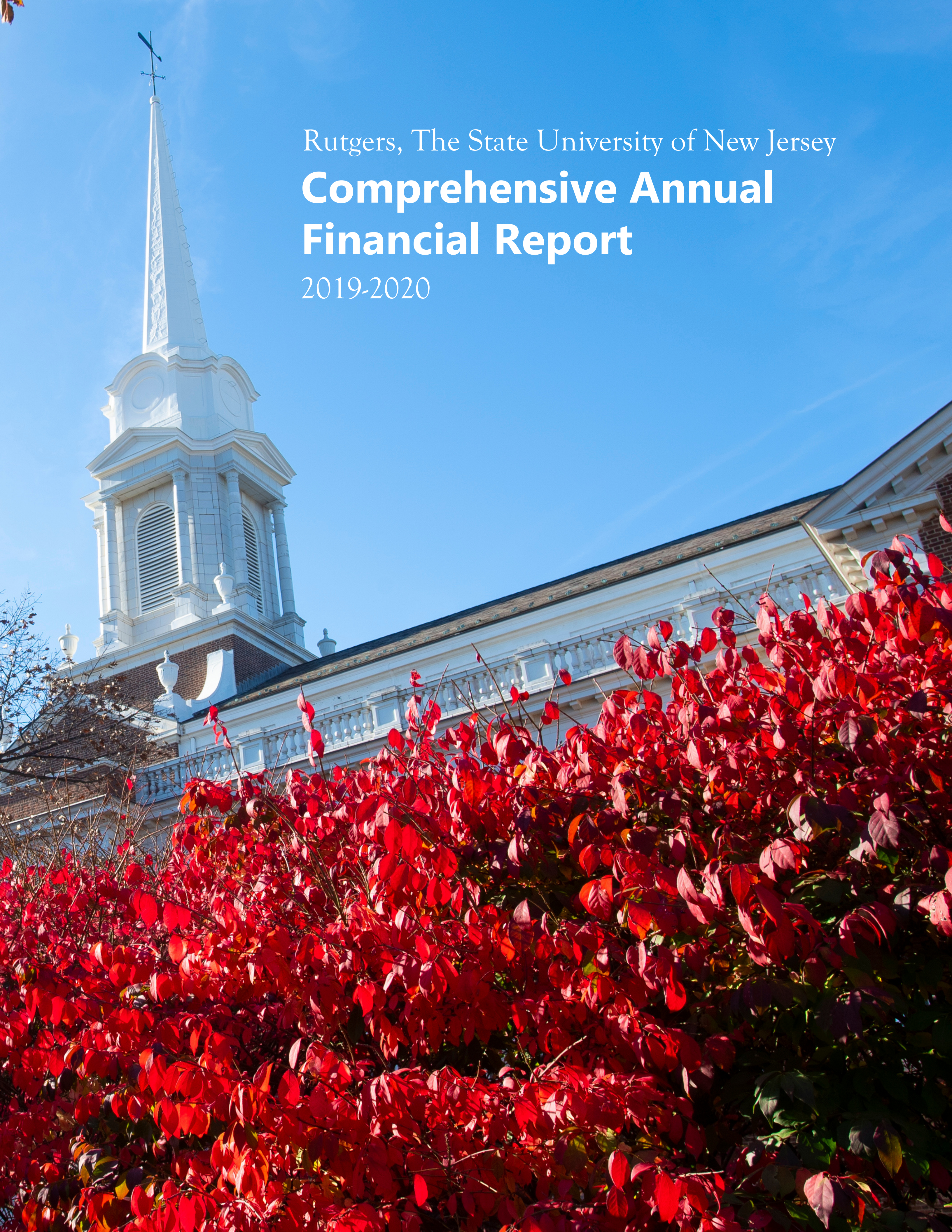
Rutgers, The State University of New Jersey

Comprehensive Annual Financial Report

2019-2020



RUTGERS
THE STATE UNIVERSITY
OF NEW JERSEY

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Message from the CFO

I am pleased to share with you the Comprehensive Annual Financial Report for fiscal year 2020 for Rutgers, The State University of New Jersey.

In the seven years since I arrived at Rutgers, one attribute of the University's community that has remained constant over time is the enduring commitment to the pursuit of excellence by our faculty, students, administrators, and staff. This is demonstrated by the mission-driven achievements reached, and accolades received, in the areas of academic instruction, innovative research and discovery, public service, and patient care. I am inspired by the exceptional contributions, collaborations, and results that emanate from every classroom, laboratory, facility, and office on our New Brunswick, Newark, Camden, and Rutgers Biomedical and Health Sciences campuses, as well as our other locations throughout the state of New Jersey.

Rutgers is the nation's sole institution that is a colonial college, a land-grant institution, and a premier public research university. An academic and research powerhouse and a statewide academic health leader, Rutgers plays a crucial role in New Jersey by educating students, creating jobs, contributing billions to the economy, improving the health of our communities, and discovering solutions to real-world problems.

The historic magnitude of transformation thrust upon the University in 2020 is indisputable – a global pandemic the scale of which has not been witnessed in 100 years, a sharp economic downturn, a redefinition and ascension of essential workers worldwide, a profound change to remote work models, civil unrest rooted in structural racial and social injustices, and an unprecedented transition in the country's administration. Just as many of the year's events were so impactful to us as individuals, they also compelled the University to make very difficult decisions, all intended to safeguard the wellbeing of its faculty, students, and staff while working to secure the long-term financial health of the University.

In April 2020, the University was faced with a sudden financial crisis due to an unprecedented contraction of state support, auxiliary revenue, and health care income, in tandem with cost increases related to addressing the coronavirus pandemic. We continue to confront these fiscal challenges with resilience and creativity in order to address the largest financial challenge the University has ever experienced.

Yet, driven by the University's threefold mission, Rutgers navigated impediments and bore outstanding results, including:

- Partnering with a molecular diagnostics company to develop and ultimately receive Food and Drug Administration approval for the first rapid "point of care" diagnostic test for COVID-19.

- Establishing the new **Center for COVID-19 Response and Pandemic Preparedness** to coordinate the University's myriad research and public health and outreach efforts to combat COVID-19.

J. Michael Gower

Executive Vice President - Chief Financial Officer & University Treasurer

RUTGERS

- Securing $750.8 million in research grants and sponsored programs.

- Attending to 2.1 million annual patient visits, despite the challenges.

- Becoming the largest provider of mental health services in New Jersey and among the largest in the United States.

During the fiscal year, Rutgers saw some important milestones:

- Earned the #1 spot in *U.S. News & World Report* rankings of public universities in New Jersey and placed among the top 25 in the nation.

- Named among *Reuters Top 100: World's Most Innovative Universities.*

- Rated #1 public business school in the New York/New Jersey metropolitan area (*Bloomberg/Businessweek*) and the #24 business school in the Americas/Asia-Pacific (*Financial Times*).

- Received donations worth $240.4 million, notwithstanding the COVID-19 pandemic, to make 2019-2020 the second highest fundraising year in the University's history.

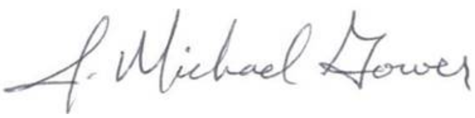
- Within the Long-Term Investment Pool, supported more than 2,500 individual endowment funds created by donors or other entities to pay for scholarships, endowed chairs, and research. These investments with assets worth more than $1.4 billion generated $49.5 million for those funds.

- Issued the University's first-ever 100-year "century" bond in the amount of $330.0 million and refinanced more than $632.3 million in long-term debt to lower interest expense, all while retaining credit ratings of Aa3 from Moody's Investors Service and A+ from S&P Global Ratings.

Approximately 71,000 students are at the core of why we do what we do every day in support of the Rutgers mission. With 77 percent of all undergraduate students receiving financial aid, it is imperative that we preserve the value and quality of a Rutgers education to ensure access and affordability for students in need well into the future.

In the following pages you will see the reports from our annual financial statement audit with accompanying notes and management discussion and analysis. I welcome questions, suggestions, and thoughts to improve the value of this report to the reader.

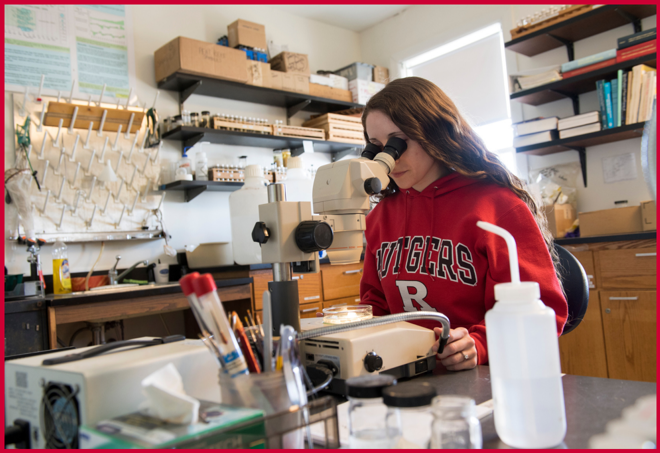
I remain inspired by the commitment of our community – our "beloved community" to quote Jonathan Holloway, the 21st president of Rutgers University, who took office on July 1, 2020. In the face of unprecedented adversity, we remained true to the best of who we are, both individually and together, to form a stronger bond across the institution, and I am confident we will continue to do so.



Rutgers, By the Numbers

1

Founded in 1766, Rutgers, The State University of New Jersey, is the 8th oldest university in the nation with more than 250 years in existence. Its charter was signed by New Jersey Royal Governor William Franklin, son of Benjamin Franklin. It also is New Jersey's land-grant University, with a presence in all 21 of the state's counties.

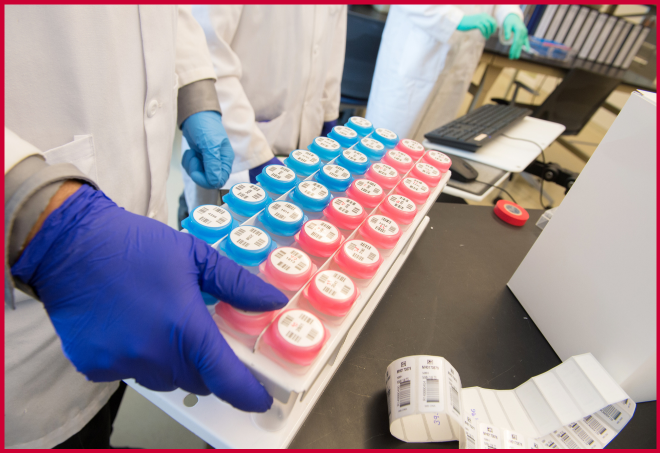


2

Rutgers University is among the most ethnically diverse campuses in the nation and Big Ten with 71,000+ students from all 50 states and more than 125 countries.

3

Rutgers brings more federal research dollars to New Jersey than all other New Jersey colleges and universities combined, and is home to New Jersey's most extensive and diversified network of research laboratories. The University boasts 300 research centers and institutes, as well as $736.8 million annually in research and development expenditures and $750.8 million in annual sponsored research grants.



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New Jersey's largest academic health center and patient care provider, Rutgers Health, has more than 1,300 health care professionals, 2.1 million annual patient visits to faculty practices, centers, clinics, and institutes, and 470 clinical trials supported at any given time.

Major Projects

The construction and renovation of Rutgers 5
Life Long Learning Center (RLLLC) was completed during fiscal 2020. The Administrative Services Building III, which was underutilized and mostly vacant, has been transformed into the new and permanent home of the Division of Continuing Studies and RLLLC, placing the core of continuing education with a flagship building for offices and training services. The project provides nine classrooms on the first floor with a total occupancy of 270 students. The second floor space has six classrooms including a computer lab and a recording studio.

The renovation of 6,000 square feet of Olson 6
Hall Laboratory space provided upgraded teaching labs and support spaces that meet today's safety standard and pedagogical needs. The infrastructure work included upgrading HVAC and controls systems.

A 10,500 gross square foot addition to the 7
Waksman Institute of Microbiology features a state of the art laboratory and research space. This space houses both wet and dry laboratories, associated support space, conferencing space, administrative offices, and a collaborative break room.

In addition, as of June 30, 2020, the University 8
had various projects under construction or in the design stage. Significant projects include:

- Barbara and Gary Rodkin Academic Success Center
- Honors Living Learning Community
- Busch-Livingston and Newark RBHS Co-Generation Plants Upgrade Student
- Services One-Stop on Busch Campus

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Governors and Trustees

During the Year Ended June 30, 2020

Board of Governors

Board of Trustees

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Executive Vice President – Chief Financial Officer
and University Treasurer
Rutgers, The State University of New Jersey
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New Brunswick, New Jersey 08901-1281

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February 18, 2021

President Jonathan Holloway
The Board of Governors
The Board of Trustees
Rutgers, The State University of New Jersey

I am pleased to submit the Comprehensive Annual Financial Report for Rutgers, The State University of New Jersey for the fiscal year ending June 30, 2020. The report contains the KPMG LLP Independent Auditors' Report on the University's financial statements. The financial information presented in this report is designed to assist the reader in comprehending the scope of the University's use of resources in meeting its primary missions of instruction, research, public service, and patient care.

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

Respectfully submitted,

J. Michael Gower
Executive Vice President - Chief Financial Officer
University Treasurer

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rutgers, The State University of New Jersey (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate (UPA), which represent approximately 30%, 8%, 44%, as of June 30, 2020 and 37%, 20%, 52%, as of June 30, 2019, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UPA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

KPMG

Summary of Opinions

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

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

Qualified Opinion

In our opinion, based on our audits and the report of the other auditors, except for the effects of the matter described in the Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of the University, as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the University as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

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

KPMG LLP

Short Hills, New Jersey
February 18, 2021

Management's Discussion and Analysis (unaudited)

June 30, 2020

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Rutgers, The State University of New Jersey (the University or Rutgers) at June 30, 2020 and 2019, and its changes in financial position for the fiscal years then ended, with fiscal year 2018 data presented for comparative purposes. Management has prepared the basic financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities. This MD&A should be read in conjunction with the audited financial statements and related footnotes of the University, which directly follow the MD&A.

In fiscal 2020, the financial reporting entity of Rutgers included over 29 degree granting schools and colleges, offering more than 150 undergraduate majors, more than 400 graduate programs and degrees, with approximately 71,000 students enrolled. These schools are located at Rutgers University–New Brunswick, Rutgers University–Newark, and Rutgers University–Camden. Rutgers Biomedical and Health Sciences, a division within Rutgers, is an academic health care center providing medical education, and conducting research. On July 29, 2016, Rutgers Health Group (RHG), a non-profit corporation, was incorporated by combining the University's clinical operations into a single entity. RHG operations commenced on July 1, 2017 to deliver high quality, cost-effective patient care at clinical locations supportive of the University's teaching and research missions; to participate in education and research exclusively in support of the charitable, scientific and educational purposes of the University; and to support the University's education and training of healthcare students, post-graduate students and professionals. The University also maintains educational services in many other communities throughout the State of New Jersey (the State). The University operates research and institutional facilities on over 6,000 acres in all 21 counties and 98 municipalities.

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

The financial statements for the Rutgers University Foundation (the Foundation) and University Physicians Associates of New Jersey, Inc. and Affiliate (UPA) are presented discretely. The Foundation was formed to aid the University in obtaining private funds and other resources to meet the needs and achieve the goals of the University. UPA supports Rutgers Biomedical and Health Sciences through administrative assistance to clinical faculty of the New Jersey Medical School.

Financial Highlights

The University's financial condition at June 30, 2020, declined with a decrease in net position of $207.8 million. Total operating revenues increased by $90.1 million, or 3.1%, with increases of 5.3% in net student tuition and fees, 6.8% in health service contract revenues, 7.9% in grants and contracts revenue, offset by decreases of, 6.0% in net patient service revenues, and 15.2% in auxiliary revenues. Operating expenses increased by $6.6 million, or 0.2%, while net non-operating revenues decreased by $400.8 million, or 27.6%, primarily due to a decrease in contributions of $106.7 million, state appropriations excluding fringe benefits of $49.3 million and fair value of investments of $73.0 million.

Tuition revenue is a significant source of funding for the University. In fiscal 2020, the enrollment peak was 71,011 students compared to 70,876 students in fiscal 2019. Approved increases in tuition and fee rates of about 2.9% were offset by a decrease in scholarship allowances.

Auxiliary revenues decreased as a result of the coronavirus pandemic (COVD-19). The University provided pro-rated refunds for the spring semester of approximately $45 million for room, board, and parking fees, as students vacated residence halls in late March 2020.

Annual appropriations from the State represent a vital part of the University's funding. In fiscal 2020, State appropriations, including operating aid and fringe benefits paid on-behalf of Rutgers by the State, decreased as a result of a state spending freeze which resulted in a $45.9 million loss due to the COVID-19 pandemic, to $833.8 million, or a 5.2% decrease from fiscal 2019. State appropriations, including OPEB Paid by the State, as well as contributions, investment income, governmental student aid, and Higher Education Emergency Relief Funds (HEERF) are shown as non-operating revenue.

HEERF funds allocated to the University as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), were used to provide direct emergency aid to students as well as to cover institutional costs associated with significant changes to the delivery of instruction due to the coronavirus. The University recognized $25.2 million in HEERF revenues in 2020.

Implementation of GASB 68 and GASB 75

In June 2012, the GASB issued Statement No. 68, *Accounting and Reporting for Pensions* (GASB 68). This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The University participates in the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) both defined benefit cost-sharing multiple-employer pension plans. GASB 68 requires that the proportionate share of the net position present value of projected benefit payments attributed to past periods of the employee service net of the pension plan's fiduciary net position. A cost-sharing employer is also required to recognize its proportionate share of pension expense and report deferred outflows and deferred inflows of resources for its proportionate share. The changes in net position liability adjusted for the deferred inflows and deferred outflows of resources result on pension expense.

In June 2015, the GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive disclosures and required supplementary information.

For MD&A purposes, the amounts recorded for GASB 68 and GASB 75 have been shown separately.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources) of the University. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the statement of net position. Net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, 2019 and 2018 is as follows (in thousands):

Condensed Statements of Net Position

June 30, 2020, 2019 and 2018

(dollars in thousands)

	2020	2019	2018
Assets:			
Current assets	$ 1,149,917	$ 1,028,490	$ 1,088,315
Noncurrent assets:			
Capital assets, net	3,946,994	3,938,297	3,772,242
Other noncurrent assets	1,648,255	1,684,035	1,554,417
Total Assets	6,745,166	6,650,822	6,414,974
Deferred Outflows of Resources	414,451	470,276	467,634
Total Assets and Deferred Outflows of Resources	7,159,617	7,121,098	6,882,608
Liabilities:			
Current liabilities	717,192	798,187	688,561
Noncurrent liabilities	4,095,056	3,749,887	3,846,586
Total Liabilities	4,812,248	4,548,074	4,535,147
Deferred Inflows of Resources	362,688	380,538	281,383
Total Liabilities and Deferred Inflows of Resources	5,174,936	4,928,612	4,816,530
Net Position (Deficit):			
Net investment in capital assets	1,902,879	1,991,541	1,905,842
Restricted – nonexpendable	746,788	755,419	672,341
Restricted – expendable	618,742	632,196	552,400
Unrestricted	(1,283,728)	(1,186,670)	(1,064,505)
Total Net Position	$ 1,984,681	$ 2,192,486	$ 2,066,078

For MD&A purposes, the tables below show the impact of GASB 68 to the Statements of Net Position as of June 30, 2020, 2019 and 2018.

Condensed Statement of Net Position
June 30, 2020
(dollars in thousands)

	As Reported	GASB 68 Adjustment	Before GASB 68 Adjustment
Assets:			
Current assets	$ 1,149,917	$ -	$ 1,149,917
Noncurrent assets:			
Capital assets, net	3,946,994	-	3,946,994
Other noncurrent assets	1,648,255	-	1,648,255
Total Assets	6,745,166	-	6,745,166
Deferred Outflows of Resources	414,451	(274,942)	139,509
Liabilities:			
Current liabilities	717,192	-	717,192
Noncurrent liabilities	4,095,056	(1,701,640)	2,393,416
Total Liabilities	4,812,248	(1,701,640)	3,110,608
Deferred Inflows of Resources	362,688	(362,688)	-
Net Position (Deficit):			
Net investment in capital assets	1,902,879	-	1,902,879
Restricted – nonexpendable	746,788	-	746,788
Restricted – expendable	618,742	-	618,742
Unrestricted	(1,283,728)	1,789,386	505,658
Total Net Position	$ 1,984,681	$ 1,789,386	$ 3,774,067

Condensed Statement of Net Position
June 30, 2019
(dollars in thousands)

	As Reported	GASB 68 Adjustment	Before GASB 68 Adjustment
Assets:			
Current assets	$ 1,028,490	$ -	$ 1,028,490
Noncurrent assets:			
Capital assets, net	3,938,297	-	3,938,297
Other noncurrent assets	1,684,035	-	1,684,035
Total Assets	6,650,822	-	6,650,822
Deferred Outflows of Resources	470,276	(368,777)	101,499
Liabilities:			
Current liabilities	798,187	-	798,187
Noncurrent liabilities	3,749,887	(1,731,180)	2,018,707
Total Liabilities	4,548,074	(1,731,180)	2,816,894
Deferred Inflows of Resources	380,538	(380,538)	-
Net Position (Deficit):			
Net investment in capital assets	1,991,541	-	1,991,541
Restricted – nonexpendable	755,419	-	755,419
Restricted – expendable	632,196	-	632,196
Unrestricted	(1,186,670)	1,742,941	556,271
Total Net Position	$ 2,192,486	$ 1,742,941	$ 3,935,427

Condensed Statement of Net Position
June 30, 2018
(dollars in thousands)

	As Reported	GASB 68 Adjustment	Before GASB 68 Adjustment
Assets:			
Current assets	$ 1,088,315	$ -	$ 1,088,315
Noncurrent assets:			
Capital assets, net	3,772,242	-	3,772,242
Other noncurrent assets	1,554,417	-	1,554,417
Total Assets	6,414,974	-	6,414,974
Deferred Outflows of Resources	467,634	(374,409)	93,225
Liabilities:			
Current liabilities	688,561	-	688,561
Noncurrent liabilities	3,846,586	(1,772,534)	2,074,052
Total Liabilities	4,535,147	(1,772,534)	2,762,613
Deferred Inflows of Resources	281,383	(281,383)	-
Net Position (Deficit):			
Net investment in capital assets	1,905,842	-	1,905,842
Restricted – nonexpendable	672,341	-	672,341
Restricted – expendable	552,400	-	552,400
Unrestricted	(1,064,505)	1,679,508	615,003
Total Net Position	$ 2,066,078	$ 1,679,508	$ 3,745,586

Current Assets and Current Liabilities

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories, and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than a year, cash and cash equivalents and investments that are restricted by donors or external parties as to their use, and capital assets. Receivables deemed to be collectible in more than a year are also included as noncurrent. Current assets increased by $121.4 million from 2019 to 2020. This was primarily due to the liquidation of $100.0 million in long term investments from the Commonfund in May when funds were then invested into money market funds. There was also an increase of $32.0 million in noncurrent restricted cash and cash equivalents primarily due to the market value of collateral required according to the University's swap contract. Current assets decreased by $59.8 million from 2018 to 2019. This was primarily due to a decrease of $86.6 million in short-term investments attributable largely to investment management strategy changes and an increase in current cash and cash equivalents of $27.9 million due to purchases of money markets.

The following table summarizes the University's changes in Cash and Cash Equivalents and Investments as of June 30, 2020, 2019 and 2018 (dollars in thousands):

	2020	2019	2018
Cash and Cash Equivalents			
Current			
Cash and Cash Equivalents	$ 258,924	$ 158,683	$ 130,830
Cash and Cash Equivalents - Restricted	118	417	158
Noncurrent			
Cash and Cash Equivalents	1,824	1,933	2,271
Cash and Cash Equivalents - Restricted	138,838	106,864	131,486
Total Cash and Cash Equivalents	399,704	267,897	264,745
Investments			
Current			
Short-Term Investments	255,895	323,933	410,511
Noncurrent			
Long-Term Investments	452,105	465,933	433,048
Long-Term Investments - Restricted	992,271	1,021,166	898,879
Total Investments	1,700,271	1,811,032	1,742,438
Total Cash and Cash Equivalents and Investments	$ 2,099,975	$ 2,078,929	$ 2,007,183

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

Current liabilities decreased $81.0 million from $798.2 million in 2019 to $717.2 million in 2020. The decrease is primarily attributable to the issuance of commercial paper in 2019 which did not occur in 2020. In addition, there was a decrease of $47.0 million in accounts payable and accrued expenses primarily due to COVID-19 and the slowdown of capital expenses. These decreases were offset by an increase in unearned revenue of $99.2 million of which $74.2 million related to grants. Current liabilities increased $109.6 million from $688.6 million in 2018 to $798.2 million in 2019. The increase is primarily related to an issuance of commercial paper borrowing in 2019, increases in unearned grant revenues, as well as increases in accounts payable and accrued expenses owed to vendors and employees for settled salary agreements. The University's current assets cover current liabilities by a factor of 1.6 times in 2020, 1.3 times in 2019 and 1.6 times in 2018. The ratio continues to represent an indicator of good liquidity and the ability to bear short-term demands on working capital. The University's current assets also cover approximately three months of its total operating expenses, excluding depreciation in 2020, 2019, and 2018.

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position that is applicable to a future reporting period. In 2020, deferred outflows of resources decreased by $55.8 million primarily as a result of the GASB 68 pension adjustment of $93.8 million, which is due to the changes in the University's proportionate share of the net pension liability and the difference between assumptions and actual experience. Without this adjustment, deferred outflows of resources increased by $38.0 million in 2020, which is primarily the result of the change in value of interest rate swaps and a partial refunding of the 2013 Series J and L bonds in October 2019. In 2019, deferred outflows of resources increased $2.6 million primarily as a result of the change in value of the University's interest rate swaps offset by a decrease in the adjustment for GASB 68 which is due to changes in the University's proportionate share of the net pension liability and the difference between assumptions and actual experience. Without this adjustment, deferred outflows of resources decreased $8.3 million in 2019, which is primarily a result of the change in the value of the interest rate swaps.

Endowment and Other Investments

The primary financial objective of the investment management of the endowment is to preserve and enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings for current use. The long-term investment goal of the endowment is to attain a total return of at least 4.0% plus inflation net of fees and expenses. The investment objectives of the endowment are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. Most of the University's endowment is maintained in the long-term investment pool managed by the University's Joint Investment Committee. The total annual return for the long-term investment pool was 0.2%, 5.2%, and 9.3% in fiscal years 2020, 2019 and 2018, respectively. The average annual return over the 5-year period ending June 30, 2020, 2019 and 2018 was 5.3%, 5.9%, and 8.0%, respectively.

The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is based on total return, not just cash earnings. The total distribution for the endowment was $49.5 million in fiscal 2020, $46.8 million in fiscal 2019, and $43.2 million in fiscal 2018.

The University's endowments consist of permanent (true), term and quasi endowments. Permanent or true endowments are funds received from donors stipulating that the principal gift remain inviolate and be invested in perpetuity with the income generated from the investment to be expended for a specific purpose as designated by the donor. These permanent endowments decreased $8.6 million to $746.8 million for fiscal 2020 and $26.5 million to $755.4 million for fiscal 2019. Term endowments are those funds received from donors that function as endowments until a specified event occurs. The University's term endowments decreased by $2.4 million to $50.2 million in fiscal 2020 and decreased by $2.8 million to $52.6 million in fiscal 2019. Quasi endowments primarily consist of unrestricted funds that have been designated by the University for long-term investment purposes, and therefore, act as endowments. The University's restricted and unrestricted quasi endowments decreased by $11.1 million in fiscal 2020 to $568.8 million and increased by $130.9 million in fiscal 2019 to $579.9 million.

From a net position perspective, earnings from the endowment, while expendable, are mostly restricted in use by the donors. It is important to note that of the University's endowment funds, only $304.8 million, or 22.3%, can be classified as unrestricted net position in 2020, $304.3 million, or 22.0% in 2019 and $286.5 million, or 23.3% in 2018. From this unrestricted endowment, a significant portion of the income is internally designated by the University for scholarships, fellowships, professorships, and research efforts.

Capital Assets and Debt Activities

The University Physical Master Plan, Rutgers 2030, envisions development at Rutgers over a 15-year time frame and is comprehensive in its scope taking into account buildings, the natural and constructed landscape, transportation and infrastructure. While our physical master plan provides guidance and vision for capital projects over the next 15 years, many projects are now under way that will dramatically improve the student experience on our campuses, support our strengths in arts and sciences, and grow critical disciplines. These projects have been made possible by the generosity of our private donors, by creative partnerships with the public sector, and by funds made available through the historic Building Our Future Bond Act approved by New Jersey voters in November 2012, as well as other state bond programs.

The Building Our Future Bond Act authorized the issuance of State general obligation bonds totaling $750.0 million to help increase academic capacity at New Jersey institutions of higher education. The University received a total of $173.9 million from this program. The University recorded $4.5 million in revenue from this program in 2020, $2.7 million in revenue in 2019 and $30.7 million in revenue in 2018.

In addition to the Building Our Future Bond Act, the State has also authorized the issuance of bonds to fund several higher education initiatives. The Higher Education Facilities Trust Fund (HEFT) Act authorized the New Jersey Educational Facilities Authority (NJEFA) to issue bonds for institutions of higher education in New Jersey for the purpose of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities. The University received $69.0 million from this program. The University recorded $0.3 million, $1.2 million and $3.9 million in revenue from the HEFT program in fiscal years 2020, 2019, and 2018, respectively.

NJEFA also issued bonds under the Higher Education Capital Improvement Fund Act (HECIF) to provide funds to certain public and private institutions of higher education in the State for the purpose of paying the costs, or a portion of the costs, of certain capital improvements authorized in accordance with the Capital Improvement Fund Act. The University has been awarded a total of $112.3 million from this program. The University recorded $3.9 million, $7.5 million, and $10.4 million in revenue from these bonds in 2020, 2019, and 2018, respectively.

Finally, the State authorized NJEFA to issue bonds for the Higher Education Equipment Leasing Fund program under the Higher Education Equipment Leasing Fund Act (ELF). This act authorizes NJEFA to issue bonds to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease to public and private institutions of higher education in the State. The University has been awarded $43.8 million from this bond issue for the purchase of this type of equipment. The University recorded $0.3 million, $0.3 million and $0.1 million in revenue from this program in 2020, 2019 and 2018, respectively.

The University manages its financial resources effectively, including the prudent use of debt to finance capital projects. During fiscal 2020, the University issued General Obligation Bonds, 2019 Series P, 2019 Series R, and 2020 Series Q for $330.0 million, $614.5 million, and $17.8 million, respectively. The 2019 Series P bonds were issued to provide financing for various capital projects approved by the Board of Governors and the 2019 Series R bonds were issued to partially refinance the 2013 Series J and the 2013 Series L bonds. The 2020 Series Q bonds were issued to refinance the 2010 Series I Bonds.

Capital asset additions totaled to $263.2 million in 2020, as compared to $255.9 million in 2019. Capital asset additions primarily comprise replacement, renovation and new construction of academic, research, clinical and facilities as well as significant investments in equipment, including information technology. These capital asset additions were primarily funded with the State's Higher Education Capital Improvement Funds, bond proceeds, and gifts designated for capital purposes.

Several major projects completed during fiscal 2020 include:

- The construction and renovation of Rutgers Life Long Learning Center (RLLLC). The Administrative Services Building III, which was underutilized and mostly vacant, has been transformed into the new and permanent home of the Division of Continuing Studies and RLLLC, placing the core of continuing education with a flagship building for offices and training services. The project provides nine classrooms on the first floor with a total occupancy of 270 students. The second floor space has six classrooms including a computer lab and a recording studio. In addition, the second floor has large and small conference areas throughout, as well as huddle rooms.

- The renovation of 6,000 square feet of Olson Hall Laboratory space provided upgraded teaching labs and support spaces that meet today's safety standard and pedagogical needs. The infrastructure work included upgrading HVAC and controls systems.

- A 10,500 gross square foot addition to the Waksman Institute of Microbiology features a state of the art laboratory and research space. This space houses both wet and dry laboratories, associated support space, conferencing space, administrative offices, and a collaborative break room.

In addition, as of June 30, 2020, the University had various projects under construction or in the design stage. Significant projects include:

- Barbara and Gary Rodkin Academic Success Center project that will transform Rutgers Intercollegiate Athletics and provide complete academic services as well as innovative learning environment to the student athlete. The facility design is best-in-practice and flexible to accommodate evolving academic service's needs. This project will consist of the centralization and relocation of the success center from the Hale Center and Rutgers Athletic Center (RAC), men's and women's soccer facility, men's and women's lacrosse facility and the relocation of the Athletics administration. The building is approximately 80,000 square feet on three floors. Soccer and lacrosse account for approximately 35,000 square feet, the academic success center 30,000 square feet, and administrative offices about 15,000 square feet.

- Honors Living Learning Community (HLLC) project involves the creation of a state-of-the-art facility with residential, amenity, and academic spaces that will house approximately 400 diverse undergraduate students including, but not be limited to, veterans, older students, transfer students, and first-generation college students. In addition, the 155,000 gross square foot, five (5) story building will be located within the James Street Commons Historic District and will feature mixed-usage to include; academic spaces, student support functions, HLLC departmental offices, long-term bicycle storage, parking for 322 vehicles and 20,000 square feet for retail establishments.

- Busch-Livingston and Newark RBHS Co-Generation Plants Upgrades that include replacement of the three (3) aging turbines with a capacity increase of at least 2.8 MW, which will improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits. The new equipment eliminates the use of 8,000,000 gallons of water per year, much of which is discharged to sanitary sewers. Both projects also include electrical and mechanical upgrades.

- Student Services One-Stop on Busch Campus supports student services needs under one roof. Students will benefit from a highly accessible, one-stop service center that allows them to easily address their needs in a single, streamlined location, connected to the transportation hub. The project consists of the gut renovation of half of the first floor of the Administrative Services Building (approximately 13,000 square feet) for the front-facing student services space, with an associated small addition that will allow for an effective entrance and waiting area. The second and third floors (26,000 square feet each) will each undergo substantial renovation including HVAC systems, window units, and new finishes and furnishings. This work will take place in multiple phases.

Several major projects completed during fiscal 2019 include:

- The construction of 125,000 square feet at RWJ Barnabas Health Athletic Performance Center on the Livingston Campus that will provide a state-of-the art practice facility for men's and women's basketball, gymnastics and other spaces to support the athletic programs housed in the building. In addition, a 28,000 square feet parking structure will consist of six (6) levels providing approximately 555 parking spaces.

- New Brunswick Performing Arts Center that includes the development of two (2) state-of-the-art theater spaces, dedicated rehearsal studios, academic and office space. At the top this new theater complex, a tower which will provide 250 residential apartments including the construction of a new 400 car parking facility on Bayard Street.

Net Pension Liability

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The University participates in the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), both defined benefit cost-sharing multiple-employer pension plans. GASB 68 requires that the proportionate share of the net pension liability be recognized by each participating employer in the plan. The net pension liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service net of the pension plan's fiduciary net position. A cost-sharing employer is also required to recognize its proportionate share of pension expense and report deferred outflows and deferred inflows of resources for its proportionate share. The changes in net pension liability adjusted for the deferred inflows and deferred outflows of resources result in pension expense. Prior to 2015, the University only recognized pension expense for these plans up to the amount contributed to the plan by the state as indicated within the fringe benefit rate provided by the state. Historically, the state has directly covered pension contributions on behalf of the University and has no current plans to change that. GASB 68 also required the recording of the deferred outflow of resources of \$274.9 million, \$368.8 million, and \$374.4 million, a net pension liability of \$1,701.6 million, \$1,731.2 million and \$1,772.5 million and a deferred inflow of resources of \$362.7 million, \$380.5 million and \$281.4 million in 2020, 2019 and 2018, respectively.

The amounts recorded as a result of GASB 68 have been shown separately.

Net Position

Net Position represents the residual interest in the University's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. The change in net position measures whether the overall financial condition has improved or declined during the year. Net position consists of four major categories; net investment in capital assets, restricted net position (nonexpendable and expendable), and unrestricted net position. Prior to the pension adjustment required by GASB 68, the University's net position decreased by \$161.4 million in 2020 (increased \$189.8 million in 2019 and increased \$105.1 million in 2018).

The first category, net investment in capital assets, represents the University's capital assets of land, buildings and equipment net of accumulated depreciation and net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The decrease of \$88.7 million in fiscal 2020 (\$85.7 million increase in 2019 and \$155.1 million increase in 2018), resulted primarily from the issuance of General Obligation Bonds, 2019 Series P for \$330.0 million and from the various construction projects described in the capital assets and debt activities section.

The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position is those resources that have been set aside and invested as required by the provider of the resources. These funds are not available for expenditures, but rather must be invested in perpetuity with the earnings on those investments to be used as specified by the external donor at the time the resources are received. The nonexpendable net position includes the permanent endowments mentioned previously under the Endowment and Other Investments section. The restricted nonexpendable net position decreased by \$8.6 million in fiscal 2020 (\$83.1 million increase in 2019 and \$26.0 million increase in 2018).

Expendable restricted net position is available for expenditure by the University, but must be spent for purposes as specified by external donors. This category includes contributions received from donors and unspent income from endowed funds. There was a decrease of \$13.5 million in fiscal 2020 (\$79.8 million increase in 2019 and \$93.0 million increase in 2018).

The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose. Substantially all of the University's unrestricted net position has been designated by the governing boards or management to support specific programs such as student activities, research projects, continuing education and summer programs, agricultural experiment station activities, junior year abroad programs, auxiliary enterprises and other self-supporting organized activities relating to educational departments as well as capital projects. Many of these designations result from the funds being earned through special purpose fees charged for the specific purposes. The University, therefore, has an obligation to its students to maintain these funds for the purposes that they were received. Prior to the adjustment for GASB 68, there was a decrease of $50.6 million in unrestricted net assets for 2020 ($58.7 million decrease in 2019 and a $169.0 million decrease in 2018). Subsequent to the GASB 68 adjustment, unrestricted net assets decreased $97.1 million in 2020 ($122.2 million decrease in 2019 and $248.1 million decrease in 2018).

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, non-operating, or other. Revenues received and expenses incurred as a result of the University providing goods and services to its customers are considered operating activities. Non-operating revenues are those received for which goods and services are not directly provided. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The operating deficit demonstrates the University's dependency on state support and gifts. In addition, appropriations, grants and gifts received by the University, specifically for capital expenditures as well as gifts received from donors as endowments, are reported as other revenues. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows (dollars in thousands).

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020, 2019 and 2018
(dollars in thousands)

	2020	2019	2018
Operating revenues:			
Student tuition and fees (net of scholarship allowances)	$ 1,071,738	$ 1,017,782	$ 965,993
Grants and contracts	627,955	581,844	608,426
Auxiliary enterprises (net of scholarship allowances)	217,489	256,580	248,469
Net patient service revenues	240,871	256,247	232,591
Health service contract revenues	656,900	615,229	549,432
Other operating revenues	153,212	150,432	126,729
Total operating revenues	2,968,165	2,878,114	2,731,640
Operating expenses	4,285,596	4,279,038	4,209,398
Operating loss	(1,317,431)	(1,400,924)	(1,477,758)
Non-operating revenues/(expenses):			
State appropriations (including fringe benefits paid directly by the state)	833,763	879,631	813,911
OPEB paid by the State	18,774	185,875	276,630
Contributions	43,734	150,410	37,723
Endowment and investment income	37,436	48,297	44,820
Net (decrease)/increase in fair value of investments	(15,985)	57,007	84,043
Governmental student aid	229,348	224,978	214,126
Higher Education Emergency Relief Fund (HEERF)	25,178	-	-
Interest on capital asset related debt	(92,718)	(90,095)	(83,672)
Net other non-operating (expenses)/revenues	(29,052)	(4,849)	14,889
Net non-operating revenues	1,050,478	1,451,254	1,402,470
(Loss)/Income before other revenues	(266,953)	50,330	(75,288)
Other revenues	59,148	76,078	101,208
(Decrease)/Increase in net position	(207,805)	126,408	25,920
Net position at beginning of year	2,192,486	2,066,078	2,040,158
Net position at end of year	$ 1,984,681	$ 2,192,486	$ 2,066,078

For MD&A purposes, the tables below show the impact of GASB 68 and 75 to the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020, 2019, and 2018.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020
(dollars in thousands)

	As Reported	GASB 68 & 75 Adjustments	Before GASB 68 & 75 Adjustments
Operating revenues:			
Student tuition and fees (net of scholarship allowances)	$ 1,071,738	$ -	$ 1,071,738
Grants and contracts	627,955	-	627,955
Auxiliary enterprises (net of scholarship allowances)	217,489	-	217,489
Net patient service revenues	240,871	-	240,871
Health service contract revenues	656,900	-	656,900
Other operating revenues	153,212	-	153,212
Total operating revenues	2,968,165	-	2,968,165
Operating expenses:			
Salaries and Wages	2,261,416	-	2,261,416
Fringe Benefits	710,639	(46,445)	664,194
OPEB Expenses	18,774	(18,774)	-
Supplies and Services	959,430	-	959,430
Grant Aid to Students	144,966	-	144,966
Depreciation	190,371	-	190,371
Total operating expenses	4,285,596	(65,219)	4,220,377
Operating loss	(1,317,431)	65,219	(1,252,212)
Non-operating revenues (expenses):			
State appropriations (including fringe benefits paid directly by the state)	833,763	-	833,763
OPEB paid by the State	18,774	(18,774)	-
Contributions	43,734	-	43,734
Endowment and investment income	37,436	-	37,436
Net decrease in fair value of investments	(15,985)	-	(15,985)
Governmental student aid	229,348	-	229,348
Higher Education Emergency Relief Fund (HEERF)	25,178	-	25,178
Interest on capital asset related debt	(92,718)	-	(92,718)
Net other non-operating (expenses)/revenues	(29,052)	-	(29,052)
Net non-operating revenues	1,050,478	(18,774)	1,031,704
(Loss)/Income before other revenues	(266,953)	46,445	(220,508)
Other revenues	59,148	-	59,148
Decrease in net position	(207,805)	46,445	(161,360)
Net position at beginning of year	2,192,486	1,742,941	3,935,427
Net position at end of year	$ 1,984,681	$ 1,789,386	$ 3,774,067

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019
(dollars in thousands)

	As Reported	GASB 68 & 75 Adjustments	Before GASB 68 & 75 Adjustments
Operating revenues:			
Student tuition and fees (net of scholarship allowances)	$ 1,017,782	$ -	$ 1,017,782
Grants and contracts	581,844	-	581,844
Auxiliary enterprises (net of scholarship allowances)	256,580	-	256,580
Net patient service revenues	256,247	-	256,247
Health service contract revenues	615,229	-	615,229
Other operating revenues	150,432	-	150,432
Total operating revenues	2,878,114	-	2,878,114
Operating expenses:			
Salaries and Wages	2,144,603	-	2,144,603
Fringe Benefits	724,692	(63,434)	661,258
OPEB Expenses	185,875	(185,875)	-
Supplies and Services	947,730	-	947,730
Grant Aid to Students	94,801	-	94,801
Depreciation	181,337	-	181,337
Total operating expenses	4,279,038	(249,309)	4,029,729
Operating loss	(1,400,924)	249,309	(1,151,615)
Non-operating revenues (expenses):			
State appropriations (including fringe benefits paid directly by the state)	879,631	-	879,631
OPEB paid by the State	185,875	(185,875)	-
Contributions	150,410	-	150,410
Endowment and investment income	48,297	-	48,297
Net increase in fair value of investments	57,007	-	57,007
Governmental student aid	224,978	-	224,978
Interest on capital asset related debt	(90,095)	-	(90,095)
Net other non-operating (expenses)/revenues	(4,849)	-	(4,849)
Net non-operating revenues	1,451,254	(185,875)	1,265,379
Income/(Loss) before other revenues	50,330	63,434	113,764
Other revenues	76,078	-	76,078
Increase in net position	126,408	63,434	189,842
Net position at beginning of year	2,066,078	1,679,507	3,745,585
Net position at end of year	$ 2,192,486	$ 1,742,941	$ 3,935,427

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018
(dollars in thousands)

	As Reported	GASB 68 & 75 Adjustments	Before GASB 68 & 75 Adjustments
Operating revenues:			
Student tuition and fees (net of scholarship allowances)	$ 965,993	$ -	$ 965,993
Grants and contracts	608,426	-	608,426
Auxiliary enterprises (net of scholarship allowances)	248,469	-	248,469
Net patient service revenues	232,591	-	232,591
Health service contract revenues	549,432	-	549,432
Other operating revenues	126,729	-	126,729
Total operating revenues	2,731,640	-	2,731,640
Operating expenses:			
Salaries and Wages	2,053,071	-	2,053,071
Fringe Benefits	690,278	(79,139)	611,139
OPEB Expenses	276,630	(276,630)	-
Supplies and Services	913,592	-	913,592
Grant Aid to Students	94,858	-	94,858
Depreciation	180,969	-	180,969
Total operating expenses	4,209,398	(355,769)	3,853,629
Operating loss	(1,477,758)	355,769	(1,121,989)
Non-operating revenues (expenses):			
State appropriations (including fringe benefits paid directly by the state)	813,911	-	813,911
OPEB paid by the State	276,630	(276,630)	-
Contributions	37,723	-	37,723
Endowment and investment income	44,820	-	44,820
Net increase in fair value of investments	84,043	-	84,043
Governmental student aid	214,126	-	214,126
Interest on capital asset related debt	(83,672)	-	(83,672)
Net other non-operating revenues/(expenses)	14,889	-	14,889
Net non-operating revenues	1,402,470	(276,630)	1,125,840
Income/(Loss) before other revenues	(75,288)	79,139	3,851
Other revenues	101,208	-	101,208
Increase in net position	25,920	79,139	105,059
Net position at beginning of year	2,040,158	1,600,368	3,640,526
Net position at end of year	$ 2,066,078	$ 1,679,507	$ 3,745,585

Operating revenues represent 70.7%, 67.6%, and 64.5% of total revenues in 2020, 2019, and 2018, respectively, excluding OPEB Paid by the State, interest on capital asset related debt and net (decrease)/increase in fair value of investments. Significant components of operating revenues include the following:

Student Tuition and Fees, net of scholarship allowances is the largest component of operating revenues. Tuition and fees are reflected net of scholarship allowances, which represent scholarships and fellowships applied to student accounts for tuition and residence fees. These scholarships and fellowships are funded through federal and state grant programs, gifts raised by the Foundation, and University funds. The University provided $309.8 million of a total $454.8 million of student aid directly to student accounts. The remaining $145.0 million was paid to students and is reflected as grant aid to students' expense. Scholarship allowances allocated to tuition and fees amounted to $271.4 million. Another $38.5 million was allocated to residence fees, which are included in auxiliary revenues. Tuition and fees, net of scholarship allowances, increased $54.0 million in fiscal year 2020. The change resulted primarily from approved increases in tuition and fee rates of approximately 2.9% and an enrollment peak of 71,011 for 2020, offset by a decrease in scholarship allowances. Tuition and fees, net of scholarship allowances, increased $51.8 million in fiscal year 2019. The change resulted primarily from approved increases in tuition and fee rates of approximately 1.85% and an enrollment peak of 70,876 for 2019, (69,198 in 2018) offset by an increase in the scholarship allowance.

Grants and Contracts includes revenues for sponsored programs from federal, state, and nongovernmental grants and contracts that normally provide for the recovery of direct and indirect costs. In fiscal years 2020 and 2019, total grant and contract revenue was $628.0 million and $581.8 million, respectively, an increase of $46.1 million, or 7.9%. This increase is attributable to an increase in the number awards from federal and non-governmental sources received in fiscal year 2020. In fiscal years 2019 and 2018, total grant and contract revenue was $581.8 million and $608.4 million, respectively, a decrease of $26.6 million, or 4.4%. This decrease is attributable to a decrease in the number awards from non-governmental sources received in fiscal year 2019.

Auxiliary Enterprises includes revenues from the University's housing, dining facilities and other student related services, as well as other business-type activities such as the bookstore and the golf course that provide support to the University's primary missions of education, research, and public service. Total auxiliary revenues were $217.5 million and $256.6 million in fiscal years 2020 and 2019, respectively, net of scholarship allowances of $38.5 million and $48.2 million in fiscal years 2020 and 2019, respectively. Housing and dining revenues, gross of scholarship allowances, totaled $188.2 million, or 86.5%, of total auxiliary revenues in fiscal year 2020. Revenues in housing and dining sharply decreased by $39.2 million in fiscal year 2020, as a result of the spring 2020 semester moving to online learning due to the COVID-19 global health emergency. Students were issued partial refunds as a result. Auxiliary net revenues increased in 2019 by $8.1 million, or 3.3%. The increase was primarily a result of increase in housing and occupancy rates.

Net Patient Service Revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, RHG, faculty practice operations, community healthcare centers and cancer center, under contractual arrangements with governmental payers and private insurers. In fiscal 2020, net patient service revenues was $240.9 million compared to $256.2 million for fiscal 2019, a decrease of $15.3 million, or 6.0%. The decrease was primarily due to the cancellation of non-critical healthcare services during the pandemic along with an increase in gross charges resulting from a rise in the fee structure, which was offset by higher contractual allowances. In fiscal 2019, net patient service revenues was $256.2 million compared to $232.6 million for fiscal 2018, an increase of $23.6 million, or 10.2%. This increase in revenue is primarily due to new faculty hires supported by agreements with RWJ Barnabas Health, and an increase in volume at behavioral healthcare clinics.

Health Service Contract Revenues include revenues from physician services provided under agreements with certain New Jersey hospitals, such as University Hospital of Newark, Cooper Hospital, RWJ Barnabas Health, UCHC and others. It also includes reimbursements for graduate medical education residency programs provided by house staff in connection with RWJ Medical School, New Jersey Medical School, and Rutgers School of Dental Medicine. In fiscal 2020, health service contract revenues was $656.9 million, including affiliate and other contract revenues of $551.1 million and house staff revenues of $105.8 million, representing an overall increase of $41.7 million, or 6.8% over related revenues for fiscal 2019 of $615.2 million, including affiliate and other contract revenues of $505.6 million and house staff revenues of $109.6 million. The $41.7 million increase was the result of increases in UPA revenue, correctional services, and consultation and education contracts at University Behavioral Healthcare (UBHC). In fiscal 2019, health service contract revenues was $615.2 million, including affiliate and other contract revenues of $505.6 million and house staff revenues of $109.6 million, representing an overall increase of $65.8 million, or 12.0% over related revenues for fiscal 2018 of $549.4 million, including affiliate and other contract revenues of $442.4 million and house staff revenues of $107.0 million.

Significant components of non-operating revenues include the following:

State Appropriations includes both operating assistance and fringe benefits paid on-behalf of Rutgers by the State. Total operating assistance was $386.5 million, $435.8 million, and $428.8 million in 2020, 2019, and 2018, respectively. Fringe benefits paid on-behalf of Rutgers by the State totaled $447.3 million, $443.8 million, and $385.1 million in fiscal 2020, 2019, and 2018, respectively.

Higher Education Emergency Relief Fund (HEERF), was issued as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), passed by Congress and signed by President Donald Trump on March 27, 2020. HEERF provides budgetary relief to higher education institutions through numerous provisions and also provides for additional aid to be distributed directly to students. The University recognized $25.2 million in revenue in fiscal year 2020. Of the $25.2 million recognized as revenue, $15.6 million was distributed directly to students.

Governmental Student Aid is also a significant component of non-operating revenues. The University's students benefit from various federal programs, such as, Pell Grants and the Federal Supplemental Educational Opportunity Grants. In addition, the State provides aid through the Tuition Aid Grant (TAG) program and the Educational Opportunity Fund (EOF). The University received a total of $102.2 million in 2020 from federal programs, a 2.3% increase over the $99.9 million received in 2019. The University also received $127.2 million from the State in 2020 or an increase of 1.7% over the $125.1 million received in 2019. The allocations to students were relatively flat in 2020 compared to 2019. The University received a total of $99.9 million in 2019 from federal programs, an 8.1% increase over the $92.4 million received in 2018. The University also received $125.1 million from the State in 2019 or an increase of 2.8% over the $121.7 million received in 2018. The increases are primarily due to an increase in award recipients.

Contributions include gifts received by the University though Foundation fundraising activities. The University received a total of $43.7 million in contributions in 2020 compared with $150.4 million in 2019. The decrease of $106.7 million is primarily the result of $100.0 million in funds received from Robert Wood Johnson Barnabas Health (RWJBH) in 2019 which did not occur in 2020. The University received a total of $150.4 million in contributions in 2019 compared with $37.7 million in 2018. The increase of $112.7 million is primarily the result of $100.0 million of funds received from RWJBH in 2019.

Other Revenues consist of grants and gifts received by the University for capital projects, as well as additions to permanent endowments. The University received a total of $26.8 million in 2020 for capital grants and gifts compared with $51.7 million in 2019. The decrease of $24.9 million from fiscal 2019 is mainly due to the continued winding down of the State revenue reimbursement program as a result of the completion or near completion of related projects. The University received $32.3 million in fiscal 2020 and $24.4 million in 2019 in gifts to add to our endowment as a result of the Foundation's activities. The University received a total of $51.7 million in 2019 for capital grants and gifts compared with $68.3 million in 2018. The decrease of $16.6 million from fiscal 2018 is mainly due to the continued winding down of the State revenue reimbursement program as a result of the completion or near completion of related projects. The University received $24.4 million in fiscal 2019 and $32.9 million in 2018 in gifts to add to our endowment as a result of the Foundation's activities.

Operating Expenses are reported by natural classification in the Statement of Revenue, Expenses, and Changes in Net Position and by functional classification in the notes to the financial statements (See Note 13).

The natural classification of expenses demonstrates that the major expenditure of the University in 2020 is salaries and wages accounting for 52.8% of total operating expenses with GASB 68 and 75 adjustments (50.1% in 2019 and 48.8% in 2018) and 53.6% without the GASB 68 and 75 adjustments in 2020 (53.2% in 2019 and 53.3% in 2018). Negotiated and other staff salary and wage increases for 2020 were approximately 3% and (3.0% in 2019 and 2.0% in 2018). Pension expense for the GASB 68 adjustment was $46.4 million in 2020, compared to $63.4 million in 2019 and $79.1 in 2018. OPEB expense for the GASB 75 adjustment was $18.8 million in 2020, $185.9 million in 2019 and $276.6 million in 2018 the first year of implementation. The decrease of $167.1 million in 2020 and of $90.7 million in 2019 is due to changes to the OPEB plan and changes in the actuarial assumptions used by the State of New Jersey in developing the GASB 75 OPEB revenue and expense for the University.

Economic Factors that will affect the future

In April of 2020, the University declared a "fiscal emergency" due to an extraordinary event; the COVID-19 global health emergency. This pandemic triggered a dramatic decrease in operating revenues without a corresponding decrease in operating expenditures. At the time of the declaration, the University expected a significant structural deficit in the fiscal year ended June 30, 2020. The COVID-19 pandemic will continue to have a significant financial impact on the University in fiscal year 2021, as it is uncertain when operating revenues will return to normal levels.

Direct State support for fiscal year 2021 has been restored to the pre-pandemic levels as the State of New Jersey maintained its investment in higher education. Tuition and fee rates remain flat for the 2020-21 academic year and the university reduced campus fees by 15%. Overall, the University is projecting a decrease of tuition and fee revenues of approximately $60 million when compared to pre-pandemic levels. Operating revenues related to healthcare and patient services are projected to decrease based on clinical and patient volume projections. Most significantly, auxiliary revenues for housing, retail operations, athletics and parking will decrease by $200 million when compared to pre-pandemic projections due to fewer students being on campus.

As part of the University's continued efforts to support the health and well-being of our community during this pandemic, the University encouraged telecommuting. The University expects a reduction in operating expenses for supplies, travel, utilities and professional services due to a large majority of staff working remotely; however, these reductions will not completely offset the decrease in operating revenues. In an effort to close the gap, the University has enforced certain expense reduction actions such as the implementation of a hiring freeze, salary reductions, a workshare furlough program, the suspension of all new construction projects and a freeze on discretionary spending. The University continues to look for ways to reduce operating expenses, to operate more efficiently and to add additional sources of income.

STATEMENTS OF NET POSITION
June 30, 2020 and 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc., and Affiliates	
	2020	2019	2020	2019	2020	2019
ASSETS:						
Current Assets						
Cash and Cash Equivalents	$ 258,924	$ 158,683	$ 4,054	$ 1,914	$ 4,893	$ 233
Cash and Cash Equivalents - Restricted	118	417	3,142	14,431	2,788	4,189
Short-Term Investments	255,895	323,933	27	28	44,515	69,556
Short-Term Investments - Restricted	-	-	17,537	17,475	2,309	3,886
Accounts Receivable, net	621,283	532,328	10,504	7,043	-	-
Contributions Receivable, net	-	-	48,033	45,158	-	-
Inventories	5,620	5,108	-	-	-	-
Prepaid Expenses and Other Assets	8,077	8,021	635	788	8	7
Total Current Assets	1,149,917	1,028,490	83,932	86,837	54,513	77,871
Noncurrent Assets						
Cash and Cash Equivalents	1,824	1,933	-	-	-	-
Cash and Cash Equivalents - Restricted	138,838	106,864	-	-	-	-
Long-Term Investments	452,105	465,933	2,347	2,279	-	-
Long-Term Investments - Restricted	992,271	1,021,166	6,878	5,279	-	-
Accounts Receivable, net	63,217	88,139	-	-	-	-
Contributions Receivable, net	-	-	31,176	36,005	-	-
Cash Surrender Value of Whole Life Insurance Policies	-	-	715	763	-	-
Other Noncurrent Assets	-	-	-	-	-	-
Capital Assets, net	3,946,994	3,938,297	-	-	-	26
Total Noncurrent Assets	5,595,249	5,622,332	41,116	44,326	-	26
TOTAL ASSETS	6,745,166	6,650,822	125,048	131,163	54,513	77,897
DEFERRED OUTFLOWS OF RESOURCES:						
Loss on Refunding	82,982	70,197	-	-	-	-
Pension Related	274,942	368,777	-	-	-	-
Interest Rate Swaps	56,527	31,302	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	414,451	470,276	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	7,159,617	7,121,098	125,048	131,163	54,513	77,897

(Continued)

STATEMENTS OF NET POSITION
June 30, 2020 and 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc., and Affiliates	
	2020	2019	2020	2019	2020	2019
LIABILITIES:						
Current Liabilities						
Accounts Payable and Accrued Expenses	360,177	407,219	7,319	6,639	28,592	36,838
Payable to Rutgers, The State University of New Jersey	-	-	-	-	17,037	12,934
Unearned Revenue	220,927	121,708	990	801	-	-
Payroll Withholdings	19,874	24,614	-	-	-	-
Other Payables	1,216	1,670	-	-	-	-
Beneficial Interest Payable	-	-	1,038	925	-	-
Commercial Paper	57,707	175,711	-	-	-	-
Long-Term Liabilities - Current Portion	57,291	67,265	-	-	-	-
Total Current Liabilities	717,192	798,187	9,347	8,365	45,629	49,772
Noncurrent Liabilities						
Other Noncurrent Liabilities	58,684	47,619	769	544	-	-
Unearned Revenue	65,061	61,301	-	-	-	-
Derivative Instruments	56,527	31,302	-	-	-	-
Beneficial Interest Payable	-	-	8,263	7,027	-	-
Net Pension Liability	1,701,640	1,731,180	-	-	-	-
Long-Term Liabilities - Noncurrent Portion	2,213,144	1,878,485	-	-	-	-
Total Noncurrent Liabilities	4,095,056	3,749,887	9,032	7,571	-	-
TOTAL LIABILITIES	4,812,248	4,548,074	18,379	15,936	45,629	49,772
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	362,688	380,538	-	-	-	-
Irrevocable Split Interest Agreements	-	-	4,152	3,745	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,174,936	4,928,612	22,531	19,681	45,629	49,772
NET POSITION (DEFICIT):						
Net Investment in Capital Assets	1,902,879	1,991,541	-	-	-	-
Restricted for						
Nonexpendable						
Instruction	294,361	306,379	59	63	-	-
Scholarships and Fellowships	350,737	339,054	1,478	945	-	-
Other	101,690	109,986	181	653	-	-
Expendable						
Instruction	185,808	172,996	4,380	3,550	-	-
Research	49,018	42,383	38,683	34,786	-	-
Scholarships and Fellowships	97,906	100,154	9,717	10,371	-	-
Loans	64,654	73,492	-	-	-	-
Capital Projects	64,392	73,743	29,557	38,454	-	-
Healthcare and Professional Services	12,171	11,187	57	507	-	-
Other	144,793	158,241	9,542	14,649	-	-
Unrestricted	(1,283,728)	(1,186,670)	8,863	7,504	8,884	28,125
TOTAL NET POSITION	$ 1,984,681	$ 2,192,486	$ 102,517	$ 111,482	$ 8,884	$ 28,125

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc., and Affiliates	
	2020	2019	2020	2019	2020	2019
OPERATING REVENUES:						
Student Tuition and Fees (net of scholarship allowances of $271,370 in 2020 and $273,884 in 2019)	$ 1,071,738	$ 1,017,782	$ -	$ -	$ -	$ -
Federal Grants and Contracts	411,076	388,960	-	-	-	-
State and Municipal Grants and Contracts	112,770	111,372	-	-	-	-
Nongovernmental Grants and Contracts	104,109	81,512	43,139	21,675	-	-
Auxiliary Enterprises (net of scholarship allowances of $38,457 in 2020 and $48,224 in 2019)	217,489	256,580	-	-	-	-
Net Patient Service Revenues	240,871	256,247	-	-	125,001	127,697
Health Service Contract Revenues	656,900	615,229	-	-	-	-
Other Operating Revenues	153,212	150,432	8,640	4,411	-	-
Total Operating Revenues	2,968,165	2,878,114	51,779	26,086	125,001	127,697
OPERATING EXPENSES:						
Salaries and Wages	2,261,416	2,144,603	18,044	16,296	4,790	4,903
Fringe Benefits	710,639	724,692	6,756	6,310	883	767
OPEB Expenses	18,774	185,875	-	-	-	-
Supplies and Services	959,430	947,730	10,683	11,600	147,536	137,681
Grant Aid to Students	144,966	94,801	-	-	-	-
Depreciation	190,371	181,337	-	-	32	39
Distributions to Rutgers, The State University of New Jersey	-	-	141,581	107,427	-	-
Distributions to Douglass Associate Alumnae	-	-	59	-	-	-
Total Operating Expenses	4,285,596	4,279,038	177,123	141,633	153,241	143,390
Operating Loss	(1,317,431)	(1,400,924)	(125,344)	(115,547)	(28,240)	(15,693)

(Continued)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey		Component Unit: Rutgers University Foundation		Component Unit: University Physician Associates of New Jersey, Inc., and Affiliates	
	2020	2019	2020	2019	2020	2019
NON-OPERATING REVENUES (EXPENSES):						
State Appropriations	386,491	435,790	-	-	-	-
State Paid Fringe Benefits	447,272	443,841	-	-	-	-
OPEB Paid by the State	18,774	185,875	-	-	-	-
Administrative Fees and Support from Rutgers, The State University of New Jersey	-	-	25,950	24,622	-	-
Noncash Support from Rutgers, The State University of New Jersey	-	-	2,818	2,715	-	-
Federal Appropriations	8,241	7,061	-	-	-	-
Higher Education Emergency Relief Fund (HEERF)	25,178	-	-	-	-	-
Federal Student Aid	102,182	99,874	-	-	-	-
State Student Aid	127,166	125,104	-	-	-	-
Contributions	43,734	150,410	51,085	44,673	-	-
Endowment and Investment Income (net of investment management fees for the University of $3,773 in 2020 and $3,889 in 2019)	37,436	48,297	177	252	1,523	1,860
Net (Decrease) / Increase in Fair Value of Investments	(15,985)	57,007	(52)	(88)	(395)	654
Interest on Capital Asset Related Debt	(92,718)	(90,095)	-	-	-	-
Loss on Disposal of Capital Assets	(8,993)	(2,960)	-	-	-	-
Other Non-operating (Expenses) / Revenues	(28,300)	(8,950)	11	18	7,871	11,405
Total Net Non-operating Revenues	1,050,478	1,451,254	79,989	72,192	8,999	13,919
(Loss)/Income before Other Revenues	(266,953)	50,330	(45,355)	(43,355)	(19,241)	(1,774)
Capital Grants and Gifts	26,819	51,693	8,622	15,033	-	-
Additions to Permanent Endowments	32,329	24,385	27,768	16,582	-	-
(Decrease)/Increase in Net Position	(207,805)	126,408	(8,965)	(11,740)	(19,241)	(1,774)
Net Position - Beginning of the Year	2,192,486	2,066,078	111,482	123,222	28,125	29,899
Net Position - End of the Year	$ 1,984,681	$ 2,192,486	$ 102,517	$ 111,482	$ 8,884	$ 28,125

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey	
	2020	2019
Cash Flows from Operating Activities:		
Student Tuition and Fees	$ 1,070,290	$ 1,004,773
Research Grants and Contracts	650,511	599,436
Services to Patients	243,617	251,333
Health Service Contract Receipts	647,117	602,059
Payments to Employees and for Benefits	(2,466,409)	(2,356,764)
Payments to Suppliers	(1,004,166)	(906,388)
Payments for Grant Aid to Students	(144,966)	(90,560)
Collection of Loans to Students and Employees	6,372	12,864
Loans to Students and Employees	(1,042)	(5,964)
Auxiliary Enterprises Receipts	226,995	272,673
Other Receipts	134,903	141,906
Net Cash Used by Operating Activities	(636,778)	(474,632)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	389,915	462,213
Federal Appropriations	8,241	7,061
Higher Education Emergency Relief Fund (HEERF)	54,161	-
Proceeds from Operating Debt	100,000	50,000
Principal Paid on Operating Debt	(100,000)	(100,000)
Interest Paid on Operating Debt	(157)	-
Contributions for other than Capital Purposes	43,734	150,410
Federal and State Student Aid	227,698	228,107
Contributions for Endowment Purposes	32,329	24,385
Net Cash Provided by Noncapital Financing Activities	755,921	822,176
Cash Flows from Financing Activities:		
Proceeds from Capital Debt and Leases	985,423	106,335
Capital Grants and Gifts Received	24,989	44,312
Purchases of Capital Assets and Construction in Progress	(201,178)	(356,327)
Decrease in Accrued Capital Assets	(38,035)	(17,573)
Principal Paid on Capital Debt and Leases	(161,682)	(69,869)
Interest Paid on Capital Debt and Leases	(96,202)	(94,970)
Debt Defeasance	(632,864)	-
Proceeds from Capital Asset Disposals	-	6,993
Net Cash Used by Financing Activities	(119,549)	(381,099)
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	1,092,471	1,231,228
Investment Income	37,436	48,297
Purchase of Investments	(997,694)	(1,242,818)
Net Cash Provided by Investing Activities	132,213	36,707
Net Increase in Cash and Cash Equivalents	131,807	3,152
Cash and Cash Equivalents - Beginning of the year	267,897	264,745
Cash and Cash Equivalents - End of the year	399,704	267,897

(Continued)

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	**2020**	**2019**
Operating Loss	(1,317,431)	(1,400,924)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
State Paid Fringe Benefits	447,272	443,841
OPEB Paid by the State	18,774	185,875
Depreciation	190,371	181,337
Provision for Bad Debts	57,965	37,647
Changes in Assets and Liabilities:		
Receivables	(107,487)	(46,516)
Inventories	(512)	(642)
Prepaid Expenses and Other Assets	(54)	(92)
Accounts Payable and Accrued Expenses	(28,446)	20,109
Unearned Revenue	80,150	44,815
Payroll Withholdings	(23,369)	(1,699)
Other Payables	(456)	(1,816)
Net Pension Liability	46,445	63,433
Net Cash Used by Operating Activities	$ (636,778)	$ (474,632)

Non-Cash Investing and Financing Activities	**2020**	**2019**
Change in Fair Value of Derivatives	$ (25,225)	$ (13,057)
Net (Decrease) / Increase in Fair Value of Investments	(15,985)	57,007
Capital Assets Acquired through Capital Leases	6,107	6,335
Loss due to Defeasance of Debt	(63,252)	-

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

Rutgers, The State University of New Jersey (the University), one of the nation's nine colonial colleges, consists of 29 degree granting schools and colleges located at campuses in New Brunswick and adjacent areas, Newark, and Camden, and maintains educational services in many other communities throughout the State of New Jersey (the State). The University is the State University of New Jersey and the Land Grant College of the State of New Jersey. The University was created as a body corporate and politic with the title "The Trustees of Queens College in New Jersey" by royal charter granted by King George III, on November 10, 1766. In 1945, an act of the State Legislature designated Rutgers as the State University of New Jersey to be utilized as an instrumentality of the State for providing public higher education and thereby increasing the efficiency of its public school system. The University's title was changed to "Rutgers, The State University" and its charter was amended and supplemented by an act of the Legislature of the State in 1956 (the Rutgers Law).

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

Basis of Accounting

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

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

Reporting Entity

The University's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the Foundation) and the University Physician Association of New Jersey, Inc., and Affiliate (UPA). Rutgers Health Group, Inc. (RHG), commenced operations on July 1, 2017 (see Note 19).

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

On October 4, 2017, the Foundation established a new limited liability company, RUF NYC LLC. The organization was created to provide a license to the University, for the benefit of the Rutgers Business School, to occupy space in New York City for the purpose of hosting potential donors and individuals in the fashion industry and develop and enhance a fashion business program at the University. As RUF NYC LLC operates under the authority of a sole Foundation officer as a registered agent of the newly formed organization and who has operational responsibility of the entity, RUF NYC LLC is considered a blended component unit and assets, liabilities, and operating activities of RUF NYC LLC are included in the basic financial statements of the Foundation. Copies of the Foundation's financial statements can be obtained by writing to the Foundation at Rutgers University Foundation, Liberty Plaza, 335 George Street, Floor 2, New Brunswick, NJ 08901.

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

Pursuant to the Act, UMDNJ ceased to exist and NJMS was incorporated within the University. Also, effective July 1, 2013, the Affiliation Agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Affiliation Agreement are the University and UPA, the effect of which is that Rutgers succeeds to UMDNJ's obligations under the agreement. The Affiliation Agreement was further amended so that the term now extends through July 1, 2020.

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

RHG is considered a blended component unit per GASB 80, *Blending Requirements for Certain Component Units* – An Amendment of GASB Statement No. 14 (GASB 80), and was organized as the University's integrated, inter-professional faculty practice for the University's health care practitioners to deliver high quality, cost-effective patient care at clinical locations supportive of the University's teaching and research missions; to participate in education and research exclusively in support of the charitable, scientific and educational purposes of the University; and to support the University's education and training of healthcare students, post-graduate students and professionals. Although RHG is legally separate from the University, the University is the sole member of RHG, has various reserved powers with respect to RHG's operations, and appoints a majority of RHG's trustees.

Under GASB Statement No. 61, *The Financial Reporting Omnibus*, an amendment of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

Cash and Cash Equivalents

Current cash and cash equivalents, which are both unrestricted and restricted in nature, consist of cash on hand, and all highly liquid investments with an original maturity of three months or less except for those managed as a component of the University's investment portfolio, which are included in non-current restricted cash. The University reclassifies net overdrafts from Cash and Cash Equivalents to Accounts Payable and Accrued Liabilities. For 2020, this amount totaled $20.9 million ($24.8 million in 2019). Noncurrent unrestricted cash and cash equivalents consist of funds that are not externally restricted and are comprised of fixed income class funds and long-term insurance claim reserves. Noncurrent restricted cash and cash equivalents are externally restricted to maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets or collateral requirements for interest rate swaps, or are related to endowed funds.

Investments

Investments are recorded in the statements of net position at fair value, amortized cost and net asset value depending on asset type. Please refer to Note 3 – Cash and Cash Equivalents and Investments for further details about investments at fair value and net asset value. Investments with a maturity greater than one year and investments externally restricted for endowment purposes, to maintain sinking funds, and to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net position. The year-to-year change in the fair value of investments is reported in the statements of revenues, expenses, and changes in net position as net increase or decrease in fair value of investments.

Funds Held in Trust

Funds held in trust by others or not in the possession of, nor under the control of, the University are not included in the University's accompanying financial statements because they do not meet eligibility requirements for recognition. The market value of such funds aggregated approximately $66.7 million at June 30, 2020 ($68.1 million in 2019). Income derived from such irrevocable trust funds held by others, aggregating approximately $3.2 million in 2020 ($3.3 million in 2019), is reported in the accompanying financial statements as non-operating revenue. Due to these funds being donor established perpetual trusts, they do not meet the requirements of irrevocable split-interest agreements as defined in GASB 81, *Irrevocable Split-Interest Agreements.*

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

Inventories

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

Capital Assets

Capital assets consist of land, buildings, land improvements, equipment, and construction in progress and art collections. Capital assets are recorded at cost at the date of acquisition, or fair market value on the date of gift if donated, and are shown net of accumulated depreciation. Depreciation on buildings, land improvements, and equipment is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years. Beginning in 2017, the components of certain buildings (i.e., those with a cost in excess of $15.0 million and that have greater than 30.0% of assignable square footage allocated to organized research) are depreciated over the estimated useful life of those components. Library books totaling approximately 7.0 million volumes in 2020 (6.7 million volumes in 2019) have not been capitalized. The capitalization threshold is $5,000 and above. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized at the acquisition value of the item at the time of acquisition.

Unearned Revenue

Unearned revenue includes summer session activity for July and August, as well as billings to third and fourth year medical and dental schools, which will be recognized as revenue in the following fiscal year. It also includes cash received from grant and contract sponsors which has not yet been earned under the terms of the agreement. This includes $29.0 million from the federal Coronavirus Aid Relief and Economic Security Act (CARES Act) funding received in 2020. In addition, tax credits received from New Brunswick Development Corporation (DEVCO) related to 15 Washington Street and the College Avenue Redevelopment project are included in unearned revenue.

Net Position (Deficit)

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

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

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

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

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

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

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarship allowances applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred.

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

Net patient service revenues are generated from patient care services and include the operations of faculty practice plans. Net patient service revenues are recorded in the period in which the services are provided and are reported at estimated net realizable amounts from patients, third-party payers and others. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third-party payers. Reimbursement from third-party payers 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.

Health service contract revenues include revenues related to health service contract activities and are recorded in the period in which the services are provided. This includes contractual billings for physician services under affiliate agreements with certain New Jersey hospitals and physician services for house staff, which is principally comprised of reimbursements for salaries and fringe benefits, paid by the University for physician services provided through graduate medical education residency programs.

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

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

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, net of scholarship allowances, (3) most federal, state, and municipal, and other nongovernmental grants and contracts, (4) net patient services and (5) health service contracts. Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, student aid, endowment and investment income and contributions. Interest on capital asset related debt is reported as a non-operating expense.

Grant Aid to Students

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

The University received $89.2 million during the year ended June 30, 2020 ($91.9 million in 2019), from the Federal Pell Grant program, and $113.8 million during the year ended June 30, 2020 ($120.1 million in 2019), from Tuition Aid Grants, from the State of New Jersey, the largest state student aid program.

The University distributes loans to students under the Federal Direct Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans, through schools, directly to students. During the year ended June 30, 2020, the University disbursed $428.5 million ($429.0 million in 2019) under the Federal Direct Loan Program. Direct student loans receivable is not included in the University's statements of net position since they are repayable directly to the U.S. Department of Education.

Income Taxes

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

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in statements and implementation guides that were first effective for reporting periods beginning after June 15, 2018. This statement became effective immediately. The effective dates of the statements below reflect the postponement enacted by GASB 95, as applicable.

The University is evaluating the impact of the new statements noted below.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). This statement establishes standards of accounting and financial reporting for fiduciary activities and also intends to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their role as fiduciaries. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which is fiscal year 2021.

In June 2017, GASB issued Statement No. 87, Leases, effective for the University's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). This statement requires that the interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for reporting periods beginning after December 15, 2020, which is fiscal year 2022.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. GASB 90 will be effective for reporting periods beginning after December 15, 2019, which is fiscal year 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. This GASB statement is effective for financial reporting period beginning after December 15, 2021, which is fiscal year 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92), for state and local governments related to lease accounting, other post-employment benefits (OPEB) applicable to GASB Statements 73 and 74, reinsurance recoveries, and derivative instruments all effective immediately. GASB 92 also applies to the measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition, along with intra-entity transfer of assets and fair value measurements effective for reporting periods beginning after June 15, 2021, which is fiscal year 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). This statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, which is fiscal year 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). This statement improves the comparability of financial statements among governments that enter into public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and enhances the understandability, reliability, relevance, and consistency of information about PPPs and APAs. GASB 94 will be effective for reporting periods beginning after June 15, 2022, which is fiscal year 2023.

NOTE 2 – ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The University adopted GASB 95 and will postpone the adoption of GASB 84 and GASB 90, which were to be implemented in fiscal year 2020, to fiscal year 2021.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The University's cash and cash equivalents consist of the following at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Money Market Funds	$ 323,141	$ 213,940
Cash and Deposits	76,563	53,957
Total Cash and Cash Equivalents	$ 399,704	$ 267,897

The University's net cash and cash equivalents balance at June 30, 2020, includes a cash book balance of $76.6 million ($54.0 million in 2019). The actual amount of cash on deposit in the University's bank accounts at June 30, 2020, was $76.7 million ($62.1 million in 2019). Of this amount, $1.0 million was insured by the Federal Deposit Insurance Corporation at June 30, 2020 ($1.0 million in 2019). At June 30, 2020, $29.1 million ($35.5 million in 2019) was collateralized, and cash and cash equivalents in excess of these balances were uncollateralized.

Investments

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

The primary financial objective of the investment management of the University's Long-Term Investment Pool is to preserve and enhance the Long-Term Investment Pool's real purchasing power while providing a relatively constant stream of earnings for current use. The long-term investment goal of the endowment is to attain a total return of at least 4.0% plus inflation, fees, and costs. In 2020 and 2019, the University's actual annual spend was 4.0% of a trailing 13-quarter average of the Long-Term Investment Pool's market values.

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

The University's investments consist of the following at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Common Stock	$ 174,696	$ 159,155
Commercial Paper	2,398	4,966
U.S. Government Agencies	37,549	1,741
U.S. Government Bonds	23,636	62,254
Certificates of Deposits (CD's)	5,870	3,507
Corporate Bonds	157,670	149,884
Mutual Funds - Common Stock	441,040	536,590
Mutual Funds - Fixed Income	221,798	301,937
Fixed Income Funds	70,440	49,730
Hedge Funds	213,676	227,236
Private Equity	220,675	176,821
Real Estate	67,470	58,458
Real Assets	58,918	75,109
Other	4,435	3,644
Total	$ 1,700,271	$ 1,811,032

The Hedge Funds description includes: Credit, Long/Short Equity, Global Macro, Multi-Strategy Hedge Funds and Other. In addition, the Private Equity description includes Venture Capital.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statements measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly

Level 3 – unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the University 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 estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

All or a portion of the following categories were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets: Common Stock, Mutual Funds – Common Stock, and Mutual Funds – Fixed Income.

All or a portion of the following categories were classified in Level 2 of the hierarchy as they are valued using prices based on bid evaluations or quoted prices on an inactive market: Mutual Funds – Common Stock, Corporate Bonds, Commercial Paper, Certificates of Deposit, Mutual Funds – Fixed Income, U.S. Government Agencies, and U.S. Government Bonds.

Level 3 assets within the Real Asset category include real asset limited partnership interests where the investments are valued based on unobservable inputs such as analysis on current oil and gas reserves, future production estimates and NYMEX futures prices. Included in the Other category is a captive, pooled insurance vehicle for which the University has a long-term commitment and whose shares are not readily available and valued based upon the University's paid-in capital to the vehicle as well as its share of retained earnings from underwriting profits.

The University's interests in alternative investment funds are generally reported at the net asset value or its equivalent (NAV) reported by the fund managers and assessed as reasonable by the University, which is used as a practical expedient to estimate the fair value of the University's interest therein. Investments measured at NAV are not categorized in the fair value hierarchy.

The following tables summarize the University's investments by strategy type as of June 30, 2020 and 2019 (dollars in thousands):

	2020			
		Investments Measured at Fair Value		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Common Stock	$ 174,696	$ 174,696	$ -	$ -
Commercial Paper	2,398	-	2,398	-
U.S. Government Agencies	37,549	-	37,549	-
U.S. Government Bonds	23,636	-	23,636	-
Certificates of Deposits (CD's)	5,870	-	5,870	-
Corporate Bonds	157,670	-	157,670	-
Mutual Funds - Common Stock	441,040	187,761	253,279	-
Mutual Funds - Fixed Income	221,798	100,525	121,273	-
Real Assets	26,588	-	-	26,588
Other	4,435	-	-	4,435
Subtotal	$ 1,095,680	$ 462,982	$ 601,675	$ 31,023

Investment Type	Net Asset Value
Private Equity	$ 178,697
Real Estate	67,470
Real Assets	32,330
Venture Capital	41,978
Fixed Income Funds	70,440
Credit Hedge Funds	27,368
Long/Short Hedge Funds	117,981
Global Macro Hedge Funds	804
Multi-Strategy Hedge Funds	67,405
Other Hedge Funds	118
Subtotal	$ 604,591
Total	$ 1,700,271

	2019			
		Investments Measured at Fair Value		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Common Stock	$ 159,155	$ 159,155	$ -	$ -
Commercial Paper	4,966	-	4,966	-
U.S. Government Agencies	1,741	-	1,741	-
U.S. Government Bonds	62,254	-	62,254	-
Certificates of Deposits (CD's)	3,507	-	3,507	-
Corporate Bonds	149,884	-	149,884	-
Mutual Funds - Common Stock	536,590	260,385	276,205	-
Mutual Funds - Fixed Income	301,937	108,654	193,283	-
Real Assets	32,599	-	-	32,599
Other	3,644	-	-	3,644
Subtotal	$ 1,256,277	$ 528,194	$ 691,840	$ 36,243

Investment Type	Net Asset Value
Private Equity	$ 135,015
Real Estate	58,458
Real Assets	42,510
Venture Capital	41,806
Fixed Income Funds	49,730
Credit Hedge Funds	36,071
Long/Short Hedge Funds	86,184
Global Macro Hedge Funds	13,262
Multi-Strategy Hedge Funds	91,587
Other Hedge Funds	132
Subtotal	$ 554,755
Total	$ 1,811,032

Investments Measured at Net Asset Value

In addition to traditional stocks and fixed-income securities, the University also holds alternative investment funds including hedge fund, private equity, venture capital, real estate and real asset strategies. Alternative investments are typically subject to restrictions that limit the University's ability to withdraw capital after such investment and, most often in hedge funds, limit the amount that may be withdrawn as of a given redemption date. The redemption terms of the University's investments in alternative investments vary greatly (as described below). Generally, the University has no discretion to withdraw its investments in private equity, venture capital, real estate, and real asset funds; distributions are made when assets are sold within the funds.

The University is obligated in most alternative strategies to fund investment opportunities as they arise up to specified commitment levels over a period of several years. These commitments have fixed expiration dates and other termination clauses. The following table represents the unfunded commitments, redemption frequency and redemption notice period for investments measured at NAV as of June 30, 2020 and 2019 (dollars in thousands):

Investment Type	2020 Unfunded Commitments	2019 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity	$ 150,850	$ 112,807	Illiquid	N/A
Real Estate	50,220	47,203	Illiquid	N/A
Real Assets	31,725	46,584	Illiquid	N/A
Venture Capital	15,758	16,979	Illiquid	N/A
Fixed Income Funds	33,469	20,007	Illiquid	N/A
Credit Hedge Funds	N/A	N/A	Quarterly, Annually	45 - 90 days
Global Macro Hedge Funds	N/A	N/A	Quarterly	90 days
Long/Short Hedge Funds	N/A	N/A	Monthly, Quarterly, Annually	6 - 60 days
Multi-Strategy Hedge Funds	N/A	N/A	Quarterly, Semi-Annually, Annually, Rolling Two-years	60 - 90 days
Total	$ 282,022	$ 243,580		

Because of the inherent uncertainties of valuation, these net asset 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.

Management's estimate of the lives of the funds could vary significantly depending on the investment decisions of the external fund managers, changes in the University's portfolio, and other circumstances. Furthermore, the University's obligation to fund the commitments noted above may be waived by the fund manager for a variety of reasons including market conditions and/or changes in investment strategy.

The University does have various sources of internal liquidity at its disposal, including cash and cash equivalents, which are available to fund the required commitments.

Strategy Descriptions

Private Equity – Funds that typically invest in private companies or engage in buyouts of public companies with the intent of improving their portfolio companies by investing in their growth as well as implementing operational and financial best practices. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Estate – This strategy includes funds that invest in the equity or debt of real estate assets or businesses related to the real estate industry. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Assets – This strategy includes funds that invest in businesses or physical commodities in a wide variety of asset classes including but not limited to energy, infrastructure, metals and mining, and other commodity-related industries. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Fixed Income Funds– Include funds that invest throughout the capital structure. Typical investments may include senior secured, unsecured, subordinated or mezzanine loans, corporate credit, non-performing loans, and various other credit investments. The investment periods of these funds typically range from 2 – 3 years with full terms 5 – 8 years. Capital is distributed back as the fund's investment are liquidated over that time period.

Venture Capital – Funds that invest in early, mid, and late-stage high growth companies, which are typically at the forefront of innovation in their specific fields. These are typically higher risk/reward opportunities in the fields of technology and medicine of which the companies will generally have negative cash flow at the start. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Credit Hedge Funds – Strategies that typically invest both long and short in high yield and high-grade bonds, structured products, and distressed debt strategies that take advantage of corporate securities in default, under bankruptcy protection, in distress, or in liquidation.

Long/Short Hedge Funds – Strategies that typically invest in long and short positions primarily in publicly traded equities.

Global Macro Hedge Funds – Strategies which base its exposures on economic and political views and outcomes from around the world and in many markets. Funds of this nature can invest in a wide variety of securities such as equity, fixed income, currencies, commodities, and futures markets.

Multi-Strategy Hedge Funds – Multi-strategy hedge funds consist of variety of investment strategies such as equity long/short, convertible bond arbitrage, credit, merger and statistical arbitrage, event driven, etc. in order to lower and diversify risk as well as reduce volatility.

Other Hedge Funds – Legacy hedge fund positions which have been redeemed, but continue to be liquidated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The operating funds of the University are managed against the expected cash requirements of these funds. The University projects its cash requirements and arranges investment maturities accordingly. Special attention is given to the interest rate environment in times of economic growth or downturns. The table below reflects the operation of this process. Endowment funds have a much longer outlook and are invested by professional managers against an index as provided in the University's investment guidelines. The following table summarizes the maturities of investments that are subject to interest rate risk at June 30, 2020 and 2019 (dollars in thousands):

	2020				
		Investment Maturities (in years)			
Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
U.S. Government Bonds	$ 23,636	$ 3,552	$ 20,084	$ -	$ -
U.S. Government Agencies	37,549	499	1	23,112	13,937
Corporate Bonds	157,670	33,602	108,993	9,800	5,275
Commercial Paper	2,398	2,398	-	-	-
Certificates of Deposits (CD's)	5,870	5,870	-	-	-
Mutual Funds - Fixed Income	221,798	221,798	-	-	-
Total	$ 448,921	$ 267,719	$ 129,078	$ 32,912	$ 19,212

	2019				
		Investment Maturities (in years)			
Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
U.S. Government Bonds	$ 62,254	$ 998	$ 60,920	$ 336	$ -
U.S. Government Agencies	1,741	1,740	1	-	-
Corporate Bonds	149,884	19,029	104,556	11,828	14,471
Commercial Paper	4,966	4,966	-	-	-
Certificates of Deposits (CD's)	3,507	3,507	-	-	-
Mutual Funds - Fixed Income	301,937	301,937	-	-	-
Total	$ 524,289	$ 332,177	$ 165,477	$ 12,164	$ 14,471

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's Investment Policy states that individual bonds shall be rated with an investment grade by at least two of the three rating agencies (Moody's, Fitch, and Standard & Poor's (S&P)). The average credit quality of the Core Fixed Income Fund shall be maintained at AA (by S&P or equivalent rating by Moody's or Fitch) or higher. The prospect of credit risk or risk of permanent loss shall be avoided in the Fixed Income Fund. Issues of state or municipal agencies shall not be purchased except in unusual circumstances. A fixed income manager may invest in foreign securities up to a limit of 20% of the portfolio. At June 30, 2020 and 2019, the University's cash and cash equivalent and investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2020	2019
U.S. Government Agencies and Bonds	AAA	$ 29,253	$ 63,496
U.S. Government Agencies and Bonds	AA+	31,932	499
Certificates of Deposits (CD's)	A+	5,870	3,507
Commercial Paper	A+	2,398	3,473
Commercial Paper	A	-	993
Commercial Paper	AA–	-	500
Corporate Bonds	AAA	54,915	66,646
Corporate Bonds	AA+	4,482	1,248
Corporate Bonds	AA–	7,310	9,583
Corporate Bonds	A+	8,584	15,729
Corporate Bonds	A	19,106	12,271
Corporate Bonds	A–	17,002	13,290
Corporate Bonds	BBB+	20,921	10,688
Corporate Bonds	BBB	19,218	11,030
Corporate Bonds	BB+	494	-
Corporate Bonds	BBB-	4,666	9,399
Corporate Bonds	BB-	972	-
Mutual Funds - Fixed Income	Not Rated	221,798	301,937
Money Market Funds	AAA	323,141	213,940
Total		$ 772,062	$ 738,229

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the University's name. Money market funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2020 and 2019, the University's investment securities were not subject to custodial credit risk.

Investments - Endowment Funds

Most of the endowment funds assets are invested in the Long-Term Investment Pool. Each individual fund subscribes to or disposes of units in the pools on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. At June 30, 2020, the fair value of the Long-Term Investment Pool was $1,335.6 million ($1,328.3 million at June 30, 2019). In addition, the aggregate endowment market value of funds separately invested was $25.3 million at June 30, 2020 ($38.0 million at June 30, 2019). The investment depreciation was $31.0 million at June 30, 2020 (appreciation was $38.7 million at June 30, 2019). These amounts are included in restricted nonexpendable, restricted expendable and unrestricted net position.

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

NOTE 4 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts and are comprised of the following at June 30, 2020 and 2019 (dollars in thousands):

	Accounts Receivable	Allowance	Net 2020
Government Grants and Other Sponsored Programs Receivable	$ 204,829	$ 6,312	$ 198,517
Construction Related Receivable	36,779	-	36,779
Student Notes Receivable	66,424	6,616	59,808
Patient Accounts Receivable	43,990	14,771	29,219
Federal and State Governments Receivable	84,206	-	84,206
Student Accounts Receivable	58,979	13,308	45,671
Health Service Contract Receivable	207,194	31,890	175,304
Other Receivable	56,642	1,646	54,996
Total	$ 759,043	$ 74,543	$ 684,500

	Accounts Receivable	Allowance	Net 2019
Government Grants and Other Sponsored Programs Receivable	$ 182,188	$ 6,312	$ 175,876
Construction Related Receivable	36,640	-	36,640
Student Notes Receivable	71,950	6,812	65,138
Patient Accounts Receivable	47,167	15,201	31,966
Federal and State Governments Receivable	82,159	-	82,159
Student Accounts Receivable	46,049	11,508	34,541
Health Service Contract Receivable	180,269	14,748	165,521
Other Receivable	29,961	1,335	28,626
Total	$ 676,383	$ 55,916	$ 620,467

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2020 and 2019, considering type, age, collection history and other appropriate factors.

NOTE 5 – NET PATIENT SERVICE REVENUES AND HEALTH SERVICE CONTRACT REVENUES

Net patient service revenues include revenues related to patient care services, generated primarily by Rutgers Health Group behavioral healthcare clinics, community healthcare centers, cancer center, and the operations of faculty practice plans.

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

Net patient service revenues comprised of the following for the years ended June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Gross Charges	$ 683,579	$ 665,709
Deductions from Gross Charges		
Contractual and Other Allowances	(412,942)	(379,164)
Provision for Bad Debts	(29,766)	(30,298)
Net Patient Service Revenues	$ 240,871	$ 256,247

Health service contract revenues relate to professional services provided under contractual arrangements. This includes providing physician services under affiliate agreements with certain New Jersey hospitals (such as University Hospital of Newark, Cooper Hospital, RWJ Barnabas Health and others). It also includes physician services for housestaff, which is comprised of reimbursements for graduate medical education residency programs in connection with RWJ Medical School, New Jersey Medical School and Rutgers School of Dental Medicine. At June 30, 2020, health service contract revenues totaled $656.9 million ($615.2 million in 2019), which included reimbursement for housestaff salaries, fringe benefits and insurance of $105.8 million ($109.6 million in 2019), and billings under other contractual arrangements of $551.1 million ($505.6 million in 2019).

NOTE 6 – CAPITAL ASSETS

The detail of capital assets activity for the year ended June 30, 2020 and 2019 is as follows (dollars in thousands):

	July 1, 2019	Additions	Transfers	Retirements/ Capitalization	June 30, 2020
Capital Assets Not Being Depreciated:					
Land	$ 78,537	$ 4,616	$ -	$ -	$ 83,153
Capitalized Art Collections	84,624	2,533	-	-	87,157
Construction in Progress	428,031	175,039	-	230,059	373,011
Total	591,192	182,188	-	230,059	543,321
Capital Assets Being Depreciated:					
Land Improvements	373,265	9,565	-	-	382,830
Buildings	5,089,814	204,999	75,106	12,668	5,357,251
Equipment	897,915	41,507	(75,106)	192,958	671,358
Total	6,360,994	256,071	-	205,626	6,411,439
Less Accumulated Depreciation:					
Land Improvements	302,358	16,366	-	(197)	318,921
Buildings	2,056,732	130,863	53,378	8,010	2,232,963
Equipment	654,799	43,142	(53,378)	188,681	455,882
Total	3,013,889	190,371	-	196,494	3,007,766
Net Capital Assets Being Depreciated	3,347,105	65,700	-	9,132	3,403,673
Total Capital Assets, net	$ 3,938,297	$ 247,888	$ -	$ 239,191	$ 3,946,994

During 2020, the University capitalized interest expense of $6.9 million in construction in progress in the accompanying statements of net position.

	July 1, 2018	Additions	Retirements/ Capitalization	June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 77,195	$ 1,342	$ -	$ 78,537
Capitalized Art Collections	66,269	18,355	-	84,624
Construction in Progress	322,706	283,799	178,474	428,031
Total	466,170	303,496	178,474	591,192
Capital Assets Being Depreciated:				
Land Improvements	368,890	4,375	-	373,265
Buildings	4,954,545	155,282	20,013	5,089,814
Equipment	850,385	76,590	29,060	897,915
Total	6,173,820	236,247	49,073	6,360,994
Less Accumulated Depreciation:				
Land Improvements	286,328	16,030	-	302,358
Buildings	1,939,032	126,244	8,544	2,056,732
Equipment	642,388	39,063	26,652	654,799
Total	2,867,748	181,337	35,196	3,013,889
Net Capital Assets Being Depreciated	3,306,072	54,910	13,877	3,347,105
Total Capital Assets, net	$ 3,772,242	$ 358,406	$ 192,351	$ 3,938,297

During 2019, the University capitalized interest expense of $5.2 million in construction in progress in the accompanying statements of net position.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Vendors	$ 57,700	$ 100,728
Accrued Salaries and Benefits	82,265	71,154
Compensated Absences	64,041	53,509
Workers Compensation	19,801	19,929
Interest Payable	13,864	13,641
Other Accrued Expenses	122,506	148,258
Total Accounts Payable and Accrued Expenses	$ 360,177	$ 407,219

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2020 and 2019 is as follows (dollars in thousands):

	July 1, 2019	Additions	Reductions	June 30, 2020	Current Portion
Other Noncurrent Liabilities	$ 47,619	$ 22,246	$ 11,181	$ 58,684	$ –
Net Pension Liabilities	1,731,180	–	29,540	1,701,640	–
Unearned Revenue	183,009	113,695	10,716	285,988	220,927
Derivative Instruments	31,302	25,225	–	56,527	–
Long-Term Liabilities	1,945,750	985,423	660,738	2,270,435	57,291
Total	$ 3,938,860	$ 1,146,589	$ 712,175	$ 4,373,274	$ 278,218

	July 1, 2018	Additions	Reductions	June 30, 2019	Current Portion
Other Noncurrent Liabilities	$ 56,632	$ –	$ 9,013	$ 47,619	$ –
Net Pension Liabilities	1,772,533	–	41,353	1,731,180	–
Unearned Revenue	151,948	138,734	107,673	183,009	121,708
Derivative Instruments	18,245	13,057	–	31,302	–
Long-Term Liabilities	2,009,464	6,335	70,049	1,945,750	67,265
Total	$ 4,008,822	$ 158,126	$ 228,088	$ 3,938,860	$ 188,973

NOTE 9 – COMMERCIAL PAPER

The University has a combined taxable and tax-exempt commercial paper program that provides for interim or short-term financing of various capital projects, equipment, refundings and for other lawful purposes. The Board approved a maximum outstanding amount at any time of $500.0 million, provided the maximum principal amount will not exceed the amount secured by a Liquidity Facility. On June 16, 2020, the Board authorized the increase of the commercial paper program to $750.0 million, backed by a combination of the University's general revenue pledge and third-party Liquidity providers. As of June 30, 2020, the current Liquidity providers are Wells Fargo Bank, N.A. up to $200.0 million until April 10, 2021 and Bank of America, N.A up to $100.0 million until July 31, 2020.

Commercial paper activity as of June 30, 2020 and 2019, is as follows (dollars in thousands):

	July 1, 2019	Additions	Retirements	June 30, 2020
Taxable	$ 154,485	$ 100,000	$ 216,985	$ 37,500
Tax-exempt	21,226	-	1,019	20,207
Total Commercial Paper	$ 175,711	$ 100,000	$ 218,004	$ 57,707

	July 1, 2018	Additions	Retirements	June 30, 2019
Taxable	$ 106,655	$ 150,000	$ 102,170	$ 154,485
Tax-exempt	24,049	-	2,823	21,226
Total Commercial Paper	$ 130,704	$ 150,000	$ 104,993	$ 175,711

NOTE 10 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020, is as follows (dollars in thousands):

	Maturity Date	Interest Rates	July 1, 2019	Additions	Retirements and Payments	June 30, 2020	Current Portion
Notes:							
U.S. Department of Education	2021	5.50%	$201	$ –	$133	$68	$68
City of Camden	2023	1.00%	133	–	43	90	30
New Jersey Infrastructure Bank	2021	0.00%	–	13,936	–	13,936	13,936
Bonds Payable:							
General Obligation Bonds:							
2009 Series G	2039	Variable Rate	62,820	–	2,110	60,710	2,195
2010 Series H	2040	3.776% - 5.665%	386,275	–	4,855	381,420	4,970
2010 Series I	2029	2.00% - 5.00%	21,670	–	21,670	–	–
2013 Series J	2036	1.00% - 5.00%	296,135	–	243,500	52,635	–
2013 Series K	2033	0.40% - 4.712%	97,965	–	6,550	91,415	6,300
2013 Series L	2043	1.00% - 5.00%	319,350	–	309,635	9,715	–
2016 Series M	2039	3.00% - 5.00%	164,610	–	6,640	157,970	6,980
2018 Series N	2028	4.00% - 5.00%	44,045	–	–	44,045	–
2018 Series O	2048	4.15%	100,655	–	–	100,655	–
2019 Series P	2119	3.915%	–	330,000	–	330,000	–
2019 Series R	2043	2.057% - 3.270%	–	614,485	–	614,485	–
2020 Series Q	2029	5.00%	–	17,820	–	17,820	1,565
Other Long-Term Obligations:							
New Jersey Educational Facilities Authority:							
Higher Education Capital Improvement Fund:							
Series 2002 A	2022	3.00% - 5.25%	264	–	–	264	–
Series 2014 A	2033	3.50% - 5.00%	25,853	–	1,201	24,652	1,262
Series 2016 A	2022	2.84%	23,525	–	5,940	17,585	6,076
Series 2016 B	2036	4.73%	4,627	–	165	4,462	174
Higher Education Equipment Leasing Fund, Series 2014 A	2023	5.00%	1,800	–	418	1,382	439
Capital Lease Obligations:							
Housing Authority of the City of New Brunswick	2020	3.00% - 5.00%	3,855	–	3,855	–	–
Robert Wood Johnson University Hospital Sublease	2020	3.00% - 5.00%	(680)	–	(680)	–	–
New Jersey Economic Development Authority:							
College Avenue Redevelopment Project	2046	4.00% - 5.00%	225,770	–	4,120	221,650	4,350
15 Washington Street Housing Project	2031	3.10%	48,830	–	2,740	46,090	2,840
University Hospital Space Leases:			-				
Ambulatory Care Center, 140 Bergen St.	2089	4.16%[1]	18,884	–	49	18,835	50
New Jersey Medical School, 150 Bergen St.	2089	4.16%[1]	16,041	–	41	16,000	42
Equipment Leases		Various	5,181	6,107	4,045	7,243	2,815
Loan Payable:							
New Brunswick Development Corporation:							
15 Washington Street Housing Project	2025	12.00%	2,200	–	–	2,200	–
			1,870,009	982,348	617,030	2,235,327	54,092
Unamortized Bond Discounts			(934)	–	(44)	(890)	(45)
Unamortized Bond Premiums			76,675	3,075	43,752	35,998	3,244
Total Long-Term Liabilities			$1,945,750	$985,423	$660,738	$2,270,435	$57,291

[1] Effective interest rate.

Long-term liability activity for the year ended June 30, 2019, is as follows (dollars in thousands):

	Maturity Date	Interest Rates	July 1, 2018	Additions	Retirements and Payments	June 30, 2019	Current Portion
Notes:							
U.S. Department of Education	2021	5.50%	$327	$ –	$126	$201	$132
City of Camden	2023	1.00%	189	–	56	133	42
New Jersey Department of Human Services	2018	0.00%	272	–	272	–	–
Bonds Payable:							
General Obligation Bonds:							
2009 Series F	2039	2.00% - 5.00%	7,610	–	7,610	–	–
2009 Series G	2039	Variable Rate	64,850	–	2,030	62,820	2,110
2010 Series H	2040	3.776% - 5.665%	390,990	–	4,715	386,275	4,855
2010 Series I	2029	2.00% - 5.00%	23,065	–	1,395	21,670	1,455
2013 Series J	2036	1.00% - 5.00%	311,480	–	15,345	296,135	15,275
2013 Series K	2033	0.40% - 4.712%	105,505	–	7,540	97,965	6,550
2013 Series L	2043	1.00% - 5.00%	324,645	–	5,295	319,350	2,795
2016 Series M	2039	3.00% - 5.00%	164,610	–	–	164,610	6,640
2018 Series N	2028	4.00% - 5.00%	44,045	–	–	44,045	–
2018 Series O	2048	4.15%	100,655	–	–	100,655	–
Other Long-Term Obligations:							
New Jersey Educational Facilities Authority:							
Higher Education Capital Improvement Fund:							
Series 2002 A	2022	3.00% - 5.25%	264	–	–	264	–
Series 2014 A	2033	3.50% - 5.00%	27,000	–	1,147	25,853	1,201
Series 2016 A	2022	2.84%	29,301	–	5,776	23,525	5,940
Series 2016 B	2036	4.73%	4,784	–	157	4,627	165
Higher Education Equipment Leasing Fund, Series 2014 A	2023	5.00%	3,563	–	1,763	1,800	418
Capital Lease Obligations:							
Housing Authority of the City of New Brunswick	2020	3.00% - 5.00%	7,530	–	3,675	3,855	3,855
Robert Wood Johnson University Hospital Sublease	2020	3.00% - 5.00%	(1,328)	–	(648)	(680)	(680)
New Jersey Economic Development Authority:							
College Avenue Redevelopment Project	2046	4.00% - 5.00%	229,710	–	3,940	225,770	4,120
15 Washington Street Housing Project	2031	3.10%	51,495	–	2,665	48,830	2,740
University Hospital Space Leases:							
Ambulatory Care Center, 140 Bergen St.	2089	4.16%[1]	18,931	–	47	18,884	48
New Jersey Medical School, 150 Bergen St.	2089	4.16%[1]	16,080	–	39	16,041	41
Equipment Leases		Various	777	6,335	1,931	5,181	5,181
Loan Payable:							
New Brunswick Development Corporation:							
15 Washington Street Housing Project	2025	12.00%	2,200	–	–	2,200	–
			1,928,550	6,335	64,876	1,870,009	62,883
Unamortized Bond Discounts			(978)	–	(44)	(934)	(44)
Unamortized Bond Premiums			81,892	–	5,217	76,675	4,426
Total Long-Term Liabilities			$2,009,464	$6,335	$70,049	$1,945,750	$67,265

[1] Effective interest rate.

Bonds Payable

The University issues general obligation bonds to (i) provide financing of various capital projects, (ii) provide for the refinancing of certain outstanding commercial paper and (iii) provide for the current and/or advance refunding of all or a portion of certain outstanding bonds of the University. These bonds are payable from revenues and other legally available funds. The bonds are secured under the provisions of an Indenture of Trust dated February 1, 2002 by and between the University and U.S. Bank, N.A. The Indenture of Trust contains a provision that in an event of default, the principal of all the bonds outstanding and the interest accrued thereon, shall be due and payable immediately.

All bonds bear interest at fixed rates with the exception of 2009 Series G, which bears interest at variable rates. The bonds are secured by a Liquidity Facility through a Standby Bond Purchase Agreement. The current Liquidity Facility for the 2009 Series G bonds is provided by TD Bank, N.A. until July 1, 2023. As of June 30, 2020, no funds have been drawn against this agreement.

Debt service to maturity for all General Obligation Bonds, using variable rates as of June 30, 2020, and using the net interest rate swap payments as of June 30, 2020 (See Note 11 for additional information about derivatives), are as follows (dollars in thousands):

	Fixed Rate Bonds		Variable Rate Bonds		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swaps, Net	Total
2021	$ 19,815	$ 73,436	$ 2,195	$ 79	$ 2,262	$ 97,787
2022	47,165	72,612	2,280	76	2,181	124,314
2023	69,195	70,563	2,370	73	2,096	144,297
2024	51,550	67,545	2,465	70	2,008	123,638
2025	53,395	65,213	2,560	67	1,916	123,151
2026-2030	332,760	292,122	14,410	281	8,075	647,648
2031-2035	315,440	222,587	17,595	180	5,161	560,963
2036-2040	277,750	159,889	16,835	56	1,601	456,131
2041-2045	227,455	98,370	–	–	–	325,825
2046-2050	75,635	71,585	–	–	–	147,220
2051-2055	–	64,597	–	–	–	64,597
2056-2060	–	64,597	–	–	–	64,597
2061-2065	–	64,597	–	–	–	64,597
2066-2070	–	64,597	–	–	–	64,597
2071-2075	–	64,597	–	–	–	64,597
2076-2080	–	64,597	–	–	–	64,597
2081-2085	–	64,597	–	–	–	64,597
2086-2090	–	64,598	–	–	–	64,598
2091-2095	–	64,598	–	–	–	64,598
2096-2100	–	64,598	–	–	–	64,598
2101-2105	–	64,598	–	–	–	64,598
2106-2110	–	64,598	–	–	–	64,598
2111-2115	–	64,598	–	–	–	64,598
2116-2119	330,000	51,678	–	–	–	381,678
Total	$ 1,800,160	$ 2,085,367	$ 60,710	$ 882	$ 25,300	$ 3,972,419

New Bond Issuance

During fiscal year 2020, the University issued General Obligation Bonds, 2019 Series P (Federally Taxable) for $330.0 million to provide financing for various capital projects approved by the Board of Governors.

Refunding Activity

During fiscal year 2020, the University issued General Obligation Refunding Bonds, 2019 Series R (Federally Taxable) for $614.5 million to partially refund the 2013 Series J and the 2013 Series L bonds. As part of the refunding, the University reduced its total debt service over the next 24 years by $51.7 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $50.6 million. The difference between the reacquisition price and the net carrying amount of the old debt of $63.2 million is being deferred and amortized as a reduction to interest expense through the year 2043 using the effective interest method.

In addition, the University issued General Obligation Refunding Bonds, 2020 Series Q (Tax-Exempt) for $17.8 million to refund the 2010 Series I bonds. As part of the refunding, the University reduced its total debt service over the next 10 years by $3.2 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $2.9 million. The difference between the reacquisition price and the net carrying amount of the old debt nearly broke even.

Other Long-Term Obligations

Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (CIF) and the Higher Education Equipment Leasing Fund Act (ELF), the University has been allocated funds from bonds issued by the New Jersey Educational Facilities Authority to finance various capital expenditures. The University is obligated to pay amounts equal to one-third and one-fourth of the amount necessary to pay the principal and interest on the portion of the CIF and ELF bonds, respectively.

Principal and interest payments for other long-term obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2021	$ 7,950	$ 1,821	$ 9,771
2022	7,762	1,558	9,320
2023	8,053	1,280	9,333
2024	1,668	1,082	2,750
2025	1,753	997	2,750
2026-2030	10,069	3,683	13,752
2031-2035	10,344	1,276	11,620
2036-2037	746	38	784
Total	$ 48,345	$ 11,735	$ 60,080

Capital Lease Obligations

- **Housing Authority of the City of New Brunswick**

Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the University and the Housing Authority of the City of New Brunswick (the Housing Authority), the Housing Authority issued bonds for the purpose of providing long-term financing for the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. The bonds were fully paid by June 30, 2020. Upon retirement of the bonds, title to the student apartment complex, parking deck, health club facility and the related common space will be transferred to the University. As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

- **Robert Wood Johnson University Hospital Sublease**

In conjunction with the Housing Authority capital lease and agreement, the University simultaneously entered into a sublease and agreement with the Robert Wood Johnson University Hospital, Inc. (the Hospital), dated July 1, 1992, whereby the Hospital agreed to lease a portion of the parking facility from the University. At the end of the term, title to the Hospital's portion of the parking deck will be transferred to the Hospital.

New Jersey Economic Development Authority

- **College Avenue Redevelopment Project**

On September 12, 2013, the New Jersey Economic Development Authority (the Authority) issued $237.1 million of its General Obligation Lease Revenue Bonds, Series 2013. The proceeds of the bonds were loaned by the Authority to College Avenue Redevelopment Associates, LLC (the Company), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated September 1, 2013 to finance the construction of an academic building for the School of Arts and Sciences, a residence hall for honors students, a residence building, and a multistory parking structure and surface lot being undertaken and constructed by the Company on behalf of the University. The Company is leasing the entire Property to the University pursuant to the Master Lease Agreement dated September 1, 2013. At the end of the term, title to the academic building, the residence hall for honor students, the residence building and the multistory parking structure and surface lot will be transferred to the University.

- **15 Washington Street**

On May 30, 2014, the New Jersey Economic Development Authority (the Authority) issued $58.3 million of its Revenue Notes, Series 2014. The proceeds of the notes were loaned by the Authority to Washington Street University Housing Associates, LLC (the Landlord), whose sole and managing member is DEVCO, pursuant to a Loan Agreement dated May 30, 2014, to finance the renovation of the Residential Estate to provide housing for graduate and undergraduate students. The Landlord is leasing the Property to the University pursuant to the Master Lease Agreement dated May 30, 2014. At the end of the term, title to the residential estate and its improvements will be transferred to the University upon payment of the outstanding amounts due on the Authority's notes and on the Developer's equity contribution.

Ambulatory Care Center

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

New Jersey Medical School – Hospital Building

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

Principal and interest payments applicable to the capital lease obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2021	$ 7,283	$ 13,906	$ 21,189
2022	7,561	13,596	21,157
2023	7,905	13,273	21,178
2024	8,220	12,936	21,156
2025	8,604	12,580	21,184
2026-2030	37,782	57,690	95,472
2031-2035	64,181	45,458	109,639
2036-2040	50,742	33,755	84,497
2041-2045	64,707	19,783	84,490
2046-2050	16,089	6,742	22,831
2051-2055	1,709	5,692	7,401
2056-2060	2,095	5,306	7,401
2061-2065	2,569	4,832	7,401
2066-2070	3,150	4,251	7,401
2071-2075	3,862	3,539	7,401
2076-2080	4,735	2,666	7,401
2081-2085	5,805	1,596	7,401
2086-2090	5,576	345	5,921
Total	$ 302,575	$ 257,946	$ 560,521

Notes - New Jersey Infrastructure Bank

- **Busch Cogeneration Plant Upgrade**

On June 17, 2019, the university entered into a $37.0 million short-term construction loan with the New Jersey Infrastructure Bank (NJIB) to provide interim financing for the replacement of the power generating turbines and other related equipment in the existing Cogeneration Plant located on the Busch Campus. Interest rate on the note is 0.0% and will mature on June 17, 2021. The university anticipates to convert the note to a long-term bond issued by NJIB upon maturity. As of June 30, 2020, total draws from the short-term loan amounted to $13.9 million.

Miscellaneous Equipment Leases

The University has entered into certain lease-purchase agreements for equipment. The following represents the book value of the University's equipment capital leases at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Cost	$ 13,445	$ 7,912
Accumulated Depreciation	(2,657)	(1,243)
Net Book Value	$ 10,788	$ 6,669

LEAP School Bond Financing Guaranty

In 2003, the Delaware River Port Authority issued $8.5 million of Charter School Project Bonds, Series 2003 (LEAP Academy University Charter School, Inc.) to finance the costs of the design, development, construction and equipping of the LEAP Academy University Charter School, which is adjacent to the Camden Campus. During fiscal year 2016, the New Jersey Economic Development Authority issued $10.0 million of Charter School Revenue Bonds, Series 2014 to refund, among others, in whole the Series 2003 Bonds. As part of the University's commitment to contributing to the community of the City of Camden, the University guarantees the payment of the principal and interest on the bonds through its maturity in 2028.

Bank Letter of Credit

As of June 30, 2020 and 2019, the University had a standby letter of credit with TD Bank, N.A. totaling to $2.2 million for general liability and workers compensation insurance purposes related to current construction projects. There were no draws against the letter of credit during these fiscal years.

Defeased Bonds

The University has defeased various bonds with the proceeds of new debt or with University funds. The funds are deposited to an irrevocable escrow trust account for the payment of the principal, interest, and call premiums, if any, on the refunded bonds. The defeased bonds and the related trusts are not reflected in the accompanying financial statements. The following represents the defeased debt at June 30, 2020 and 2019 (dollars in thousands):

	Amount Defeased	Final Maturity/Call Date	Amount Outstanding at June 30, 2020	Amount Outstanding at June 30, 2019
General Obligation Bonds, 2010 Series I	$ 20,215	5/1/2020	$ -	-
General Obligation Refunding Bonds, 2013 Series J	243,500	5/1/2023	228,225	-
General Obligation Bonds, 2013 Series L	309,635	5/1/2023	306,840	-
Total	$ 573,350		$ 535,065	-

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The University has entered into various pay-fixed, receive-variable interest rate swaps in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain. These swaps are valued using a market approach that considers benchmark interest rates and, therefore, are classified in Level 2 of the fair value hierarchy.

For the years ended June 30, 2020 and 2019, the University had two derivative instruments outstanding (dollars in thousands).

			Notional Amount						Fair Value		
Swap #	Type	Objective	2020	2019	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	2020	2019	Change in Fair Value from 2019
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond and General Obligation Commercial Paper	$100,000	$100,000	5/1/2008	11/1/2038	Pay fixed 4.080%, receive 100% of 3-Month LIBOR	Aa3/AA	($55,263)	($30,462)	($24,801)
2	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond	8,520	9,505	5/1/2007	5/1/2027	Pay fixed 3.824%, receive SIFMA swap index	Aa2/AA–	(1,264)	(840)	(424)
			$108,520	$109,505					($56,527)	($31,302)	($25,225)

Risk
The use of derivatives may introduce certain risks for the University, including the following:

Credit Risk:
As of June 30, 2020 and 2019, the University was not exposed to credit risk with its swap counterparties because all of the swaps had negative fair values.

To mitigate credit risk, the University and the counterparties require the posting of collateral based on their respective credit rating. The amount of (i.e., value of) such collateral shall equal the market value of the swap in excess of the applicable collateral threshold based on the rating of such counterparty at such time. The table below shows when collateralization would be required or triggered.

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

As of June 30, 2020 and 2019, the University's credit ratings by Moody's and S&P was Aa3 and A+, respectively. As of June 30, 2020, the university was required to post collateral totaling to $37.3 million ($11.6 million in 2019).

Basis Risk:
There is a risk that the variable payment received on interest rate swaps will not match the variable payment on the bonds or commercial paper. This risk is known as basis risk. Swaps have basis risk because the interest rates on the bonds and commercial paper are reset periodically by the remarketing agent or commercial paper dealer and may not exactly match the variable receipt on the interest rate swaps, which are based on a percentage of either LIBOR or SIFMA indexes.

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

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

NOTE 12 – COMMITMENTS

At June 30, 2020, the estimated cost of capital projects under construction and/or in the design stage with approved sources of funding, aggregated approximately $667.5 million ($735.5 million in 2019). The additional funding required at June 30, 2020 reflects amounts for completion and will be received over several years. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2020	Additional Funding Required at June 30, 2020	Estimated Total Cost
Borrowing	$ 189,539	$ 157,499	$ 347,038
State	5,022	-	5,022
Gifts and Other Sources	255,184	60,323	315,507
Total	$ 449,745	$ 217,822	$ 667,567

The University leases certain space used in general operations. Rental expense was approximately $25.9 million in 2020 ($22.9 million in 2019). The leases are non-cancelable and have been classified as operating leases which are expected to expire through 2048. Minimum annual rental commitments approximate the following (dollars in thousands):

Fiscal Year	Amount
2021	$ 21,941
2022	20,351
2023	19,064
2024	14,365
2025	9,914
2026-2030	34,210
2031-2035	22,087
2036-2040	21,063
2041-2045	12,848
2046-2050	10,279
Total	$ 186,122

NOTE 13 – NATURAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The University reports operating expenses by natural classification. Details of these expenses by functional classification at June 30, 2020 and 2019, are as follows (dollars in thousands):

	2020	2019
Instruction	$ 958,967	$ 953,424
Research	573,994	540,713
Extension and Public Service	244,457	225,969
Academic Support	484,043	462,491
Student Services	144,803	146,713
Operations and Maintenance of Plant	230,719	247,371
General Administration and Institutional	306,005	285,664
Scholarships and Fellowships	120,694	72,691
Depreciation	190,371	181,337
Patient Care Services	743,362	702,032
Auxiliary Enterprises	269,407	274,758
OPEB Expenses	18,774	185,875
Total Operating Expenses	$ 4,285,596	$ 4,279,038

NOTE 14 - EMPLOYEE BENEFITS

Retirement Plans

The University has primarily three retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, State of New Jersey Police and Firemen's Retirement System, and the Alternate Benefit Program. Under these plans, participants make annual contributions, and the State of New Jersey makes employer contributions on behalf of the University for these Plans. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The University is charged for contributions on behalf of employees through a fringe benefits charge assessed by the State, which is included within the state paid fringe benefits in the accompanying statement of revenues, expenses, and changes in net position. Summary information regarding these plans is provided below.

Public Employees Retirement System (PERS)

Plan Description — The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at **http://www.nj.gov/treasury/pensions/financial-reports.shtml.**

Benefits — The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

Contributions — The member contribution rate at June 30, 2020 and 2019 was 7.5% of pensionable wages. The State contributes the remaining amounts necessary to pay benefits when due. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the University is included within the State's contribution. The contribution requirements of the plan members and the University are established and may be amended by the State.

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

Police and Firemen's Retirement System (PFRS)

Plan Description — The State of New Jersey Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at **http://www.nj.gov/treasury/pensions/financial-reports.shtml**.

Benefits — The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions — The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the University is included within the State's contribution. The active member contribution rate is 10.0% of annual compensation during fiscal year 2020.

Net Pension Liability, Deferred Amounts Related to Pensions and Pension Expense

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to PERS and PFRS are calculated by the State of New Jersey Division of Pension and Benefits. At June 30, 2020, the University reported a liability of $1,620.5 million and $81.1 million for PERS and PFRS, respectively ($1,650.9 million and $80.2 million for PERS and PFRS, respectively, in 2019), for its proportionate share of the respective PERS' and PFRS' net pension liabilities. The total pension liability used to calculate the net pension liability at June 30, 2020, was determined by an actuarial valuation as of July 1, 2018, and rolled forward to the measurement date of June 30, 2019, for both PERS and PFRS. The total pension liability used to calculate the net pension liability at June 30, 2019, was determined by an actuarial valuation as of July 1, 2017, and rolled forward to the measurement date of June 30, 2018, for both PERS and PFRS. The University's proportionate share of the respective net pension liabilities for the fiscal year was based on actual contributions to PERS and PFRS on behalf of the University relative to the total contributions of participating state-group employers for each plan for fiscal 2019, which was 7.0% and 1.9% for PERS and PFRS, respectively (7.0% and 1.9%, respectively, in 2018). The University's proportionate share of the respective net pension liabilities for the plan was 3.9% and 0.4% for PERS and PFRS, respectively (3.8% and 0.4%, respectively in 2018).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS' and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The June 30, 2019 and 2018 measurement of the net pension liability for PERS and PFRS used the following actuarial assumptions:

	2019	
	PERS	PFRS
Inflation Rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.00–6.00% based on years of service	3.25–15.25% based on years of service
Thereafter	3.00–7.00% based on years of service	3.25–15.25% based on years of service
Investment rate of return	7.00%	7.00%

	2018	
	PERS	PFRS
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65–4.15% based on age	2.10–8.98% based on age
Thereafter	2.65–5.15% based on age	3.10–9.98% based on age
Investment rate of return	7.00%	7.00%

In 2019, pre-retirement mortality rates for PERS were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

In 2018, pre-retirement mortality rates for PERS were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In 2019, pre-retirement mortality rates for PFRS were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

In 2018, pre-retirement mortality rates for PFRS were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS, and July 1, 2013 to June 30, 2018 for PFRS.

The actuarial assumptions used in the July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014 for PERS, and July 1, 2010 to June 30, 2013 for PFRS.

Long-Term Expected Rate of Return — The long-term expected rate of return on pension plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2019 and June 30, 2018 are summarized in the following tables:

	2019	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Risk Mitigation Strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

	2018	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt related Private Equity	2.00%	10.63%
Debt related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate — The discount rate used to measure the total pension liability for PERS was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. The discount rate used to measure the total pension liability for PFRS was 6.85% and 6.51% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2019 and 2018, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. For June 30, 2019, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. For June 30, 2018, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS and 2076 for PFRS as of June 30, 2019, and 2046 for PERS and 2062 for PFRS as of June 30, 2018. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS and 2076 for PFRS as of June 30, 2019, and 2046 for PERS and 2062 for PFRS as of June 30, 2018, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Change in Assumptions — For the valuation used in the measurement of the net pension liability for PERS as of June 30, 2019, the discount rate increased 0.62% to 6.28% while the long-term expected rate of return remained at 7.00%. For the valuation used in the measurement of the net pension liability for PFRS as of June 30, 2019, the discount rate increased 0.34% to 6.85% while the long-term expected rate of return remained at 7.00%. For the valuation used in the measurement of the net pension liability for PERS as of June 30, 2018, the discount rate increased 0.66% to 5.66% while the long-term expected rate of return remained at 7.00%. For the valuation used in the measurement of the net pension liability for PFRS as of June 30, 2018, the discount rate increased 0.37% to 6.51% while the long-term expected rate of return remained at 7.00%.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate — The following presents the collective net pension liability of the University, measured as of June 30, 2019 and 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	2019		
	At 1% Decrease	**At Current Discount Rate**	**At 1% Increase**
PERS (5.28%, 6.28%, 7.28%, respectively)	$1,864,420	$1,620,535	$1,415,595
PFRS (5.85%, 6.85%, 7.85%, respectively)	94,862	81,105	69,728
Total	$1,959,282	$1,701,640	$1,485,323

	2018		
	At 1% Decrease	**At Current Discount Rate**	**At 1% Increase**
PERS (4.66%, 5.66%, 6.66%, respectively)	$1,909,256	$1,650,950	$1,434,556
PFRS (5.51%, 6.51%, 7.51%, respectively)	94,332	80,230	68,616
Total	$2,003,588	$1,731,180	$1,503,172

Deferred Outflows of Resources and Deferred Inflows of Resources — The following presents a summary of the deferred outflows of resources and deferred inflows of resources reported at June 30, 2020 and 2019 (dollars in thousands):

2020	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$89,978	$1,074	$91,052
Changes in Proportionate Share	80,834	11,499	92,333
Difference Between Expected and Actual Experience	16,738	–	16,738
Difference Between Projected and Actual Earnings on Pension Plan Investments	1,568	1,030	2,598
Contributions Subsequent to Measurement Date	64,214	8,007	72,221
Total	$253,332	$21,610	$274,942
Deferred Inflows of Resources			
Changes of Assumptions	$324,999	$11,353	$336,352
Changes in Proportionate Share	7,946	4,877	12,823
Difference Between Expected and Actual Experience	11,604	1,909	13,513
Difference Between Projected and Actual Earnings on Pension Plan Investments	–	–	–
Total	$344,549	$18,139	$362,688

2019	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$161,316	$2,954	$164,270
Changes in Proportionate Share	96,378	11,508	107,886
Difference Between Expected and Actual Experience	28,739	–	28,739
Difference Between Projected and Actual Earnings on Pension Plan Investments	4,669	1,176	5,845
Contributions Subsequent to Measurement Date	55,817	6,220	62,037
Total	$346,919	$21,858	$368,777
Deferred Inflows of Resources			
Changes of Assumptions	$332,281	$9,460	$341,741
Changes in Proportionate Share	15,810	8,091	23,901
Difference Between Expected and Actual Experience	13,773	1,123	14,896
Difference Between Projected and Actual Earnings on Pension Plan Investments	–	–	–
Total	$361,864	$18,674	$380,538

Included in deferred outflows of resources related to pensions is $72.2 million and $62.0 million on June 30, 2020 and 2019 respectively, from contributions made on behalf of the University subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Years Ending June 30	PERS	PFRS	Total
2021	($3,426)	($1,193)	($4,619)
2022	(63,897)	(2,643)	(66,540)
2023	(60,797)	(953)	(61,750)
2024	(24,303)	646	(23,657)
2025	(3,008)	(393)	(3,401)
Total	($155,431)	($4,536)	($159,967)

Annual Pension Expense — The University's annual pension expense for PERS and PFRS for the year ended June 30, 2020, was approximately $117.0 million and $5.9 million, respectively ($120.8 million and $6.5 million, respectively, in 2019).

Alternate Benefit Program (ABP)

Plan Description — ABP is an employer defined contribution State retirement plan established as an alternative to PERS. The payroll for employees covered by ABP for the year ended June 30, 2020 and 2019 was $1,298.3 million and $1,244.7 million, respectively.

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

Contributions — The employee mandatory contribution rate for ABP is 5.0% of base salary and is matched by the State at 8.0% of base salary. Contributions can be invested with up to seven investment carriers available under the plan for fiscal year 2020. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. Employer contributions for the years ended June 30, 2020 and 2019 were $104.1 million and $100.2 million, respectively. Employee contributions for the years ended June 30, 2020 and 2019 were $68.9 million and $65.3 million, respectively.

Effective July 1, 2018, Governor Murphy signed Chapter 14, P.L. 2018 into law, which set the annual salaries of cabinet members in New Jersey at $175,000. Chapter 31, P.L. 2010 sets the allowed employer contributions to the Alternate Benefits Program (ABP) for salaries up to the maximum salary of cabinet member, which is $175,000. In response to this State imposed limit, the University established the Alternate Benefits Program and Trust. Through this program, the University continues to make the full 8% employer ABP contributions for salaries in excess of $175,000, up to the Federal IRC Annual Compensation limit of $280,000 for calendar year 2019 and $285,000 for calendar year 2020.

Other Retirement Plans

The University has a small number of employees enrolled in two Federal retirement plans, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). Both plans are defined benefit plans and cover the University's police and selected positions related to the University's Cook College/New Jersey Agricultural Experiment Station (CSRS or FERS). The University also has a small number of employees enrolled in the Defined Contribution Retirement Program (DCRP). The DCRP was established under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees who are ineligible for PERS and PFRS, because the hours of work are fewer than those required for PERS and PFRS membership, are eligible for enrollment in the DCRP provided the annual salary is $5,000 or higher. Employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary (indexed annually) for PERS Membership but who earn a salary of at least $5,000 annually, are eligible to enroll in the DCRP. Eligible employees contribute 5.5% of base salary and the employer match is 3% of base salary. Participation in all of these plans is limited with the associated amount of employee and employer contribution totaling $0.4 million.

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

Deferred Compensation Plan

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

Postemployment Benefits Other Than Pension

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

Plan description, including benefits provided - The Plan is a single-employer defined benefit OPEB plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: PERS, ABP or PFRS. In addition, N.J.S.A. 52-14-17.26 provides that for purposes of the Plan, an employee of the University shall be deemed to be an employee of the State. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB 75.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their spouse. Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB 75.

Total OPEB Liability and OPEB Expense

As of June 30, 2020, the State recorded a liability of $3,145.0 million ($4,053.9 million in 2019), which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members (active and retired) to the total members of the Plan. At June 30, 2020, the University's share was 57.3% (56.7% in 2019) and 17.3% (17.2% in 2019) of the special funding situation of the Plan, respectively.

For the year ended June 30, 2020, the University recognized OPEB expense of $18.8 million ($185.9 million in 2019). As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of $18.8 million ($185.9 million in 2019).

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2019. The State's liability associated with the University at June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date of June 30, 2018. The valuation used the following assumptions:

	2019	2018
Inflation Rate	2.50%	2.50%
Discount Rate	3.50%	3.87%
Salary Increases:		
Through 2026	1.55 – 15.25%	1.55 – 8.98%
Thereafter	1.55 – 7.00%	2.00 – 9.98%

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

The June 30, 2018 valuation used preretirement mortality rates based on the Pub-2010 Healthy "Teachers" (ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "Safety" (PFRS), "Teachers" (ABP), and "General" (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The June 30, 2017 valuation used preretirement mortality rates based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2018 valuations were based on the results of actuarial experience studies of the State's defined benefit pension plans, including PERS (July 1, 2014 through June 30, 2018), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018). Certain actuarial assumptions used in the June 30, 2017 valuations were based on the results of actuarial experience studies of the State's defined benefit pension plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2013).

Health Care Trend Assumptions - For the June 30, 2018 pre-Medicare medical benefits valuation, the trend rate is initially 5.7%, deceasing to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5%, decreasing to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

For the June 30, 2017 pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.8%, decreasing to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0%, decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

NOTE 15 - COMPENSATED ABSENCES

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

The University recorded a liability for accumulated vacation time in the amount of $64.0 million at June 30, 2020 ($53.5 million in 2019). The liability is calculated based upon employees' accrued vacation time as of the statement of net position date and is recorded in accounts payable and accrued expenses in the accompanying statements of net position.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payout to retirees for unused accumulated sick time is calculated at the lesser of ½ the value of earned time or $15,000. Employees separating from the University service prior to retirement are not entitled to payments for accumulated sick leave balances. The University recorded a liability for accumulated sick leave balances in the amount of $18.5 million at June 30, 2020 ($18.5 million in 2019), which is included in other noncurrent liabilities in the accompanying statements of net position.

The University also recorded a liability for paid leave bank days in the amount of $2.8 million at June 30, 2020 ($2.8 million in 2019), which is included in other noncurrent liabilities in the accompanying statement of net position. Employees began using these days on July 1, 2010, and may continue for the duration of employment with the University. Once these days are exhausted, the employee will not be eligible for any additional days.

NOTE 16 - RISK MANAGEMENT

In 1980, the University, jointly with 15 other higher education institutions, established Genesis Ltd. (Genesis), a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda. Genesis, a Captive Reinsurance Company, was formed to reinsure general liability, professional liability, and automobile liability risks of its shareholders.

In 2004, the University and its 15 partners formed a Vermont Reciprocal Risk Retention Group, Pinnacle Consortium of Higher Education (Pinnacle), to enhance and support the insurance programs and provide fronting services for Genesis. The primary purpose of this second alternate risk funding company was to reduce costs, reduce collateral requirements for Genesis and provide the flexibility to conduct business in the U.S. The insurance policies have deductibles that vary by policy, the most significant of which provides for the payment of general liability claims.

Effective January 1, 2016, in order to eliminate certain redundancies and gain further operational efficiency, the Shareholders and Subscribers of Genesis and Pinnacle, respectively, consolidated the insurance operations into Pinnacle in a two-step process by: discontinuing Genesis in Bermuda, and, immediately merging it into Pinnacle, with Pinnacle remaining as the surviving entity. Pinnacle assumed all of Genesis' obligations as reinsurer of Pinnacle, and is holding all of the assets previously held by Genesis to support such obligations. Going forward, Pinnacle will retain all of the risk that previously was ceded to Genesis.

The University is self-insured for workers' compensation and retains various deductibles for general liability, automobile liability, and all risk property insurance. The total projected liability at June 30, 2020, for these items is $45.2 million ($37.2 million in 2019). The invested balance of the self-insurance reserve at June 30, 2020 is $41.1 million ($41.3 million in 2019). The University also maintains an uninvested balance of $12.7 million at June 30, 2020 ($6.8 million in 2019).

The University participates in the State's Medical Malpractice Self-Insurance Fund (the Fund), which is used to pay malpractice claims and insurance premiums for the University. The contributions made during the current fiscal year by the University and its affiliate hospitals, UPA, Department of Corrections (DOC), and faculty practice plans are equal to the amount established in memoranda agreements between the Department of the Treasury and the University. If the contributions are insufficient to pay claims expenditures, the State's General Fund will be used to pay remaining claims.

Payment of claims from the Fund totaled $15.8 million in 2020 ($19.5 million in 2019). Contributions to the Fund from the State totaled $6.5 million in 2020 ($9.7 million in 2019), while contributions from RBHS affiliates, DOC, and faculty practice plans totaled $9.3 million in 2020 ($9.8 million in 2019).

The University has accrued expenses for deductibles and IBNR liabilities in the statement of net position. The accrued expenses are based on estimates by management and third-party claims administrators and generally represent the present value of the unpaid claims including the estimates for claims.

NOTE 17 – IMPACT OF COVID-19

As a result of the coronavirus pandemic (COVID-19), the University provided a pro-rated refund for spring semester room, board, and parking fees of approximately $45 million, as a result of students vacating the residence halls.

In addition, the University received an allocation from the Higher Education Emergency Relief Fund (HEERF) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of $54.2 million, which included $27.1 million to provide emergency aid to eligible students and $27.1 million to mitigate the financial losses associated with COVID-19 disruptions to the University. As of June 30, 2020, $29.0 million was included in unearned revenues in the 2020 statement of net position. $11.5 million was not yet directly distributed to students as aid and $17.5 million was not yet utilized for the institutional portion.

There continues to be significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the U.S. and international economies. As such, the University is unable to determine if it will have a material impact to its financial statements in the future.

NOTE 18 - CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial statements.

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

NOTE 19 – BLENDED COMPONENT UNIT – RUTGERS HEALTH GROUP

As indicated in the Summary of Significant Accounting and Reporting Policies in Note 1, the University consolidates Rutgers Health Group (RHG) in a blended presentation. Condensed RHG financial information for the years ended June 30, 2020 and 2019 is as follows.

CONDENSED STATEMENT OF NET POSITION
June 30, 2020
(dollars in thousands)

	Rutgers,The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers,The State University of New Jersey (Total)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current Assets	$ 982,774	$ 167,143	$ 1,149,917
Current Assets-Due from RHG/(to) Rutgers	171,255	(171,255)	-
Capital Assets, Net	3,927,537	19,457	3,946,994
Other Noncurrent Assets	1,648,255	-	1,648,255
Deferred Outflows	350,935	63,516	414,451
TOTAL ASSETS AND DEFERRED OUTFLOWS	7,080,756	78,861	7,159,617
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current Liabilities	636,653	80,539	717,192
Non Current Liabilities	3,756,917	338,139	4,095,056
Deferred Inflows	261,734	100,954	362,688
TOTAL LIABILITIES AND DEFERRED INFLOWS	4,655,304	519,632	5,174,936
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	1,895,140	7,739	1,902,879
Restricted for			
Nonexpendable	746,788	-	746,788
Expendable	636,995	(18,253)	618,742
Net Unrestricted	(853,471)	(430,257)	(1,283,728)
TOTAL NET POSITION/(DEFICIT)	$ 2,425,452	$ (440,771)	$ 1,984,681

CONDENSED STATEMENT OF NET POSITION
June 30, 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers, The State University of New Jersey (Total)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current Assets	$ 856,362	$ 172,128	$ 1,028,490
Current Assets-Due from RHG/(to) Rutgers	120,810	(120,810)	-
Capital Assets, Net	3,926,334	11,963	3,938,297
Other Noncurrent Assets	1,684,035	-	1,684,035
Deferred Outflows	397,329	72,947	470,276
TOTAL ASSETS AND DEFERRED OUTFLOWS	6,984,870	136,228	7,121,098
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current Liabilities	731,289	66,898	798,187
Non Current Liabilities	3,412,597	337,290	3,749,887
Deferred Inflows	270,775	109,763	380,538
TOTAL LIABILITIES AND DEFERRED INFLOWS	4,414,661	513,951	4,928,612
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	1,982,699	8,842	1,991,541
Restricted for			
Nonexpendable	755,419	-	755,419
Expendable	634,842	(2,646)	632,196
Net Unrestricted	(802,751)	(383,919)	(1,186,670)
TOTAL NET POSITION/(DEFICIT)	$ 2,570,209	$ (377,723)	$ 2,192,486

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2020
(dollars in thousands)

	Rutgers,The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers,The State University of New Jersey (Total)
OPERATING REVENUES			
Student Tuition and Fees (net of scholarship allowances)	$ 1,071,738	$ -	$ 1,071,738
Grants and Contracts	571,265	56,690	627,955
Auxiliary Enterprises (net of scholarship allowances)	217,489	-	217,489
Net Patient Service Revenues	21,741	219,130	240,871
Health Service Contract Revenues	166,697	490,203	656,900
Other Operating Revenues	152,674	538	153,212
Total Operating Revenues	2,201,604	766,561	2,968,165
OPERATING EXPENSES			
Operating Expenses, excluding depreciation and OPEB Expense	3,261,252	815,199	4,076,451
Depreciation Expense	187,866	2,505	190,371
OPEB Expense	15,541	3,233	18,774
Cost Pool	(30,573)	30,573	-
Total Operating Expenses	3,434,086	851,510	4,285,596
Operating loss	(1,232,482)	(84,949)	(1,317,431)
NON-OPERATING REVENUES/(EXPENSES)			
State Appropriations (including fringe benefits paid directly by the State)	714,498	119,265	833,763
OPEB Paid by the State	15,541	3,233	18,774
Contributions	43,650	84	43,734
Endowment and Investment Income	37,436	-	37,436
Net Decrease in Fair Value of Investments	(15,985)	-	(15,985)
Higher Education Emergency Relief Fund (HEERF)	25,178	-	25,178
Governmental Student Aid	229,348	-	229,348
Interest on Capital Asset Related Debt	(92,718)	-	(92,718)
Loss on Disposal of Capital Assets	(8,993)	-	(8,993)
Net Other Non-Operating Expenses	(19,316)	(743)	(20,059)
Net Non-Operating Revenue	928,639	121,839	1,050,478
(Loss)/Gain Before Other Revenues	(303,843)	36,890	(266,953)
Other Revenues	59,148	-	59,148
Transfers From/(To) the University	99,938	(99,938)	-
Decrease in Net Position	(144,757)	(63,048)	(207,805)
Net Position/Surplus/(Deficit) at Beginning of Year	2,570,209	(377,723)	2,192,486
Net Position/Surplus/(Deficit) at End of Year	$ 2,425,452	$ (440,771)	$ 1,984,681

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019
(dollars in thousands)

	Rutgers,The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers,The State University of New Jersey (Total)
OPERATING REVENUES			
Student Tuition and Fees (net of scholarship allowances)	$ 1,017,782	$ -	$ 1,017,782
Grants and Contracts	524,092	57,752	581,844
Auxiliary Enterprises (net of scholarship allowances)	256,580	-	256,580
Net Patient Service Revenues	25,673	230,574	256,247
Health Service Contract Revenues	149,778	465,451	615,229
Other Operating Revenues	149,562	870	150,432
Total Operating Revenues	2,123,467	754,647	2,878,114
OPERATING EXPENSES			
Operating Expenses, excluding depreciation and OPEB Expense	2,849,885	1,061,941	3,911,826
Depreciation Expense	180,079	1,258	181,337
OPEB Expense	154,474	31,401	185,875
Cost Pool	(30,381)	30,381	-
Total Operating Expenses	3,154,057	1,124,981	4,279,038
Operating loss	(1,030,590)	(370,334)	(1,400,924)
NON-OPERATING REVENUES/(EXPENSES)			
State Appropriations (including fringe benefits paid directly by the State)	764,354	115,277	879,631
OPEB Paid by the State	154,474	31,401	185,875
Contributions	150,383	27	150,410
Endowment and Investment Income	48,297	-	48,297
Net Increase/(Decrease)in Fair Value of Investments	57,007	-	57,007
Governmental Student Aid	224,978	-	224,978
Interest on Capital Asset Related Debt	(90,095)	-	(90,095)
Loss on Disposal of Capital Assets	(1,906)	(1,054)	(2,960)
Net Other Non-Operating Revenues	(3,009)	1,120	(1,889)
Net Non-Operating Revenue	1,304,483	146,771	1,451,254
Loss Before Other Revenues	273,893	(223,563)	50,330
Other Revenues	75,971	107	76,078
Transfers From/(To) the University	78,173	(78,173)	-
Increase/(Decrease) in Net Position	428,037	(301,629)	126,408
Net Position/(Deficit) at Beginning of Year	2,142,172	(76,094)	2,066,078
Net Position/(Deficit) at End of Year	$ 2,570,209	$ (377,723)	$ 2,192,486

CONDENSED STATEMENT OF CASH FLOWS
Year ended June 30, 2020
(dollars in thousands)

	Rutgers, The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers, The State University of New Jersey (Total)
Net Cash Flows from Operating Activities	$ (623,008)	$ (13,770)	$ (636,778)
Net Cash Flows from Noncapital Financing Activities	732,005	23,916	755,921
Net Cash Flows from Financing Activities	(109,420)	(10,129)	(119,549)
Net Cash Flows from Investing Activities	132,213	-	132,213
Net Increase/(Decrease) in Cash and Cash Equivalents	131,790	17	131,807
Cash and Cash Equivalents - Beginning of the Year	267,898	(1)	267,897
Cash and Cash Equivalents - End of the Year	$ 399,688	$ 16	$ 399,704

CONDENSED STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(dollars in thousands)

	Rutgers, The State University of New Jersey (Excludes RHG)	Rutgers Health Group	Rutgers, The State University of New Jersey (Total)
Net Cash Flows from Operating Activities	$ (448,752)	$ (25,880)	$ (474,632)
Net Cash Flows from Noncapital Financing Activities	793,882	28,294	822,176
Net Cash Flows from Financing Activities	(378,676)	(2,423)	(381,099)
Net Cash Flows from Investing Activities	36,707	-	36,707
Net Increase/(Decrease) in Cash and Cash Equivalents	3,161	(9)	3,152
Cash and Cash Equivalents - Beginning of the Year	264,737	8	264,745
Cash and Cash Equivalents - End of the Year	$ 267,898	$ (1)	$ 267,897

NOTE 20 - COMPONENT UNIT - RUTGERS UNIVERSITY FOUNDATION

Cash, Cash Equivalents, and Investments

The Foundation's cash and cash equivalents consist of the following as of June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Money Market Account	$ 894	$ 809
Cash and Deposits	6,302	15,536
	$ 7,196	$ 16,345

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

Fair Value Measurement

The Foundation's investments at June 30, 2020 are summarized in the following table by their fair value hierarchy (dollars in thousands):

	2020			
	Investments by Fair Value Level			
Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Securities	$ 366	$ 366	$ –	$ –
Corporate Bonds	65	45	9	11
Mortgage-backed Securities	1	1	–	–
Preferred Stock	55	41	14	–
Fixed Income Mutual Funds	8,085	8,085	–	–
Equity Securities	6,272	6,272	–	–
International Equity Securities	844	844	–	–
Money Market Mutual Funds	10,388	10,388	–	–
Real Estate	653	–	653	–
Privately Held Securities	60	–	–	60
	$ 26,789	$ 26,042	$ 676	$ 71

The Foundation's investments at June 30, 2019 are summarized in the following table by their fair value hierarchy (dollars in thousands):

	2019			
	Investments by Fair Value Level			
Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Securities	$ 170	$ 170	$ –	$ –
Municipal Bonds	4	4	–	–
Corporate Bonds	122	101	9	12
Mortgage-backed Securities	1	1	–	–
Preferred Stock	15	–	15	–
Fixed Income Mutual Funds	7,246	7,246	–	–
Equity Securities	6,222	6,222	–	–
International Equity Securities	794	794	–	–
Money Market Mutual Funds	10,239	10,239	–	–
Real Estate	188	–	188	–
Privately Held Securities	60	–	–	60
	$ 25,061	$ 24,777	$ 212	$ 72

The custodial credit risk associated with the Foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by pledging financial institutions, or by its trust department or agent, but not in the Foundation's name. As of June 30, 2020, the amount on deposit with the banks was $6.1 million ($15.6 million in 2019). As of June 30, 2020, the Foundation had insured deposits up to the Federal Deposit Insurance Corporation (FDIC) coverage limits totaling $0.3 million ($0.3 million in 2019). Cash and cash equivalents in excess of those balances are uncollateralized.

As of June 30, 2020 and 2019, the Foundation's investments were either insured, registered, or held by the Foundation's agent in the Foundation's name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The Foundation limits the concentration of credit risk by placing a limit on the amount the investment managers may invest in any one issuer. No initial purchase of an equity or fixed income security in any one issuer should exceed 5% of the portion of the Foundation's assets under management by each investment manager. In addition, no single equity security should be greater than 10% of the market value of the Foundation's assets under management. As of June 30, 2020 and 2019, there are no investments in any one issuer greater than 1% of total investments.

Credit Risk - The Foundation's investment policy states that individual bonds shall be rated investment grade by at least two recognized or authorized rating agencies (Moody's and Standard & Poor's). The average credit quality of the fixed income securities must be maintained at a Class "BBB/Baa" or higher as rated by both standard services (Moody's and Standard & Poor's). Up to 10% of the investment manager's portfolio may be invested in securities rated "BBB/Baa" or lower as rated by both standard services (Moody's and Standard & Poor's). The dollar-weighted average rating of the fixed income portfolio for each manager of marketable bonds shall be "A/A" or better.

As of June 30, 2020 and 2019, the Foundation's investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2020 Amount	2019 Amount
U.S. Treasury Securities	AA+	$ 366	$ 170
Municipal Bonds	AAA	–	4
Corporate Bonds	A-	8	–
Corporate Bonds	BBB	11	12
Corporate Bonds	BBB-	21	52
Corporate Bonds	BB+	25	34
Corporate Bonds	BB	–	13
Corporate Bonds	Not Rated	–	11
Mortgage-backed Securities	AA+	1	1
Preferred Stock	A-	1	–
Preferred Stock	BBB+	–	1
Preferred Stock	BBB-	13	14
Preferred Stock	Not Rated	41	–
Money Market Mutual Funds	AAA	10,388	10,239
Fixed Income Mutual Funds	Not Rated	8,085	7,246
Total		$ 18,960	$ 17,797

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

The following table summarizes the maturities as of June 30, 2020 and 2019 (dollars in thousands):

		2020			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury Securities	$ 366	$ 154	$ 212	$ –	$ –
Mortgage-backed Securities	1	–	–	1	–
Corporate Bonds	65	36	12	9	8
Preferred Stock	55	37	18	–	–
Money Market Mutual Funds	10,388	10,388	–	–	–
Fixed Income Mutual Funds	8,085	–	5,428	2,657	–
Total	$ 18,960	$ 10,615	$ 5,670	$ 2,667	$ 8

		2019			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury Securities	$ 170	$ 16	$ 154	$ –	$ –
Mortgage-backed Securities	1	–	–	1	–
Municipal Bonds	4	–	–	4	–
Corporate Bonds	122	64	49	9	–
Preferred Stock	15	1	–	–	14
Money Market Mutual Funds	10,239	10,239	–	–	–
Fixed Income Mutual Funds	7,246	–	4,996	2,250	–
Total	$ 17,797	$ 10,320	$ 5,199	$ 2,264	$ 14

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

The Foundation's operations, including certain payroll taxes and benefits, the fair rental value of space occupied, and office furnishings used by the Foundation are supported extensively by the University for operating purposes. Funding sources for the year ended June 30, 2020 and 2019 were as follows (dollars in thousands):

	2020	2019
Administrative Fees and Support:		
Endowment Administrative Fee	$ 11,196	$ 10,423
University Support	14,754	14,199
	$ 25,950	$ 24,622
Noncash Support:		
Fair Rental Value of Space Occupied	$ 1,267	$ 1,138
University-Paid Payroll Taxes and Benefits	1,551	1,577
	2,818	2,715
Total	$ 28,768	$ 27,337

Assessment Fee Income

The Foundation charges an assessment fee on all new gifts and nongovernmental grants in order to further advancement efforts on behalf of Rutgers, the State University of New Jersey. For the year ended June 30, 2020, assessment fees totaling $8.2 million ($3.8 million in 2019) were recorded.

Restricted Contributions Receivable

The anticipated receipt of contributions receivable as of June 30, 2020 and 2019, is as follows (dollars in thousands):

	2020	2019
Year Ending June 30:		
Within One Year	$ 53,055	$ 49,942
Two to Five Years	33,448	38,176
	86,503	88,118
Less Allowance for Uncollectible Contributions Receivable	(7,294)	(6,955)
	$ 79,209	$ 81,163

Contributions receivable related to permanent endowments and term endowments do not meet the eligibility requirements for recognition of GASB Statement No. 33 until received. This contribution receivable, which approximated $124.4 million as of June 30, 2020 ($122.9 million in 2019) has not been included in the accompanying financial statements.

University Receipts on Foundation Pledges

The Foundation records pledges receivable, and the associated gift income, for nonendowment related gifts and private grants based upon written commitments from these entities. From individual donors, the written support is primarily in the form of a fund agreement signed by both the donor(s) and the Foundation. Private grants obtained from private corporations and foundations are recorded upon confirmation of the grant award to the University via correspondence from the private organization. Payments on these pledges are not all received at the Foundation, as some payments are made directly to the University. Any payments made directly to the University are captured in the Foundation's Statements of Revenues, Expenses and Changes in Net Position as gift revenue as well as distributions to the University. The total of these payments to the University as of June 30, 2020 were $20.9 million ($17.7 million in 2019).

NOTE 21 – COMPONENT UNIT – UNIVERSITY PHYSICIAN ASSOCIATES OF NEW JERSEY, INC., AND AFFILIATE

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

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

Assets Whose Use is Limited and Investments

Assets limited as to use at June 30, 2020 and 2019, is set forth in the following table (dollars in thousands):

	2020	2019
Cash and Cash Equivalents – Restricted	$ 2,788	$ 4,189
Short-term Investments - Restricted	2,309	3,886
	$ 5,097	$ 8,075

Investments

The composition of investments at June 30, 2020 and 2019, is set forth in the following table (dollars in thousands):

	2020	2019
Cash and Cash Equivalents	$ 897	$ 3,605
Marketable Equity Securities	9,433	11,058
U.S. Government Securities	14,895	15,139
Bonds	17,744	39,754
Mutual Funds	1,546	–
Total Short-term Investments	$ 44,515	$ 69,556

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2020 and 2019, are as follows (dollars in thousands):

Assets	Valuation Techniques[1]	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2020 Total Fair Value
Marketable Equity Securities	M	$ 9,433	$ –	$ –	$ 9,433
U.S. Government Securities	M	–	17,204	–	17,204
Mutual Funds	M	1,546	–	–	1,546
Bonds	M	–	17,744	–	17,744
Total Assets		$ 10,979	$ 34,948	$ –	$ 45,927

Assets	Valuation Techniques[1]	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2019 Total Fair Value
Marketable Equity Securities	M	$ 11,058	$ –	$ –	$ 11,058
U.S. Government Securities	M	–	15,139	–	15,139
Certificates of Deposit	M	–	2,965	–	2,965
Bonds	M	–	39,754	–	39,754
Total Assets		$ 11,058	$ 57,858	$ –	$ 68,916

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

At June 30, 2020, there was approximately $3.7 million ($0.6 million in 2019) of cash and cash equivalents in investments within the statements of net position that are excluded from the charts above as they are not considered recurring fair value measurements.

Transactions with Related Parties

The Board of Directors of UPA includes certain participating UPA physicians, the Dean of Rutgers New Jersey Medical School and the Senior Vice President for Finance and Administration of Rutgers University.

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

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

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

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

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

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

The payables to related parties as of June 30, 2020 and 2019, are as follows (dollars in thousands):

	2020	2019
Payable to Rutgers University Medical Malpractice Fund	$ 513	$ 583
Payable to New Jersey Medical School Mandatory Department Account	7,580	1,418
Payable to New Jersey Medical School Deans' Fund	2,869	5,278
Payable to Voluntary Department Account	3,446	3,189
Payable to Voluntary Division Account	2,577	2,399
Payable to Voluntary Group Account	51	68
Payable to Voluntary Practice Group Account	28,593	36,837
Total Current Liabilities	$ 45,629	$ 49,772

Lease Commitments

UPA originally leased 47,500 square feet of rental space located in the Doctor's Office Center in Newark, New Jersey from UMDNJ. UMDNJ and UPA entered into a lease dated May 7, 2001, with four subsequent addendums to extend the terms of the lease. The fourth addendum effective January 1, 2006 extended the lease to December 31, 2006 under the same terms and conditions set forth in the May 7, 2001 lease, which is subject to renewal. Effective July 1, 2013, the lease agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Lease Agreement are Rutgers University and UPA. Total rental expense in fiscal year 2020 was $0.2 million ($0.6 million in 2019).

NOTE 22 – SUBSEQUENT EVENTS

University Physician's Associates

Effective July 1, 2020, Barnabas Health, Inc., a New Jersey non-profit corporation and an affiliate of RWJ Barnabas Health, Inc. (RWJBH), became the sole corporate member of UPA. Therefore, UPA will no longer be presented as a discretely presented component unit of the University. Furthermore, effective July 1, 2020, a Practice Services Agreement was entered into between the University and RWJBH to define the financial, administrative, and revenue cycle management services provided to the New Jersey Medical School.

Governor's Emergency Education Relief Fund

On July 2, 2020, a total of $68.8 million in federal CARES Act funds was made available to New Jersey's public colleges and universities to help institutions continue providing high quality educational services to students amid the ongoing COVID-19 pandemic.

Funding from the U.S. Department of Education through the Governor's Emergency Education Relief (GEER) Fund provided governors flexibility through an emergency block grant to decide how best to meet the needs of students, schools, postsecondary institutions and other education-related organizations in their states. Institutions can use the GEER funds to support students and faculty for continuity of operations during the period of disruption caused by the COVID-19 pandemic.

The total allocation for the University of GEER was $19.2 million comprised of $12.7 million for Rutgers University-New Brunswick, $4.3 million for Rutgers University-Newark and $2.2 million for Rutgers University-Camden.

Bond Issuance

On August 4, 2020, the University issued General Obligation Refunding Bonds, 2020 Series S (Federally Taxable) for $220.9 million to refund a portion of the New Jersey Economic Development Authority General Obligation Lease Revenue Bonds, Series 2013. As part of the refunding, the University reduced its total debt service over the next 26 years by $52.7 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $42.3 million.

Coronavirus Relief Funds

On August 14, 2020, Governor Phil Murphy and the Office of the Secretary of Higher Education (OSHE) announced that the administration awarded $150.0 million in federal CARES Act funds to New Jersey's public and private colleges and universities to help offset costs incurred as a result of the on-going COVID-19 pandemic. Eligible institutions had to file an application to receive federal Coronavirus Relief Funds (CRF) from the state which could be used for costs such as those related to cleaning and disinfecting supplies, the transition to online learning, and support for testing, among other eligible costs.

The total allocation for the University of CRF was $44.0 million comprised of $29.1 million for Rutgers University-New Brunswick, $9.9 million for Rutgers University-Newark and $5.0 million for Rutgers University-Camden.

RUCDR Infinite Biologics Sale

On August 17, 2020, the University completed the sale of a business unit, RUCDR Infinite Biologics (formerly known as the Rutgers University Cell and DNA Repository), to Infinity BiologiX LLC. RUCDR Infinite Biologics was engaged in the collection, testing and processing of biological materials and their analytics and the storage and distribution of biological materials and physical and digital chain of custody services. Infinity BiologiX acquired the capital to continue the development of RUCDR's innovative saliva test for SARS CoV-2 (COVID-19), as well as all other RUCDR product and service lines. Infinity BiologiX will operate independently of Rutgers, but will retain an affiliation with the University.

The final closing cash amount of $51.0 million was equal to the base purchase price of $44.4 million plus $6.6 million in adjustments for working capital, retained proceeds and the repayment of the non-waived portion of a line of credit. The non-waived portion of the line of credit represents the aggregate cumulative amount spent by Rutgers on behalf of Infinity BiologiX to purchase equipment or materials dedicated to COVID-19 testing, less funding received from the State of New Jersey and a dedicated expenditure amount paid for by the University.

Coronavirus Relief Funds II

On November 13, 2020, the Murphy Administration made available an additional $75.0 million in new federal CARES Act funds. In addition, the Administration distributed $5.0 million to New Jersey's minority-serving institutions. These additional CFR awards were available to public institutions and four-year public mission independent institutions to offset remaining eligible costs incurred as a result of the on-going public health emergency.

The total allocation for the University of CFR II was $16.0 million comprised of $11.5 million for Rutgers University-New Brunswick, $3.0 million for Rutgers University-Newark and $1.5 million for Rutgers University-Camden.

The Higher Education Emergency Relief Fund II

The Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260. On January 14, 2021, the U.S. Department of Education announced and additional $21,200.0 million available to higher education institutions to ensure learning continues for students during the COVID-19 pandemic under the CRRSAA and HEERF II.

Allocations to institutions are based on a formula that includes the relative shares of Federal Pell Grant recipients, the relative shares of non-Pell Grant recipients, and the relative shares of Federal Pell and non-Pell Grant recipients exclusively enrolled in distance education prior to the coronavirus emergency. In addition, CRRSAA provides a minimum amount of funding that each institution must devote towards financial aid grants to students. The published total allocation for the University is $84.0 million, with the minimum amount for student aid portion of $27.1 million and a maximum amount for institutional portion of $56.9 million.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedules of Employer Contributions*
For the Six Years Ended June 30, 2020
(dollars in thousands)

Public Employees' Retirement System (PERS)	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$64,214	$55,817	$44,280	$28,964	$25,859	$14,888
Contributions in relation to the Contractually Required Contribution	$64,214	$55,817	$44,280	$28,964	$25,859	$14,888
Contribution Deficiency (Excess)	–	–	–	–	–	–
University Employee Covered Payroll (as of Fiscal Year End)	$305,393	$298,101	$298,169	$294,177	$296,594	$294,526
Contributions as a percentage of Employee Covered Payroll	21.03%	18.72%	14.85%	9.85%	8.72%	5.05%

Police and Firemen's Retirement System (PFRS)	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$8,007	$6,220	$4,810	$3,069	$1,512	$1,298
Contributions in relation to the Contractually Required Contribution	$8,007	$6,220	$4,810	$3,069	$1,512	$1,298
Contribution Deficiency (Excess)	–	–	–	–	–	–
University Employee Covered Payroll (as of Fiscal Year End)	$9,942	$9,716	$9,418	8,932	8,091	$8,466
Contributions as a percentage of Employee Covered Payroll	80.54%	64.02%	51.07%	34.36%	18.69%	15.33%

Schedules of Proportionate Share of the Net Pension Liability*
For the Six Years Ended June 30, **2020**
(dollars in thousands)

Public Employees' Retirement System (PERS)	2020	2019	2018	2017	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	7.04%	6.96%	6.64%	6.72%	6.60%	6.42%
University Proportionate Share of the Net Pension Liability – Total Plan	3.94%	3.80%	3.48%	3.35%	3.39%	3.33%
University Proportionate Share of the Net Pension Liability	$1,620,535	$1,650,950	$1,703,499	$1,973,868	$1,566,143	$1,292,223
University Employee Covered-Payroll (for year ended as of measurement date)	$298,101	$298,169	$294,177	$296,594	$294,526	$299,132
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	543.62%	553.70%	579.07%	665.51%	531.75%	431.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.04%	40.45%	36.78%	31.20%	38.21%	42.74%

Police and Firemen's Retirement System (PFRS)	2020	2019	2018	2017	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	1.93%	1.85%	1.57%	1.79%	1.76%	1.76%
University Proportionate Share of the Net Pension Liability – Total Plan	0.44%	0.41%	0.32%	0.33%	0.36%	0.36%
University Proportionate Share of the Net Pension Liability	$81,105	$80,230	$69,035	$84,109	$78,598	$62,433
University Employee Covered-Payroll (for year ended as of measurement date)	$9,716	$9,418	$8,932	$8,091	$8,466	$9,043
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	834.76%	851.88%	772.89%	1039.55%	928.40%	690.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.20%	57.91%	54.52%	48.55%	52.84%	58.86%

*Information provided for Required Supplementary Information will be provided for ten (10) years as the information becomes available in subsequent years.

Notes to Required Supplementary Information

Changes in benefit terms – There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate as follows:

PERS
For 2019 the discount rate changed to 6.28%, the long-term rate remained at 7.00%, and the mortality tables changed from the RP-2000 tables to the Pub-2010 tables. For 2018, the discount rate changed to 5.66% and the long-term expected rate of return remained at 7.00%. For 2017, the discount rate changed to 5.00% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98% and the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 4.90% from 5.39%.

PFRS
For 2019 the discount rate changed to 6.85%, the long-term rate remained at 7.00%, and the mortality tables changed from the RP-2000 tables to the Pub-2010 tables. For 2018, the discount rate changed to 6.51% and the long-term expected rate of return remained at 7.00%. For 2017, the discount rate changed to 6.14% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 5.55% and the long-term expected rate of return changed to 7.65% from 7.90%. For 2015, the discount rate changed to 5.79% from 6.32%.

Schedules of Proportionate Share of the Total OPEB Liability*
For the Three Years Ended June 30, 2020

(dollars in thousands)

	2020	2019	2018
University's proportion of the total OPEB liability	0%	0%	0%
University's proportionate share of the total OPEB liability	–	–	–
State of New Jersey's proportionate share of the total OPEB liability associated with the University	$3,145,049	$4,053,949	$4,702,301
Total OPEB liability	$3,145,049	$4,053,949	$4,702,301
University's covered-employee payroll	$1,856,707	$1,777,964	$1,558,444
University's proportionate share of the total OPEB liability as a percentage of the University's covered-employee payroll	0%	0%	0%

* Information provided for Required Supplementary Information will be provided for ten (10) years as information becomes available in subsequent years.

Notes to Required Supplementary Information

For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Changes in assumptions – The significant changes in assumptions and the annual change in the discount rate are as follows:
For 2019, the discount rate changed to 3.50% from 3.87%. The mortality tables utilized changed from RP 2006 in 2018 to Pub-2010 in 2019. For 2018, the discount rate changed to 3.87% from 3.58%.

University Administrative Officers

Jonathan Holloway, Ph.D., *President*

Nancy E. Cantor, Ph.D., *Chancellor, Rutgers University–Newark*

Margaret S. Marsh, Ph.D., *Interim Chancellor, Rutgers University–Camden*

Christopher J. Molloy, Ph.D., *Chancellor, Rutgers University–New Brunswick*

Brian L. Strom, M.D., M.P.H., *Chancellor, Rutgers Biomedical and Health Sciences and Executive Vice President for Health Affairs*

Antonio M. Calcado, M.P.A., *Executive Vice President and Chief Operating Officer*

J. Michael Gower, M.B.A., *Executive Vice President and Chief Financial Officer*

Nevin E. Kessler, M.A., *President, Rutgers University Foundation; Executive Vice President for Development and Alumni Engagement*

Prabhas V. Moghe, Ph.D., *Executive Vice President, Academic Affairs*

Brian Ballentine, Ph.D., *Senior Vice President, Strategy*

Enobong (Anna) Branch, Ph.D., *Senior Vice President, Equity*

Andrea Conklin Bueschel, Ph.D., *Senior Vice President, Administration, and Chief of Staff*

Vivian Fernández, M.B.A., *Senior Vice President, Human Resources*

Timothy J. Fournier, Ed.D., M.B.A., *Senior Vice President, Risk Management*

John J. Hoffman, J.D., *Senior Vice President and General Counsel*

S. David Kimball, Ph.D., *Senior Vice President, Research*

Peter J. McDonough, Jr., B.A., *Senior Vice President, External Affairs*

Michele L. Norin, M.Ed., *Senior Vice President and Chief Information Officer*

Patrick E. Hobbs, J.D., *Director, Intercollegiate Athletics*

Kimberlee M. Pastva, J.D., *Secretary of the University*