University of Medicine and Dentistry of New Jersey

(A Component Unit of the State of New Jersey)

Consolidated Financial Statements

June 30, 2013 and 2012

University of Medicine and Dentistry of New Jersey
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June 30, 2013 and 2012

Independent Auditor's Report

To Rochelle Hendricks, New Jersey Secretary of Higher Education

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As described in Note 3 to the basic financial statements, the financial statements of the University Physician Associates of New Jersey, Inc., a discretely presented component unit of the University, were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the effects of which are not practicable to quantify; however, the departures from generally accepted accounting principles are material to the aggregate discretely presented component units.

Opinions

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

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

Emphasis of Matters

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

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

Other Matters

The accompanying management's discussion and analysis on pages 4 through 14 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The accompanying supplementary information for the Piscataway and Newark Centers of University Behavioral HealthCare presented on pages 61-62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the Piscataway and Newark Centers of University Behavioral HealthCare is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 5, 2013

Management’s Discussion and Analysis

Introduction

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

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

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

UMDNJ Restructuring

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

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

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

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

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

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

Financial Highlights

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

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

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

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

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

Consolidated Financial Statements

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

Consolidated Statements of Net Position

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Statements of Revenues, Expenses and Changes in Net Position

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

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

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

Revenues

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

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

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

Academic Programs

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

Research Activities

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

Net Patient Service Revenues

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

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

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

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

Professional Services and Contracts

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

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

State Appropriations-Operations

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

Capital Grants

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

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

Operating Expenses

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

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

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

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

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

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

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

Capital Assets and Debt Activities

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

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

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

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

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

Consolidated Statements of Cash Flows

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

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

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

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

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

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

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

Cash, Cash Equivalents, Investments and Assets Held by Trustees

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

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

Outlook

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

Rutgers Biomedical and Health Sciences

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

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

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

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

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

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

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

University Hospital

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

Legal Matters

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

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

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

Basic
Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

University of Medicine and Dentistry of New Jersey

Statements of Revenues, Expenses and Changes in Net Assets – Aggregate Discretely Presented Component Units

(In thousands of dollars)

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

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

1. Organization

Until July 1, 2013, the effective date of the New Jersey Medical and Health Sciences Education Restructuring Act (the “Act”), the University of Medicine and Dentistry of New Jersey (“UMDNJ” or the “University”) was a public institution of higher education and a body politic of the State of New Jersey (the “State”). UMDNJ was established as the State’s university of the health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated education and healthcare partners throughout the State. UMDNJ operated three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute, schools of biomedical sciences, health-related professions, nursing and public health and several faculty practice plans.

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

UMDNJ included the following units:

Schools:

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

Major Health Care Units:

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

Faculty Practice Plans:

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

Lease Holding Corporation:

- University Care Corporation

UMDNJ Restructuring

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

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

The UMDNJ schools and units transferred to Rutgers joined the existing Rutgers School of Nursing, Rutgers Ernest Mario School of Pharmacy and the Rutgers Institute of Health, Health Care Policy and Aging Research to form a new organizational unit within Rutgers known as Rutgers Biomedical and Health Sciences ("RBHS"). CINJ, which was formerly a unit within RWJMS, became a separate institute reporting directly to the President of Rutgers.

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

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

2. Discretely Presented Units

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Basis of Accounting

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

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

UPA is a nonprofit organization that reports its financial statements on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The impact of the modified basis of cash receipts and disbursements on the aggregate discretely presented component units' statements of net assets, and statements of revenues, expenses and changes in net assets is not reasonably determinable. However, it is material to the aggregate discretely presented component units' financial statements.

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

Other Receivables

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

Grants Receivable

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

Inventories

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

Endowment

Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. University management has the authority to utilize investment income, in accordance with the terms of each specific gift as approved by the Board of Trustees. Included in endowment investments is realized and unrealized appreciation on donor-restricted endowments and cash equivalents. The unrealized net appreciation or depreciation on endowment investments is included in the restricted component of net position within the consolidated statements of revenues, expenses and changes in net position. It is the University's policy to account for endowment appreciation in accordance with donor specifications.

Assets Held by Trustees

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

Capital Assets, Net

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

Capitalized Interest Costs

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

Impairment of Long-Lived Assets

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

Compensated Absences

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

Advances for Grants and Tuition

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

Accrued Claims Liability

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

Net Position

The net position of the University is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* consists of restricted assets reduced by liabilities and deferred inflows related to those assets that must be used for a particular purpose, as specified by creditors, grantors, the State, or contributors external to the University, including amounts deposited with trustees as required by revenue bond indentures, as discussed in Note 8. *Restricted nonexpendable net position* are those restricted assets subject to externally imposed stipulations that they be maintained permanently. Such net assets include the corpus portion (historic value) of gifts and the University's permanent endowment fund and student loans. The *unrestricted component of net position* is the net amount of assets that are not included in net investment in capital assets or the restricted expendable and nonexpendable components of net position.

Revenues and Expenses

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

Revenue Recognition

Tuition and Fees, Net

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

Government and Private Grants and Contracts

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

Net Patient Service Revenues

Net patient service revenues are recorded on an accrual basis in the period in which the service is provided. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third party payors. Reimbursement from third party payors varies, depending upon the type and level of care provided. Certain net revenues received are subject to audit and retroactive adjustments for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined (see Note 4).

Professional Services and Contracts Revenues

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

State Appropriations

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

New Authoritative Pronouncements

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61), modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of GASB 61 had no effect on the University's net position at June 30, 2013 and 2012, changes in net position for the years ended June 30, 2013 and 2012 or the reporting of its component units.

(In thousands of dollars)

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

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

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

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

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

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

4. Healthcare Reimbursement System

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

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

- Medicaid – inpatient acute care and behavioral health services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based upon a cost reimbursement methodology and outpatient behavioral health services, including adult and child services, are paid based on a Medicaid fee schedule. The University is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the University and audit thereof by the Medicaid fiscal intermediary. UH and UBHC have settled their Medicaid cost reports with the Medicaid fiscal intermediary through June 30, 2010 and June 30, 2008, respectively.

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

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

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

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

(In thousands of dollars)

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

UH and UBHC provide care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services and the Department of Human Services without charge or at amounts less than their established rates. These units maintain records to identify and monitor the level of charity care they provide, which includes the amount of gross charges foregone for services and supplies furnished. Gross charges related to charity care totaled $324,729 and $375,791 in 2013 and 2012, for which UH received $101,383 and $101,730, respectively from the State's Charity Care Subsidy Fund. The University estimates that the cost of delivering this care was $91,866 in 2013 and $111,916 in 2012.

The components of net patient service revenues are as follows:

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

Gross charges pertain to the following payors:

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

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

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

(In thousands of dollars)

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

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

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

Endowment and other investments consist of the following:

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

Assets held by trustee consist of the following:

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

(In thousands of dollars)

Assets held by trustees maturities are as follows:

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

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

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

Investment income consists of the following:

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

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

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

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

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

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

(In thousands of dollars)

6. Capital Assets

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

	June 30, 2012	Additions	Retirements/ Capitalization	June 30, 2013
Depreciable assets				
Land improvements	$ 8,180	$ -	$ -	$ 8,180
Buildings and leasehold improvements	1,412,235	4,219	(1,561)	1,414,893
Equipment	551,555	24,628	(8,375)	567,808
Capital assets for investment in joint ventures	36,011	107	-	36,118
Capitalized interest	19,849	300	-	20,149
	2,027,830	29,254	(9,936)	2,047,148
Accumulated depreciation				
Land improvements	(5,654)	(304)	-	(5,958)
Buildings and leasehold improvements	(700,003)	(48,131)	400	(747,734)
Equipment	(457,828)	(17,741)	2,246	(473,323)
Capital assets for investment in joint ventures	(26,974)	(583)	-	(27,557)
	(1,190,459)	(66,759)	2,646	(1,254,572)
Accumulated amortization				
Capitalized interest	(3,633)	(972)	-	(4,605)
Non-depreciable assets				
Land	15,801	-	(14)	15,787
Construction in progress	12,488	30,411	(22,425)	20,474
	$ 862,027	$ (8,066)	$ (29,729)	$ 824,232

	June 30, 2011	Additions	Retirements/ Capitalization	June 30, 2012
Depreciable assets				
Land improvements	$ 8,180	$ -	$ -	$ 8,180
Buildings and leasehold improvements	1,409,644	2,591	-	1,412,235
Equipment	524,144	29,926	(2,515)	551,555
Capital assets for investment in joint ventures	35,930	81	-	36,011
Capitalized interest	19,470	379	-	19,849
	1,997,368	32,977	(2,515)	2,027,830
Accumulated depreciation				
Land improvements	(5,345)	(309)	-	(5,654)
Buildings and leasehold improvements	(656,420)	(43,583)	-	(700,003)
Equipment	(437,712)	(22,428)	2,312	(457,828)
Capital assets for investment in joint ventures	(26,191)	(783)	-	(26,974)
	(1,125,668)	(67,103)	2,312	(1,190,459)
Accumulated amortization				
Capitalized interest	(2,699)	(934)	-	(3,633)
Non-depreciable assets				
Land	15,801	-	-	15,801
Construction in progress	10,735	24,865	(23,112)	12,488
	$ 895,537	$ (10,195)	$ (23,315)	$ 862,027

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

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

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

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

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

7. Self-Insurance Reserve Fund

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

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

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

(In thousands of dollars)

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

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

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

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

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

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

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

(2) In January 2003, the University entered into a Master Lease Agreement whereby the University issued $57,925 under Series 2003 Certificates of Participation for construction of the Child Health Institute located in New Brunswick. Serial certificates in the amount of $16,230 bearing interest at rates of 4.0% - 5.0% are payable in equal installments of interest and principal through 2022; $32,990 of 4.5% - 5.0% term certificates are due through 2032. These certificates are collaterized by available University revenues other than proceeds and earnings in rebate funds and grant accounts as well as insurance proceeds obtained for repair and replacement of the facility.

(3) In December 2004, the University entered into a Master Lease Agreement whereby the University issued $87,440 under Series 2004 Certificates of Participation for construction of the University Housing building located in Newark. Serial certificates in the amount of $23,355 bearing interest at rates of 3.6% - 5.3% are payable in equal installments of interest and principal through 2024; $51,965 of 5.0% term certificates are due through 2036. These certificates are collaterized by available University revenues other than proceeds and earnings in rebate funds and insurance proceeds obtained for repair and replacement of the facility.

(4) In July 1998, the University entered into a capital lease purchase agreement on a building in New Brunswick known as Liberty Plaza. The lease agreement requires an average annual payment of $1,696 to be paid through 2023 at which time the University will obtain title to the building. The effective interest rate on the lease is 5.1%.

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

(5) In July 2000, the University participated in the Capital Improvement Fund Act, P.L. 1999, c.217 through a grant agreement with EFA to fund specific construction and renovation needs. The University’s allocation was $95,000, of which 33% ($31,667), bearing interest at rates ranging from 5.0% to 5.75%, is the obligation of the University. The remaining 67% ($63,333) was a contribution from the State as well as the State’s obligation. Average annual payments of $2,650 of equal installments of interest and principal are due through 2020.

(6) In February 1998, the University entered into a capital funding agreement with the New Jersey Department of Human Services for $450 to purchase various properties. Title to the properties rests with the University. The agreement terminates in June 2018, at which time the University can renew the agreement or repay the debt. In October 2005, the University increased the agreement to $523 to renovate various collateralized properties.

(In thousands of dollars)

In December 2004, the University entered into an Enhanced Affiliation agreement with Robert Wood Johnson University Hospital, which provides for working capital requirements for RWJMS through a promissory note. The promissory note is a credit line of $10,000 and can be drawn down for a period of five years. During 2006, the agreement was amended canceling any further draws against the line of credit. Equal monthly repayments commence thirty days after the date of draw for ten years at an interest rate of prime. As of June 30, 2013, $4,000 was drawn on the promissory note and principal payments were made in the amount of $2,867.

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

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

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

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

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

(In thousands of dollars)

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

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

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

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

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

(In thousands of dollars)

9. Retirement Benefits Plans

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

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

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

Alternate Benefits Program

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

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

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

Contributions to ABP were as follows:

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

(In thousands of dollars)

Public Employees' Retirement System

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

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

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

(In thousands of dollars)

10. Commitments and Contingencies

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

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

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

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

Year Ending June 30,	
2014	$ 5,450
2015	3,543
2016	2,287
2017	1,885
2018	1,730
2019-2023	8,631
2024-2028	7,156
2029-2033	6,454
2034 and thereafter	1,733
	$ 38,869

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

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

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

11. Legal Matters

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

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

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

(In thousands of dollars)

12. Natural Expenses By Functional Classification

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

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

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

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

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

Summary of Significant Accounting Policies

Contributions

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

Grants Payable

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

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

Concentration of Credit Risk

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

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

Fair Value Hierarchy

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

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

- Level 2: Investments in certain entities that calculate net asset value per share (or its equivalent) in which the Foundation has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date. Level 2 also includes investments with observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes foreign long only equity securities.

- Level 3: Investments in certain entities that calculate net asset value per share in which the Foundation either will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent) or in which the Foundation cannot redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date but the investment may be redeemable with the investee at a future date. These investment prices are based on the respective net asset value reported by the administrator and/or management of the investment fund in which the Foundation invests. The inputs in the determination of fair value require significant management judgment or estimation. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer.

Investments

Overall Investment Objective

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

Allocation of Investment Strategies

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

Basis of Reporting

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

(In thousands of dollars)

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

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

(1) These funds are subject to lock-ups expiring in 2016.
(2) $15 million of these funds are subject to a three year lock-up expiring December 2013; $8 million of these funds are subject to a three year lock-up expiring December 2015.
(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate $1.5 million.

(In thousands of dollars)

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

(1) These funds are subject to lock-ups expiring 2015
(2) $13 million of these funds are subject to a three year lock-up expiring December 2013; $8 million of these funds are subject to a three year lock-up expiring December 2012.
(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate $1.5 million.

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

(In thousands of dollars)

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

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

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

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

(In thousands of dollars)

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

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

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

Net Asset Balances

Temporarily Restricted Net Assets

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

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

Permanently Restricted Net Assets

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

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

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

Uniform Prudent Management of Institutional Funds Act (the Act)

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

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

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

Spending and Investment Policies

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

Funds with Deficiencies

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

(In thousands of dollars)

Return Objectives and Risk Parameters

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

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

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

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

(In thousands of dollars)

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

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

Contributions Receivable

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

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

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

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

(In thousands of dollars)

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

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

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

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

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

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

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

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

(In thousands of dollars)

Fair Value Accounting

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

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

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

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

(In thousands of dollars)

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

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

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

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

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

(In thousands of dollars)

Contributions Receivable

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

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

Contributions receivable are classified as follows as of June 30:

	2013	2012
Unrestricted	$ 109	$ 98
Temporarily Restricted	460	650
Permanently Restricted	18	18
	$ 587	$ 766

Endowment Funds

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

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

Interpretation of Relevant Law

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

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

Return Objectives and Risk Parameters

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

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

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

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

(In thousands of dollars)

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

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

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

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

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

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

Investments and Assets Whose Use is Limited

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

	2013	**2012**
Cash and cash equivalents whose use is limited	$ 2,664	$ 3,663

(In thousands of dollars)

Current Investments

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

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

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

	2013	**2012**
Interest and dividend income	$ 141	$ 6
Net unrealized and realized gains	1,340	40
	$ 1,481	$ 46

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

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

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

(In thousands of dollars)

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

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

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

At June 30, 2013 and 2012, there was approximately $2,200 and $1,300, respectively of cash and cash equivalents in investments within the combined statements of assets, liabilities and net assets that are excluded from the charts above as they are not considered recurring fair value measurements.

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

Marketable Equity Securities - Fair value estimates for publicly traded equity securities, money market funds and U.S. government securities are based on quoted market prices are classified as Level 1. UPA does not adjust the quoted price for such assets.

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

Supplementary Information

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

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

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

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