE MOU YR-02	1-Jul-10	30-Jun-11	889,638	889,638	31,436
MOU	NJ DOE- MOU 2012	1-Jul-11	31-Oct-12	1,034,609	876,701	876,701
Total Special Education Division				1,924,247	1,766,339	908,137
Total Department of Education				3,067,247	2,816,957	1,163,923

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, 2012

State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Department of Law and Public Safety						
MOU	Continuing Edu. Course	1-Apr-08	31-Jan-14	262,600	145,508	48,147
Division of Criminal Justice						
2010-SS-T0-0068	FY 10 HOMELAND SECURITY	1-Sep-11	30-Sep-12	105,600	-	-
ID1002	Training & Consultatiion	4-Jan-10	31-Dec-10	28,999	28,999	289
ID1103	Training & Consultatiion	1-Jan-11	31-Aug-11	36,000	36,000	35,271
GR1206	Juvenile Sex Offender	1-Oct-11	30-Sep-12	71,813	17,578	17,578
Total Division of Criminal Justice				<u>242,412</u>	<u>82,577</u>	<u>53,138</u>
Total Department of Law and Public Safety				<u>505,012</u>	<u>228,085</u>	<u>101,285</u>
Department of Children and Family Health Services						
Division of Child Behavioral Health Services						
60203	Juvenile Justice Grant	25-Mar-11	24-Mar-12	150,000	111,147	82,720
09DRMR	Youth Case Management	1-Jul-08	30-Jun-09	(125)	(125)	-
10DRMR	Youth Case Management	1-Jul-09	30-Jun-10	806,214	806,214	(7)
11DRMR	Youth Case Management	1-Jul-10	30-Jun-11	2,592,989	2,592,298	172,859
12DRMR	Youth Case Management	1-Jul-11	30-Jun-12	2,918,320	2,285,208	2,285,208
11AXMR	CMR - Middlesex YIP	1-Jul-10	30-Jun-11	191,411	191,411	44,882
11EGMR	Dually Diagnosed Training	1-Jan-11	31-Dec-11	1,682,943	1,411,903	787,612
11HBMR	Residential Child Middlesex	1-Jul-10	30-Jun-11	-	(290)	(500)
12AXMR	Children's Mobile Research	1-Jul-11	30-Jun-12	782,256	(190,645)	(190,645)
12EGMR	Children's Training	1-Jan-12	31-Dec-12	1,682,943	595,051	595,051
12HBMR	Res. Child Middlesex	1-Jul-11	30-Jun-12	2,484,504	-	-
Total Divison of Child Behavioral Health Services				<u>13,291,455</u>	<u>7,802,172</u>	<u>3,777,180</u>
Division of Youth and Family Services						
# 11CYGP	SBYSP-TEEN POWERHOUSE	1-Jul-10	30-Jun-11	381,570	381,570	18,793
# 12CYGM	TEENS NETWORKING TODAY	1-Jul-11	30-Jun-12	116,404	113,346	113,346
# 12CYGP	SCHOOL BASED YOUTH-20	1-Jul-11	30-Jun-12	327,614	315,051	315,051
# 13CYGM	TEENS NETWORKING TODA	1-Jul-12	30-Jun-13	53,692	-	-
# 13CYGP	SCHOOL BASED YOUTH PR	1-Jul-12	30-Jun-13	390,326	-	-
09RNGM	Child Health Nursing	1-Jul-08	30-Jun-09	23,401,435	23,401,435	-
11RNGM	Child Health Nursing	1-Jul-10	30-Jun-11	32,186,800	32,191,490	1,116,922
12RNGM	Child Health Nursing	1-Jul-11	30-Jun-12	35,500,000	29,786,898	29,786,898
05AHMM	Pediatric Aids	1-Jul-04	30-Jun-05	111,968	111,968	1,100
06AHMM	Case Mgmt	1-Jul-05	30-Jun-06	113,648	113,648	12,581
07AHMM	Case Supervision	1-Jul-06	30-Jun-07	114,784	114,784	-
09AHMM	Case Supervision	1-Jul-08	30-Jun-09	117,496	117,496	156
09XDDS	DYFS CARES FY09	1-Jul-08	30-Jun-09	1,835,060	1,834,986	(470)
10CYGM	TNT/ PROJECT 2010	1-Jan-10	30-Jun-11	746,646	727,002	8,216
10CYGP	SBYSP-TEEN POWERHOUSE	1-Jul-09	30-Jun-10	326,459	326,459	1,321
10XDDS	DYFS10XDDS-RDTC	1-Jul-09	30-Jun-10	1,984,362	1,984,362	(1,357)
11AGMM	CARRI Children at Risk	1-Jul-10	30-Jun-11	126,580	127,490	7,805
11AHMM	DYFA Pediatric Case	1-Jul-10	30-Jun-11	117,875	117,875	14,967
11AKMP	S.B School Based Youth	1-Jul-10	30-Jun-11	443,889	443,838	14,077
11ARGR	Children's Mobile	1-Jul-10	30-Jun-11	94,157	94,157	38,036
11HGMM	TTA Medical Director	1-Jan-11	31-Dec-11	266,541	251,546	134,483

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State Grantor/Program Reference Number	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Other Programs (continued)						
Department of Children and Family Health Services (continued)						
Division of Youth and Family Services (continued)						
11NOGM	RISK REDUCTION PROGRAM	1-Jul-10	30-Jun-11	84,215	84,215	11,309
11XDDS	DYFS11XDDS OUTREACH	1-Jul-10	30-Jun-11	2,415,494	2,175,944	131,677
12AGMM	Carri Children at Risk	1-Jul-11	30-Jun-12	158,392	130,646	130,646
12AHMM	Pediatric Care Coordination	1-Jul-11	30-Jun-12	118,228	117,918	117,918
12AKMP	S.B School Based Youth	1-Jul-11	30-Jun-12	443,889	413,084	413,084
12ARGR	Children's Mobile	1-Jul-11	30-Jun-12	672,001	(329,404)	(329,404)
12BYDS	Psych Srvx. Abused & Neglected	1-Jul-11	30-Jun-12	197,890	167,971	167,971
12CYGM	Boarder Baby Program	1-Jul-11	30-Jun-12	468,672	455,624	455,624
12HGMM	TTA MED Director	1-Jan-12	31-Dec-12	266,541	116,866	116,866
12NOGM	RISK REDUCTION PROGRAM	1-Jul-11	30-Jun-12	84,215	81,862	81,862
12XDDS	DYFS 12XDDS-G&A	1-Jul-11	30-Jun-12	2,415,494	1,834,154	1,832,929
13NOGM	RISK REDUCTION PROGRAM	1-Jul-12	30-Jun-13	84,215	-	-
DFHS12NWB013	Newborn Screening	1-Jul-11	30-Jun-12	75,000	70,975	70,975
FHS-2011-EIP DFHSNW	Sickle Cell Treatment	1-Jul-10	30-Jun-11	75,000	76,440	2,240
MOA	Stroke Risk Reduction	1-Dec-11	30-Jun-12	65,000	60,625	60,625
Total Division of Youth and Family Services				106,381,552	98,012,321	34,846,247
Total Department of Children and Family Health Services				119,673,007	105,814,493	38,623,427
New Jersey Department of Health and Senior Services						
Office of Emergency Medical Services						
08-80-EMS-E-2	NORTH STAR PROGRAM -08	1-Jul-07	30-Jun-08	1,483,393	1,483,815	423
HIPER-2011-HELICOPT	NORTH STAR PROGRAM FY 11	1-Jul-10	30-Jun-11	1,313,344	1,313,344	(140,774)
# PHLP12HEL002	NORTH STARPROGRAM FY 12	1-Jul-11	30-Jun-12	1,872,365	1,537,838	1,537,838
HLP13HEL008	NORTH STAR FY - 2013	1-Jul-12	30-Jun-13	70,000	-	-
PHLP13HEL011	AIRMEDICAL COMMUNICAT	1-Jul-12	30-Jun-13	25,000	-	-
Total Office of Emergency Medical Services				4,764,102	4,334,997	1,397,487
Communicable Disease Service						
EPI-2011-TBCLINICSE	Tuberculosis Control	1-Jul-10	30-Jun-11	1,016,995	1,016,995	70,760
# EPID12TBS005	LATTIMORE STATE-TUBERCULOSIS	1-Jul-11	30-Jun-12	1,004,113	969,432	969,432
MOA	Antimicrobial Resistance	15-Nov-07	31-Dec-08	123,615	123,615	688
MOA	Antimicrobial Resistance	1-Jan-09	31-Dec-11	276,532	276,499	47,885
Total Communicable Disease Service				2,421,255	2,386,541	1,088,765
Division of Epidemiology Disease Control						
EPI-2011-TB-AMBULAT	Lattimore Practice	1-Jan-11	31-Dec-11	363,111	362,073	286,511
MOA	Surveillance & Investigaton	1-Jan-12	31-Jul-14	70,583	5,326	5,326
DFHS12CT005	Tobacco Free	29-Mar-12	28-Mar-13	100,000	17,096	17,096
DFHS11CT005	Tobacco Free	30-Sep-11	30-Sep-12	150,775	127,968	127,938
MOA	Antimicrobial Resistance	1-Jan-12	31-Dec-14	119,738	57,851	57,851
10-347-TOB-E-0	Trenton Area Quit Center	1-Jul-09	30-Jun-10	101,183	101,183	-
Total Division of Epidemiology and Disease Control				905,390	671,497	494,722
Department of Public Health and Environmental Laboratories						
PHLP12MNI019	Emergency Preparednes	1-Jul-11	30-Jun-12	5,000	-	-
Total Department of Public Health and Environmental Laboratories				5,000	-	-

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		From	To			
Other Programs (continued)						
New Jersey Department of Health and Senior Services (continued)						
Division of AIDS Prevention and Control						
04-807-AID-E-0	NJ AIDS STD Hotline	31-Dec-04	31-Dec-04	439,700	439,700	50
09-845-AID-E-0	DSOI - Ryan White	31-Mar-10	31-Mar-10	113,967		(288)
10-81-EMS-E-3	NJ Poison Information	30-Jun-10	30-Jun-10	1,298,592	1,298,592	(1)
PHLP11PIE001	NJ Poison EMS	30-Jun-11	30-Jun-11	586,999	541,205	(68,671)
AIDS12CTR009	AIDS12CTR009	30-Jun-12	30-Jun-12	409,701	244,017	244,017
PHLP12PIE001	NJ Poison EMS 2012	30-Jun-12	30-Jun-12	587,000	550,633	550,633
12-791-AID-E-0	2011 HIV Counseling	30-Jun-12	30-Jun-12	50,000	-	-
12-807-AID-E-0	NJ AIDS STD Hotline	31-Dec-12	31-Dec-12	439,700	210,034	210,034
04-2033-AID-E-0	Care and treatment service	31-Mar-12	31-Mar-12	222,250	222,250	135,003
AIDS12RWB01L	Care & treatment service	31-Mar-13	31-Mar-13	200,000	38,704	38,704
MOA	Technical Assistance	31-Dec-10	31-Dec-10	78,000	78,000	(175)
MOA	MOA between DHSS and UMDNJ	31-Dec-11	31-Dec-11	68,000	67,887	33,020
MOA	MOA between DHSS and UMDNJ	31-Dec-12	31-Dec-12	104,788	43,560	43,560
07-770-AID-E-0	HIV	30-Jun-07	30-Jun-07	94,966	94,966	956
08-792-AID-E-0	HIV Counseling Testing	30-Jun-08	30-Jun-08	91,812	91,812	615
07-826-AID-E-0	Comprehensive HIV Service	1-Jan-07	31-Dec-07	116,778	116,028	(300)
10-741-AID-E-0	Milestone - HIV Prevention	1-Jul-09	30-Jun-10	95,000	95,000	1,552
AIDS11HER011	Milestone - Prevention	1-Jul-10	30-Jun-11	193,389	193,389	8,920
AIDS11CTN004	Mobile Counseling	1-Jan-11	31-Dec-11	273,000	281,038	162,003
AIDS12HER016	Milestone - Prevention	1-Jul-11	30-Jun-12	251,778	242,223	242,223
AIDS12CTN017	STOP - Mobile Medical	1-Jan-12	30-Jun-12	136,500	108,154	108,154
AIDS11CTR035	HIV special dental service	1-Jul-10	30-Jun-11	539,617	539,617	31,436
AIDS12CTR031	AIDS 2012 Care and Treatment	1-Jul-11	30-Jun-12	539,617	514,258	514,258
MOA	HIV/AIDS Quality Management	1-Apr-12	31-Mar-13	188,485	32,145	32,145
10DHAS04C	DHAS-Prevention & Educaton	1-Jan-10	31-Dec-10	100,586	100,586	(2)
MOA	HIV/AIDS QUALITY MANAGEMENT	1-Apr-10	31-Mar-11	167,761	167,761	(86)
MOA	DHAS-HIV Care & Treatment	1-Jul-10	30-Jun-11	273,991	273,991	29,118
11DHAS04C	DHAS-HIV/AIDS Quality	1-Apr-11	31-Mar-12	161,399	151,523	121,177
MOA	DHAS-Care & Treatment	1-Jul-11	30-Jun-12	299,110	254,132	254,132
AIDS11CTR034	HIV Alternate Test Site	1-Jul-10	30-Jun-11	151,709	151,709	10,183
AIDS-2011-CARE & TR	Adolescent and women	1-Jul-10	30-Jun-11	93,015	93,015	3,570
AIDS12CTR030	HIV/AIDS Care and Treatment	1-Jul-11	30-Jun-12	246,216	211,769	211,769
AIDS12CTR036	Rapid HIV Testing	1-Jul-11	30-Jun-12	94,966	90,235	90,235
Total Division of AIDS Prevention and Control				8,708,392	7,651,900	3,007,944
Special Children's Health Service						
09-343-SCH-E-0	Clinical Enhancement	1-Jul-08	30-Jun-09	333,948	333,948	2,953
10-227-SCH-E-2	Governor's Council	1-Jul-09	30-Jun-10	302,626	302,626	(7,143)
10-367-SCH-E-0	Clinical Enhancement	1-Jul-09	30-Jun-10	326,569	326,569	(398,022)
DFHS11AUC005	Governor's Council -	1-Jul-10	30-Jun-12	697,000	977,583	451,661
05-179-SCH-1	New born Screening	1-Jul-04	30-Jun-05	75,000	75,000	92
06-179-SCH-E-2	New Born Screening	1-Jul-05	30-Jun-06	75,000	75,000	118
06-129-SCH-E-2	Tertiary	1-Jul-05	30-Jun-06	291,497	291,497	-
07-179-SCH-E-3	Cystic Fibrosis	1-Jul-06	30-Jun-07	74,440	74,440	1,439
07-200-SCH-E-1	HIV Care Ntework	1-Aug-06	31-Jul-07	546,318	546,318	-

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		From	To			
Other Programs (continued)						
New Jersey Department of Health and Senior Services (continued)						
Special Children's Health Service (continued)						
08-172-SCH-E-1	Tertiary	1-Jul-07	30-Jun-10	293,000	293,000	(8,943)
08-263-SCH-E-1	Newborn Screening	1-Jul-07	30-Jun-08	76,200	76,458	283
08-280-CHS-E-3	SIDS Center	1-Jul-07	30-Jun-08	200,173	200,173	(5,571)
09-791-AID-E-0	HIV Counsel, Test	1-Jul-08	30-Jun-09	90,889	90,889	(7,704)
09-200-SCH-E-3	HIV Care Network	1-Aug-08	31-Jul-09	464,800	464,800	(3,213)
09-255-SCH-E-2	Newborn Screening	1-Jul-08	30-Jun-09	128,000	117,787	(117)
09-165-CHS-E-1	SIDS Center	1-Jul-08	30-Jun-09	212,000	212,000	2,912
09-263-SCH-E-2	New Born Screening	1-Jul-08	30-Jun-09	79,000	79,000	66
10-138-SCH-E-1	HIV Care Network	1-Aug-09	31-Jul-10	461,500	461,208	(1,660)
10-793-AID-E-0	HIV Counsel,Test	1-Jul-09	30-Jun-10	79,522	79,522	(15,987)
10-172-SCH-E-3	Tertiary	1-Jul-09	30-Jun-10	308,350	308,350	15,891
10-165-CHS-E-2	SIDS Center	1-Jul-09	30-Jun-10	203,250	203,250	(16,214)
10-263-SCH-E-3	New Born Screening	1-Jul-09	30-Jun-10	79,000	79,000	3,108
10-255-SCH-E-3	Newborn Screening	1-Jul-09	30-Jun-10	128,000	122,305	(3,883)
10-405-SCH-E-0	Self Representation	28-Jun-10	27-Jun-13	469,550	238,848	127,537
FHS-2011-PEDIATRIC	HIV Care Network	1-Aug-10	31-Jul-11	461,000	455,448	59,449
FHS-2011-EIP/PED TE	Tertiary	1-Jul-10	30-Jun-11	308,350	308,162	15,696
FHS-2011-EIP/NEWBOR	Newborn Screening	1-Jul-10	30-Jun-11	127,950	115,646	3,231
FHS-2011-INFANT MOR	Sids Center	1-Jul-10	30-Jun-11	221,000	220,615	43,703
FHS-2011-EPI	Newborn screening CF	1-Jul-10	30-Jun-11	79,000	77,393	2,737
DFHS12NWB012 - 46.0	FY 2012-Newborn Screening	1-Jul-11	30-Jun-12	127,950	120,439	120,439
DFHS12NWB014	FY2012 Newborn Screening	1-Jul-11	30-Jun-12	79,000	76,386	76,386
Total Special Children's Health Service				7,399,882	7,403,660	459,244
Family Health Services						
FHS-2013-EIP	EIP Program	1-Jul-06	30-Jun-13	3,485,503	3,454,305	1,582,071
10-189-SCH-E-1	Child Evaluation Cent	1-Jul-09	30-Jun-10	137,564	137,564	226
DFHS11NWB005	Newborn Screening	1-Jul-10	30-Jun-11	650,000	650,000	21,833
DFHS11EVL006	Special Child Health	1-Jul-10	30-Jun-11	164,000	161,213	13,954
10-3095-SCR-E-0	Altered Brain Connect	15-Jun-10	30-Jun-13	198,120	20,978	20,978
10-408-SCH-E-0	Altered Brain Connect	28-Jun-10	27-Jun-12	-	1,067	1,067
DFHS12NWB003	University Newborn Sc	1-Jul-11	30-Jun-12	650,000	630,419	630,419
DFHS12EVL012	Special Child Health	1-Jul-11	30-Jun-12	164,000	166,993	166,993
RW PART B 00465/002	RW Part B 2010-2011	1-Aug-10	31-Jul-11	153,296	143,542	11,378
RW PART D 00465/002	RW Part D 2010-2011	1-Aug-10	31-Jul-11	510,431	501,020	33,395
RW PART B/DFHS12PDA	RW Part B 2011-2012	1-Aug-11	31-Jul-12	315,000	285,742	285,742
RYAN WHITE PART D	RW Part D 2011-2012	1-Aug-11	31-Jul-12	343,377	312,862	312,862
HSG#FHS-2011-CEED-0	Training/Consultation	1-Oct-10	30-Jun-11	99,069	99,069	18,530
FHS-2011-HUNTINGTON	Huntington's Disease	1-Jul-10	30-Jun-11	78,741	78,741	3,229
DFHS12HEM002	Hemophilia Services 2	1-Jul-11	30-Jun-12	271,975	259,244	259,244
dfhs12hd0001	Huntington's Disease	1-Jul-11	30-Jun-12	85,546	20,612	20,612
06-253-HD-E-1	HDSA #06-253-HD-E-1	1-Jul-05	30-Jun-06	128,405	108,558	468
10177HDE0	Huntington Disease FY	1-Jul-09	30-Jun-10	233,780	255,539	60,165
FHS2011HUNTINGDON	NJISA Huntington's Disease	1-Jul-10	30-Jun-11	238,450	157,762	26,671
FHS2012HUNTINGDON	NJISA Huntington's Disease	1-Jul-10	30-Jun-12	70,000	99,965	48,847

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		From	To			
New Jersey Department of Health and Senior Services (continued)						
Family Health Services (continued)						
DFHS12HD0001	Huntington's Dis. FY12	1-Jul-11	30-Jun-12	-	106,666	106,666
08-376-FP-E-0	Family Planning Service	1-Jan-08	31-Dec-08	36,839	36,839	24
10-309-FP-E-0	Family Planning Service	1-Jan-10	31-Dec-10	16,070	18,030	1,960
07-252-FP-E-3	FAMILY PLANNING GRANT	1-Jan-07	31-Dec-07	195,243	195,243	1,040
# 10-508-ADA-0	TREATMENT SERVICES	1-Sep-09	31-Aug-10	131,502	131,502	1,280
11-508-ADA-0	TREATMENT SERVICES	1-Sep-10	31-Aug-11	156,260	156,260	46,933
12-508-ADA-0	TREATMENT SERVICES	1-Sep-11	31-Aug-12	156,546	118,358	118,358
#09-1095-HBT-H-0	HEALTH CARE FACILITY	1-Dec-08	8-Aug-09	637,243	637,243	348
# 10-1095-HBT-E-0	HEALTH CARE FACILITY	9-Aug-09	30-Jun-10	440,254	440,254	-
HIPER-2011-003	HIPER HEALTH GRANT -	1-Jul-10	30-Jun-11	469,708	463,849	118,100
# PHILP11FUL003	HIPER HEALTH GRANT-20	1-Jul-11	30-Jun-12	203,622	202,642	202,642
FHS-2011-HEMOPHILIA	NJ Regional Hemophilia	1-Jul-10	30-Jun-11	-	11,275	11,275
MOA	Transitory Phase f	1-Sep-08	31-Jul-09	125,764	125,764	31,559
HHSN261200544005C	Transitory Phase f	1-Aug-09	31-Jul-10	794,144	804,260	92,872
10-476-HTB-E-0	Emergency Preparedness	9-Aug-09	10-Jun-10	9,765	9,765	-
P3DE11R	DEVELOPMENTAL DISABILITY	1-Jul-10	30-Jun-11	315,026	208,361	7,883
P3DE10R	Dev Disab P3DE10R	1-Jul-09	30-Jun-10	92,254	92,254	-
Total Family Health Services				11,757,497	11,303,760	4,259,624
Office of Minority and Multicultural Health						
10-1016-OMH-E-0	Take Control of Your Self	1-Oct-09	30-Jun-10	23,793	23,793	-
10-1017-OMH-E-0	Chronic Disease Self	1-Oct-09	30-Jun-10	16,590	16,590	-
MGMT11MMH020	Chronic Disease Self	1-Oct-10	30-Jun-11	11,000	11,000	5,773
MGMT12MMH006	Chronic Disease Self	1-Oct-11	30-Jun-12	18,000	17,564	17,564
Total Office of Minority and Multicultural Health				69,383	68,947	23,337
Office of Local Public Health						
10-201-CCS-E-0	FY2010 SAVE Women	1-Jul-09	30-Jun-10	518,510	518,510	(4,184)
10-773-AID-E-0	FY2010 HIV CTRS	1-Jul-09	30-Jun-10	470,131	470,131	1,423
AIDS11CTR013	FY2011 HIV CTRS	1-Jul-10	30-Jun-11	473,131	424,818	26,429
G11010	Creating Safe & Respectful	1-Jan-10	30-Sep-10	63,015	63,015	-
G11010	Creating Safe & Respectful	1-Jan-10	30-Sep-10	63,015	63,015	-
MOA	Violent Death Reporting	30-Sep-07	31-Aug-08	145,034	145,034	-
MOA	Violent Death Reporting	1-Sep-10	31-Aug-12	22,680	22,748	8,325
MOA	Violent Death Reporting	1-Sep-11	31-Aug-12	175,666	108,328	108,328
MOA	Violent Death Reporting	1-Sep-11	31-Aug-12	229,133	2,465	2,465
Total Office of Local Public Health				2,160,315	1,818,064	142,786
Office of Cancer Control and Prevention						
07-50-CCC-E-3	Implementation of NJ	1-Jul-06	30-Jun-07	65,000	65,000	-
NJ CCCP ECCC FY11	NJ CCCP ECCC FY11	1-Jul-10	30-Jun-11	42,800	42,670	1,822
DFHS12CCC014	NJ CCCP 2012	1-Jul-11	30-Jun-12	52,407	49,693	49,693
DFHS12CED011	SAVE Women & Men	1-Jul-11	30-Jun-12	551,390	542,920	542,920
MOA	ESSEX-PASSAIC CHRONIC	1-Jul-12	30-Jun-13	50,000	-	-
MOA	OCCP County & Comp Care	21-Aug-08	30-Jun-09	168,253	168,253	(533)
MOA	OCCP County & Comp Care	26-Apr-11	29-Jun-11	60,087	60,087	30,811
MOA	Evaluation - OCCP Coalition	25-May-12	1-Dec-12	64,331	9,277	9,277
Total Office of Cancer Control and Prevention				1,054,268	937,900	633,990

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		From	To			
Other Programs (continued)						
New Jersey Department of Health and Senior Services (continued)						
Department of Occupational Health						
MOA	NJ Immunization Information	1-Mar-12	31-Dec-14	123,972	-	-
Total Department of Occupational Health				123,972	-	-
New Jersey Comprehensive Tobacco Control Program						
MOA	Overall Evaluation	1-Jul-10	30-Jun-11	250,000	250,000	2,799
MOA	Evaluation of NJ	1-Jul-11	30-Jun-14	50,000	41,190	41,190
Total New Jersey Comprehensive Tobacco Control Program				300,000	291,190	43,989
Division of Alcoholism, Drug Abuse and Addiction Services						
09-498-ADA-0	Women's Outpatient Ad	1-Sep-08	31-Aug-09	65,227	65,227	-
11-498-ADA-0	AIM	1-Jul-10	30-Jun-11	206,079	206,079	(6,861)
12-498ADA-0	AIM	1-Jul-11	30-Jun-12	234,331	214,507	214,459
Total Division of Alcoholism, Drug Abuse and Addiction Services				505,637	485,813	207,598
Public Health, Infrastructure, Laboratories and Emergency Preparedness						
PHLP11MCC006	MEDICAL COORDINATION	1-Jul-10	30-Jun-11	296,223	296,223	149,717
#PHLP12MCC002	MEDICAL COORDINATION	1-May-11	30-Jun-12	167,998	169,289	169,289
# PHLP13MCC009	MEDICAL COORDINATION	1-Jul-12	30-Jun-13	25,000	-	-
10-1924-BT-N-1	Pandemic H1N1	1-Oct-09	30-Jul-10	28,490	28,490	195
Total Public Health, Infrastructure, Laboratories and Emergency Preparedness				517,711	494,002	319,201
Women and Infant Children (WIC)						
#FHS-2011WIC	WOMEN INFANT AND CHILDREN	1-Oct-10	30-Sep-11	911,720	911,720	250,673
# DFHS12WIC014	WOMEN, INFANT AND CHILDREN	1-Oct-11	30-Sep-12	933,900	661,654	661,654
Total Women and Infant Children (WIC)				1,845,620	1,573,374	912,327
Office of Policy and Strategic Planning						
MOA	Vital Statistics	21-May-12	30-Sep-12	16,439	-	-
Total Office of Policy and Strategic Planning				16,439	-	-
State of New Jersey Gerontology Program						
11-1425-GER-E-3	COPSA Alzheimers FY20	1-Jul-10	30-Jun-11	742,394	742,394	89,924
DACS12ALZ001	COPSA Alzheimers FY12	1-Jul-11	30-Jun-12	751,800	715,558	715,558
Total State of New Jersey Gerontology Program				1,494,194	1,457,952	805,482
Total Department of Health and Senior Services				44,049,057	40,879,597	13,796,496
Department of Human Services						
Department of Mental Health Services						
40008	CRISIS-DMHS-40008-11	1-Jul-10	30-Jun-11	338,200	338,200	28,759
40011	Integrated Employment	1-Jul-11	30-Jun-12	2,658,472	2,558,427	1,269,801
50065	Using Peer Counselors	1-Jul-11	30-Jun-12	202,990	194,350	64,979
60173	Wellness Coach Training	24-Jan-11	30-Jun-12	103,000	101,657	100,791
60174	TTI Older Adults	6-Jan-12	15-Sep-12	-	3,143	3,143
4000812	Crisis DMHS-40008-FY12	1-Jul-11	30-Jun-12	374,690	339,109	338,978
4000813	Crisis Prev & Interv	1-Jul-12	30-Jun-13	-	880	880
10-1425-GER	COPSA Alzheimers FY20	1-Jul-09	30-Jun-10	696,893	697,542	649

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, 2012

State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Department of Human Services (continued)						
Department of Mental Health Services (continued)						
50007-11	Illness management	1-Jul-10	30-Jun-11	1,018,305	1,018,305	43,993
50029-11	H A - Administration	1-Jul-10	30-Jun-11	521,011	521,011	53,762
50033-11	Cop to Cop	1-Jul-10	30-Jun-11	400,000	370,031	9,809
60203-10	Justice Assistance Grant	1-Dec-09	24-Mar-11	101,649	101,649	-
C20101	SEP Adult	1-Jul-07	30-Jun-08	-	-	-
C20101-10	EISS	1-Jul-09	30-Jun-10	2,638,867	2,638,867	(18,260)
C20101-11	EISS	1-Jul-10	30-Jun-11	7,828,582	7,828,585	404,618
C20101-12	EISS	1-Jul-11	30-Jun-12	9,235,237	8,054,322	8,054,288
C20101-13	PC MICA ADULT MIDDLESEX	1-Jul-12	30-Jun-13	-	717	717
C20101-4	MICA	1-Jul-03	30-Jun-04	963,515	786,515	(280)
C20101-7	MICA	1-Jul-06	30-Jun-07	1,188,439	1,188,439	-
C30215-10	Partial Care Adult	1-Jul-09	30-Jun-10	61,990	6,190	-
C30215-11	Partial Care Adult	1-Jul-10	30-Jun-11	2,421,020	2,421,020	160,254
C30215-12	Partial Care Adult	1-Jul-11	30-Jun-12	2,797,594	2,243,024	2,242,962
C30215-13	Partial Care Adult	1-Jul-12	30-Jun-13	-	-	92
C30215-6	Partial Care Adult	1-Jul-05	30-Jun-06	423,369	423,439	30
C50007-12	TAC Program	1-Jul-11	30-Jun-12	1,136,250	971,631	971,630
C50029-10	Hospital Affiliation-	1-Jul-09	30-Jun-10	303,033	303,033	-
C50029-12	Greystone	1-Jul-11	30-Jun-12	425,608	324,381	324,381
C50032-12	Cop2Cop Program	1-Jul-11	30-Jun-12	400,000	349,623	349,623
Total Department of Mental Health Services				36,236,714	33,783,730	14,405,599
Division of Developmental Disabilities						
08ML11C	Dev Disab Family Support	1-Oct-10	30-Sep-11	498,917	637,617	178,268
08ML12C	Dev Disab Family Support	1-Oct-11	30-Sep-12	485,554	333,835	333,835
07ML3C	NJ DHS DDD 2003	1-Jul-02	30-Jun-03	1,039,314	1,039,424	(22)
07ML 11C DDD	NJ DHS DDD 2011	1-Jul-10	30-Jun-11	1,813,380	1,786,602	164,986
H21MC06772	TRAUMATIC BRAIN INJURY	30-Jun-10	30-Apr-12	7,000	2,723	36
07ML12C	NJ DHS DDD 2012	1-Jul-11	30-Jun-12	1,813,380	1,562,586	1,562,586
99BYDS	Neglected Abused/BYDK	1-Jul-98	30-Jun-99	174,188	174,810	622
PEDE99RLEAD	Lead Pois/Dev Div	1-Jul-98	30-Jun-99	114,563	114,563	-
08ML10C	Dev Disability Family	1-Oct-09	30-Sep-10	443,041	443,041	-
50DL11R	50DL11R-G&A	1-Jul-10	30-Jun-11	1,364,272	1,313,668	59,994
50DL10RI	50DL10R Community	1-Jul-09	30-Jun-10	790,473	790,473	(1)
400810	40008-CRISIS	1-Jul-09	30-Jun-10	408,469	340,911	-
50DL12R	Dually Diagnosed Institutional	1-Jul-11	30-Jun-12	1,117,554	1,225,504	1,225,373
P3DE12R	Developmental Disabilities	1-Jul-11	30-Jun-12	250,000	222,231	222,231
50DL13R	Dually Diagnosed FY13	1-Jul-12	30-Jun-13	-	1,760	1,760
50DL13R	Dually Diagnosed FY13	1-Jul-12	30-Jun-13	-	1,760	1,760
Total Division of Developmental Disabilities				10,320,105	9,991,508	3,751,428
Division of Addiction Services						
MOA	Rapid HIV Testing	1-Feb-08	30-Sep-09	1,012,301	1,012,301	99
MOA	Rapid HIV Testing Div	1-Oct-10	30-Sep-11	563,220	742,462	177,696
MOA	DMHAS Rapid HIV Testing	1-Oct-11	30-Sep-12	-	404,312	404,312
Total Division of Addiction Services				1,575,521	2,159,075	582,107

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, 2012

State Grantor/Program Reference Number Other Programs (continued)	Program Title	Grant Period		Total Awarded Program Amount and Adjustments	Total Disbursements and Reclassifications	FY 2012 Disbursements and Reclassifications
		From	To			
Department of Human Services (continued)						
New Jersey Developmental Disabilities Council						
P7GE9N	Safety Education	1-Jul-08	30-Jun-12	120,945	111,943	15,279
Total New Jersey Developmental Disabilities Council				<u>120,945</u>	<u>111,943</u>	<u>15,279</u>
Total Department of Human Services				<u>48,253,285</u>	<u>46,046,256</u>	<u>18,754,413</u>
New Jersey Commission on Cancer Research						
SP99232425CCR	CINJ Ins. Trials Forum	1-Jul-99	30-Jun-99	4,752	3,988	37
Total New Jersey Commission on Cancer Research				<u>4,752</u>	<u>3,988</u>	<u>37</u>
Governor's Commission on Science and Technology						
MOA	UMDNJ AUTISM CENTER	1-Jun-99	30-Jun-99	758,771	707,528	1
931807	Episomal Expression V	1-Jan-08	31-Dec-99	20,000	19,255	(372)
Total Governor's Commission on Science and Technology				<u>778,771</u>	<u>726,783</u>	<u>(371)</u>
New Jersey Department of Military and Veterans Affairs						
VL11P27	NJ HelpLine Program	1-Jul-10	30-Jun-11	300,000	295,353	18,419
VL12P27	NJ Helpline Program	1-Jul-11	30-Jun-12	300,000	286,992	286,992
Total New Jersey Department of Military and Veterans Affairs				<u>600,000</u>	<u>582,345</u>	<u>305,411</u>
Division of Highway and Traffic Safety						
PS10-46-01-21	Pedestrian safety	1-Oct-09	30-Sep-10	35,092	35,092	235
STP-C00S(069)CON	Pedestrian safety	3-Jun-10	1-Mar-13	150,000	115,960	71,983
Total Division of Highway and Traffic Safety				<u>185,092</u>	<u>151,052</u>	<u>72,218</u>
Total Other Programs				<u>243,110,089</u>	<u>217,600,209</u>	<u>74,160,899</u>
Total Expenditures of State Awards				<u>\$ 267,140,036</u>	<u>\$ 239,082,923</u>	<u>\$ 79,437,957</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, 2012

	Total Awarded Amount and Adjustments	FY 2012 Total Disbursements and Reclassifications
State Operating Appropriation		
Department of State	\$ 169,993,000	\$ 169,993,000
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>205,938,000</u>	<u>205,938,000</u>
Department of State		
Fringe Benefits paid by the State	<u>204,649,000</u>	<u>204,649,000</u>
Total Indirect Appropriation	<u>204,649,000</u>	<u>204,649,000</u>
Total Operating Appropriation	<u>410,587,000</u>	<u>410,587,000</u>
Total State of New Jersey Funding 2012	<u>\$ 677,727,036</u>	<u>\$ 490,024,957</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, 2012

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, 2012 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.

University of Medicine and Dentistry of New Jersey

Notes to Schedule of Expenditures of State Awards

Year Ended June 30, 2012

2. UMDNJ Restructuring

As discussed in footnote 2 to the June 30, 2012 financial statements of the University of Medicine and Dentistry of New Jersey, On August 22, 2012, 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 ("Rutgers"). The Act indicates that UH will become a free standing institution of the State, while SOM is to be integrated into Rowan University ("Rowan"). All assets, liabilities and debt of the University will be transferred as part of the integration. A School of Biomedical and Health Sciences will be created at Rutgers that will include all the transferred units of the University.

UH will remain the principal teaching hospital for the Newark based medical, dental and nursing schools and its community mission will be preserved, with a goal of establishing a long term public/private partnership to manage UH.

The Act shall take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Act indicates that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Act, including debt issues, the allocation of budgets, state appropriations and other matters. Upon advice of the Committee or its subcommittees, the State Treasurer shall be empowered to take all necessary administrative actions to implement the provisions of the Act.

The University, Rutgers and Rowan are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration.

3. Subrecipients

Of the state expenditures presented in the schedule, the University provided state awards to subrecipients during the year ended June 30, 2012 as follows:

State Grantor Department / Program Reference	Contract Number	Amount Provided to Subrecipients
Research and Development and Research Training Cluster	Various	\$ 10,586
Other Programs		
New Jersey Department of Human Services Department of Mental Health Services Using Peer Counselors	50065	25,900
Department of Children and Family Services Division of Child Behavioral Health Services Youth Case Management	11DRMR	30,523
New Jersey Department of Health and Senior Services Family Health Service University Newborn Sc	DFHS11NWB005	15,000
Office of Cancer Control and Prevention SAVE Women & Men	DFHS12CED011	11,887



**Report of Independent Auditors 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 the Board of Trustees
University of Medicine and Dentistry of New Jersey

We have audited the consolidated statements of net assets 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 assets, and of cash flows of the business-type activities as of and for the year ended June 30, 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 year ended June 30, 2012 which collectively comprise the University's basic financial statements (as listed in the accompanying index) and have issued our report thereon dated October 23, 2012. An unqualified opinion was issued on the consolidated financial statements of the business-type activities and a qualified opinion was issued 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. Our audit report was also modified to include a reference to other auditors. We conducted our audit 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 financial statements of New Jersey Health Foundation, Inc., University Physician Associates of New Jersey, Inc., and the Cancer Institute of New Jersey Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Other auditors 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 financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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*.

We noted certain matters that we reported to management of University of Medicine and Dentistry of New Jersey in a separate letter dated October 23, 2012.

This report is intended solely for the information and use of the University's audit committee, Board of Trustees, management of the University, others within the entity, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 23, 2012



Report of Independent Auditors 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 the Board of Trustees
University of Medicine and Dentistry of New Jersey

Compliance

We have audited the compliance of University of Medicine and Dentistry of New Jersey (the "University") 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 its major state programs for the year ended June 30, 2012 except as described in the second paragraph of this report. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The schedule of expenditures of state awards 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., discretely presented component units of the University. These entities have their own independent audits.

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. 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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey Department of the Treasury Circular Letter No.04-04-OMB which are described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-2.

*PricewaterhouseCoopers LLP, 400 Campus Drive, Florham Park, NJ 07932
T: (973) 236 4000, F: (973) 236 5000, www.pwc.com/us*



Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the University's audit committee, Board of Trustees, management of the University, others within the entity, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 25, 2013

*PricewaterhouseCoopers LLP, 400 Campus Drive, Florham Park, NJ 07932
T: (973) 236 4000, F: (973) 236 5000, www.pwc.com/us*

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified*
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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)?	None reported
Type of auditor’s report issued on compliance for major programs	Unqualified
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
Research and Development and Research Training Cluster	Various
Child Health Nursing	12RNGM / 11RNGM
Youth Case Management	12DRMR / 11DRMR
Partial Care Adult	C30215-12 / C30215-11
EISS	C20101-12 / C20101-11
Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,383,139
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 unqualified opinion has been issued on the consolidated financial statements of the business-type activities of the University. A qualified 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.

Part II—Financial Statement Findings

None noted.

**University of Medicine and Dentistry of New Jersey
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012**

Part III—State Award Findings and Questioned Costs

12-1 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.”

1. Research and Development and Research Training Cluster

Of the 29 semi-annual faculty effort report and non-faculty activity certifications, which include 25 direct cost salary selections, tested within the research and development and research training cluster, the following findings were noted:

State Agency, Award Title, Number, and Year	Number of effort reports	Finding Noted
New Jersey Department of Health and Senior Services		
Autism – Gov’s Council for Medical Research & Treatment DFHS11AUB00407/01/2010-06/30/2012	6	The original effort reports were not completed accurately and were revised and approved subsequent to our audit to reflect actual effort to the award. The grant was not over charged based on the revised effort report. The findings noted related to three employees for both of their semi-annual effort reports.

2. C20101-12 / C20101-11

Of the 25 direct cost salary selections, tested within the C20101 program, the following finding was noted:

State Agency, Award Title, Number, and Year	Number of Transactions	Finding Noted	Questioned Cost
Department of Human Services			
EISS C20101-12 07/01/2011 – 06/30/2012	1	An employee received a per diem for work performed unrelated to this award however the amount was charged to the award.	\$400

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

3. C32015-12 / C32015-11

Of the 20 direct cost salary selections tested within the C32015 program, the following finding was noted:

State Agency, Award Title, Number, and Year	Number of effort reports	Finding Noted
Divison of Mental Health Hospitals		
ES Adult C32015-12 07/01/2011 – 06/30/2012	1	We reviewed the effort report which was appropriately approved, however we could not ascertain the actual effort to the award, as the break-out of effort was not specifically indicated. Through discussions with the principal investigator we have confirmed that the employee applied the appropriate effort and that there is no questioned cost

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. Payroll finding was due to management oversight when reviewing expenditures.

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.

12-2 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."

University of Medicine and Dentistry of New Jersey
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

12RNGM

Of the 15 non-payroll direct cost expenditures tested for this program, the following finding was noted:

State Agency, Award Title, Number, and Year	Number of Transactions	Finding Noted	Questioned Cost
Division of Mental Health Services			
Child Health Nursing 12RNGM 07/01/2011 - 06/30/2012	1	The budget allows for \$60 per annum per employee to be charged for medical exams and fees. It was noted that the University charged the grant \$100 per person.	\$7,560

Cause

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

Effect

The award is overcharged.

Recommendation

We recommend that the University credit the award for the over 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

11-1 Effort Reporting

Finding

40011 – Integrated Employment Institute/ Illness Management & Recovery Training

Of the 25 semi-annual faculty effort report and non-faculty activity certifications tested for this program, PwC noted two employees' semi-annual effort reports were completed inaccurately and that the grant was not over charged based on the revised effort report.

Status

A report to track Budgeted Effort to Reported Effort to Payroll Distribution is produced upon the submission of the Faculty Members semi-annual effort report. This report is distributed to the Departmental Administrators for their review and comparison of the budgeted effort to the reported effort to the salary distribution. A formal procedure has been developed to require a signoff by the Departmental Administrators to ensure their review of the report and to provide the corrective actions taken to address any differences. An additional review is performed by the Department of Cost Analysis to ensure that corrective actions have been identified and implemented by the Departmental Administrators. Payroll allocation adjustments crediting the grants were made for those Payroll findings.

11-2 Allowable Costs

Finding

40011 – Integrated Employment Institute/ Illness Management & Recovery Training

Of the 47 direct cost and period of availability expenditures for program, PwC noted one unallowable tuition reimbursement was charged to the award and one charge was incurred outside of the award period.

Status

The Department of Grants and Contracts continues to review all invoices to check the date of service or delivery of goods before invoices are submitted for processing to ensure that the goods or services were provided during the grant period.

University of Medicine and Dentistry of New Jersey

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

11-3 Reporting

Finding

11AKMP – South Brunswick School Base Program

Of the four report of expenditures and progress reports tested for program 11AKMP, PwC noted four reports were submitted between 1 to 68 days late.

40011 – Integrated Employment Institute/ Illness Management & Recovery Training

Of the 4 report of expenditures and progress reports tested for program, PwC could not validate the submission date of a report to determine if the report was submitted timely.

Status

The Office of Sponsored Programs at each school has implemented a tracking system. As progress reports are uploaded by the PIs, the Office calls the departmental administrators five working days prior to the deadline for those PIs who have not uploaded their progress reports. Financial reports are submitted to the PIs for their review with a note of the due date and an advisement that if the report is not returned within one day of the due date the FSR will be filed.

The Office has implemented a second review of the data being inserted in the report to ensure correctness prior to submission of the reports as final in the website.

11-4 Fringe

Finding

PwC noted that the state research and development and research training cluster had a total of 15 awards that were overcharged a total of \$18,186 and a total of 4 awards that were undercharged a total of \$180.

The state other program Tertiary for award # 10-172-SCH-E-3 with award period 07/01/2009 - 06/30/2010 was overcharged by \$18,378.

Status

The entry to record the correct costs on existing grants was completed and the report used to calculate the retroactive adjustment was revised to correctly reflect the required adjustment.

March 1, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part III—State Award Findings and Questioned Costs

12-1 Effort and Payroll Reporting

Responsible Party: Associate Controller for Grants and Contracts

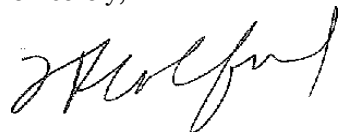
Management agrees with the recommendation. A formal procedure will be developed to require a signoff by the Departmental Administrators to ensure their review of the report that tracks budgeted and actual effort and salary allocated to government grants and the corrective actions taken to address any differences. The confirmation will include 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 two payroll findings. A review of the retroactive payroll increase has been completed and all charges to grants were reviewed and adjustments were made where necessary.

12-2 Allowable Costs

Responsible Party: Associate Controller for Grants and Contracts

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

Sincerely,



Francis X. Colford
Vice President for Finance and Treasurer