
Financial Report 2000 - 2001

Rutgers, The State University of New Jersey

Governors and Trustees

DURING THE YEAR ENDED JUNE 30, 2001

Board of Governors

Kevin J. Collins
Chair

Gene O'Hara
Vice Chair

Joan L. Bildner

Ruben Cardona

Frederick D. DeSanti

Albert R. Gamper, Jr.
David Jefferson Harris, Jr.

Francis L. Lawrence,
ex officio

Dean J. Paranicas

Thomas A. Renyi

Anne M. Thomas

JoAnne G. Jackson,
Treasurer

Mildred R. Schildkamp,
Secretary

Enrica Gioe Chretien

Assistant Secretary

Board of Trustees

Ronald W. Giaconia, Chair

Duncan L. MacMillan, Vice Chair

Mary Vivian Fu Wells, Vice Chair

Jeffrey Barist

Henry E. Bartoli

Michael T. Beachem

Felix M. Beck, Emeritus

Joan L. Bildner

Floyd H. Bragg, Emeritus

Liam P. Brohan

Ruben Cardona

John Herbert Carman

Peter Cartmell, Emeritus

Judith T. Caruso

C. K. Chu

Mary J. Chyb

Michele Cortese-Petersen

Clinton C. Crocker

Thomas G. Dallessio

Anthony J. DePetris

Frederick D. DeSanti

Louis T. DiFazio

Carleton C. Dilatush, Emeritus

Milita B. Dolan

Michael R. Dressler

Robert P. Eichert

Jeanne M. Fox

Bruce G. Freeman

Albert R. Gamper, Jr.

Lucia DiNapoli Gibbons

Rochelle Gizinski

Vesta M. Godwin

Leslie E. Goodman

David Jefferson Harris, Jr.

Gerald C. Harvey

Carleton A. Holstrom, Emeritus

Paul B. Jennings, Emeritus

Charles A. Jurgensen, Emeritus

Garry Katz

Kevin E. Kennedy

Robert K. Koehler

Robert A. Laudicina

Francis L. Lawrence,

ex officio

Walter L. Leib, Emeritus

J. Bruce Llewellyn

Henry A. Lubinski

Michael C. MacDonald

Ernest C. Mueller

Patricia Nachtigal

Claire W. Nagle, Emerita

Gene O'Hara

Dean J. Paranicas

Brian D. Perkins

Eileen L. Poiani

Gail L. Powers

Richard J. Rawson

Norman Reitman, Emeritus

George T. Reynolds, Emeritus

Lillian Ringel

Alvin J. Rockoff, Emeritus

Bethany Rocque-Romaine

Michael T. Salpas

John J. Scally, Jr.

Philip S. Schein

Marijane Singer, Emerita

Edward J. Slotkin, Emeritus

Dorothy M. Stanaitis

Abram J. Suydam, Jr.

Arthur L. Taub, Emeritus

Anne M. Thomas

Karen M. Torian

Michael R. Tuosto, Emeritus

Addie S. Wright

Guy N. Zazzara

JoAnne G. Jackson, Treasurer

Mildred R. Schildkamp, Secretary

Enrica Gioe Chretien,

Assistant Secretary

August 31, 2001

President Francis L. Lawrence
The Board of Governors
The Board of Trustees
of Rutgers, The State University of New Jersey

I am pleased to submit the Annual Financial Report of Rutgers, The State University of New Jersey for the year ended June 30, 2001. The report contains the Independent Auditors' Report of Deloitte & Touche LLP, Certified Public Accountants, on the University's financial statements. The financial information presented in this report is designed to assist the reader in comprehending the scope of the University's use of resources in meeting its primary missions of instruction, research and public service.

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

Respectfully submitted,

JoAnne G. Jackson
Senior Vice President and Treasurer

Rutgers, The State University of New Jersey

Five Years in Review

FOR THE YEARS ENDED JUNE 30, 1997 - 2001

(dollars in thousands)

	2001	2000 ⁽¹⁾	1999	1998	1997
MAJOR SOURCES OF OPERATING REVENUES					
Student Tuition and Fees	\$318,213	\$297,715	\$273,609	\$251,730	\$234,976
State Appropriations	342,300	326,554	307,569	299,693	287,201
Fringe Benefits Paid Directly by the State of New Jersey	94,781	94,983	89,503	88,544	86,597
Federal Grants and Contracts	219,187	216,545	205,527	196,141	182,780
State and Municipal Grants and Contracts	77,197	65,418	60,753	57,015	56,656
Auxiliary Enterprises	165,005	158,547	146,216	138,771	130,064
MAJOR OPERATING EXPENDITURES					
Instruction and Departmental Research	402,026	383,598	358,944	338,483	324,899
Sponsored Research and Other Sponsored Programs	156,737	148,362	128,712	114,844	108,561
Other Separately Budgeted Research	64,326	59,998	60,227	57,910	52,979
Extension and Public Service	26,869	23,643	22,753	21,236	19,011
Libraries	32,584	30,609	29,396	28,186	27,452
Student Services	46,724	45,000	43,003	41,069	39,552
Operation and Maintenance of Plant	101,137	94,279	88,966	84,510	83,556
General Administration and Institutional	85,287	75,832	69,236	68,612	64,100
Student Aid	215,122	205,352	198,037	190,898	179,101
Auxiliary Enterprises	144,467	133,096	122,269	116,386	110,453
Debt Service	40,046	39,571	38,406	36,961	35,538
FUND BALANCES					
Current - Unrestricted-Designated	80,367	70,168	57,865	54,051	54,089
Current - Restricted	93,656	85,966	66,259	56,086	49,953
Loan	38,048	37,771	37,370	36,842	36,287
Endowment	356,339	378,505	336,635	313,535	273,489
Plant	1,023,465	932,799	870,661	818,746	770,483
STUDENT LOANS OUTSTANDING	40,482	39,672	39,746	40,121	39,461
ENDOWMENT ASSETS					
Cost	363,074	332,070	309,921	292,993	241,795
Market Value	362,350	384,533	342,015	318,443	276,707
PLANT IN USE⁽²⁾	1,196,227	1,140,339	1,082,138	1,060,487	1,049,349
PLANT LIABILITIES	492,464	500,295	510,968	473,006	457,937

⁽¹⁾ Effective July 1, 2000, the University began to report pledges outstanding and restricted revenues as eligibility requirements were met in accordance with GASB 33. Prior to this statement, restricted revenues were reported only as expended. Balances as of June 30, 2000 have been restated to reflect this change. Years prior to 2000 have not been restated (see Note 14 to the Financial Statements).

⁽²⁾ Consists of Land, Land Improvements, Buildings and Equipment as set forth in the Balance Sheet.

Current Funds

Current funds are resources available for current operations including those for unrestricted as well as restricted purposes. To enhance understanding, a graphical presentation of the sources and uses of current operating funds is presented on pages 6 and 7.

Total sources of current funds for 2001 were \$1.372 billion compared to \$1.307 billion in 2000, an increase of \$65 million or 5.0%. Two significant sources of revenue for the University continue to be student tuition and fees and state appropriations, including fringe benefits paid directly by the State, accounting for 23.2% and 31.9% respectively, of total sources in 2001 as compared to 22.8% and 32.3% in 2000.

Following are comparative highlights of the major classifications of sources of current funds:

- Student tuition and fees increased \$20 million or 6.7% to \$318 million due principally to a 5.0% increase in tuition rates, a 1.5% increase in enrollment and increased revenues from the summer session and various continuing education programs.
- State appropriations, including fringe benefits paid directly by the State, increased \$15 million or 3.6% to \$437 million.
- Federal, state and municipal grants and contracts increased \$14 million or 5.0% to \$296 million due primarily to an increase in Federally sponsored research projects and other sponsored programs.

Total uses of current funds for 2001 were \$1.372 billion compared to \$1.307 billion in 2000, an increase of \$65 million or 5.0%. Instruction and departmental research and student aid are major expenditure components, accounting for 29.3% and 15.7%, respectively, of total uses in 2001 as compared to 29.4% and 15.7% in 2000.

Other highlights of major expenditure categories are as follows:

- Expenditures for instruction and departmental research increased \$18 million or 4.7% to \$402 million.
- Expenditures for sponsored research and other sponsored programs increased \$9 million or 6.1% to \$157 million.
- Expenditures for student aid increased \$10 million or 4.9% to \$215 million due primarily to increased activity under the Pell Grant Program, the Federal Direct Loan Program and the Outstanding Scholars Program.

Student Loan Funds

Funds for student loans are provided by gifts to the University, by Federal capital contributions and University matching deposits under provisions of the Perkins Loan Program and other legislation, and by interest and investment income. During 2001, the University loaned \$7.7 million to students with approximately 18,000 loans outstanding totaling \$40.5 million at June 30, 2001.

Endowment Funds

Endowment funds, composed of gifts, grants, bequests and annuity and life income funds, represent an important long-range source of support to the University. As of June 30, 2001, endowment funds assets had a market value of \$362 million.

Plant Funds

Plant funds consist of funds to be used for the construction, rehabilitation and acquisition of physical properties for institutional purposes, funds accumulated for the retirement of indebtedness thereon and funds already expended for facilities and equipment.

During 2001, several major projects were completed including the following:

- Construction of the Laboratory for Cancer Research on the Busch campus.
- Expansion of the Agricultural Biotechnology and Plant/Life Science complex on the Cook/Douglass campus.
- Expansion of the Busch campus Dining Facility.
- Construction of an Environmental Science Experiment Station in Burlington County.
- Expansion of the Zimmerli Museum of Fine Arts on the College Avenue campus.

As of June 30, 2001, the University had various projects under construction or in the design stage. Significant projects, many of which are funded at least in part by the State's Higher Education Capital Improvement Fund, include:

- Expansion of Olson Hall on the Newark Campus.
- Construction of a facility for Information Sciences and Technology to include multi-disciplinary teaching, research and outreach on the Busch Campus.
- Renovations at the Wright-Rieman Labs on the Busch Campus to improve space for Geological Sciences, modernize undergraduate chemistry laboratories and make other improvements.
- Construction of the Multispecies Aquaculture Demonstration facility in Cape May.
- Renovations at the Nelson Biology Laboratories on the Busch Campus to upgrade space for new researchers in behavioral neuroscience and to make other improvements to the building.
- Renovations at the Engineering Buildings on the Busch Campus.

See the accompanying financial statements and notes thereto for more detailed information regarding all fund groups.

Rutgers, The State University of New Jersey

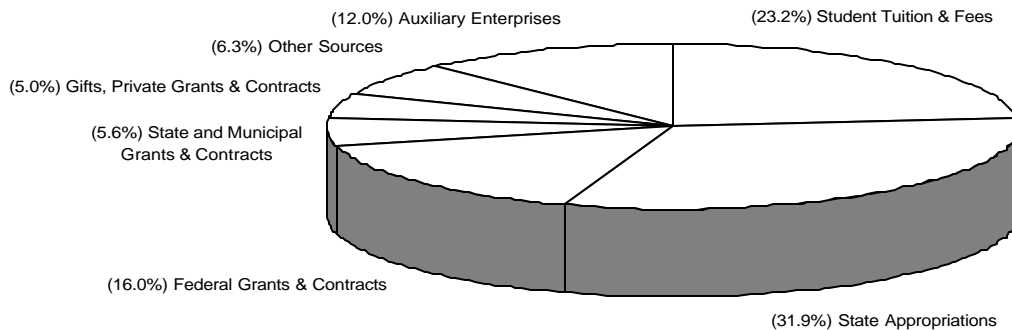
Sources and Uses of Current Operating Funds

FOR THE YEAR ENDED JUNE 30, 2001

(dollars in millions)

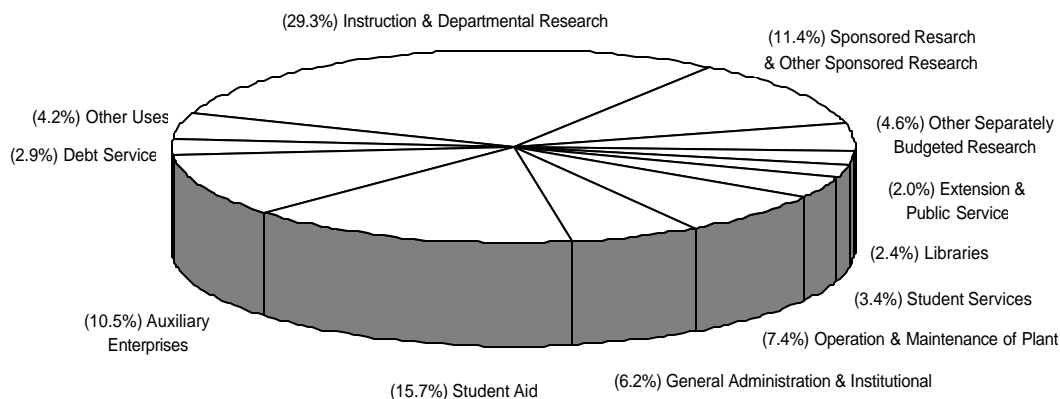
Amount Current Funds Revenues:

\$318	Student Tuition and Fees Amounts charged to students in support of the cost of their education and student life activities.
433	State Appropriations Legislative appropriations and fringe benefits costs paid directly by the State of New Jersey.
219	Federal Grants and Contracts Revenues earned under research and training programs sponsored by the Federal government, and student financial aid received for disbursement under Federal financial aid programs.
77	State and Municipal Grants and Contracts Revenues earned under research and training programs sponsored by State and municipal governments, and student financial aid received for disbursement under State financial aid programs.
64	Gifts, Private Grants and Contracts Gifts received from donors and revenues earned under research and training programs sponsored by foundations, corporations and other universities.
86	Other Sources Federal appropriations, endowment and investment income, indirect costs recovered and other sources.
154	Auxiliary Enterprises Revenues derived from self-supporting enterprises including student housing and dining operations.
21	Intercollegiate Athletics
\$1,351	Total Sources



Amount **Current Funds Expenditures and Transfers:**

\$402	Instruction and Departmental Research Expenditures incurred in support of undergraduate, graduate and professional and other instructional programs.
157	Sponsored Research and Other Sponsored Programs Expenditures incurred in connection with research and training programs externally funded by public and private sponsors.
64	Other Separately Budgeted Research Expenditures incurred by internally budgeted research centers, institutes, bureaus and the State Agricultural Experiment Station.
27	Extension and Public Service Expenditures incurred principally by the State Agricultural Experiment Station. The University is the State's designated land grant institution, and it receives State and Federal appropriations to support agricultural research (mentioned above) and extension.
33	Libraries Expenditures incurred for the cost of books and subscriptions, salaries and wages, supplies and equipment necessary to operate and maintain the University's libraries.
47	Student Services Expenditures incurred by offices directly supporting the needs of students, including admissions, registration, financial aid and student health.
101	Operation and Maintenance of Plant Expenditures incurred for salaries and wages, utilities, supplies, materials and equipment necessary to operate and maintain the University's buildings, roads, sidewalks and land.
85	General Administration and Institutional Expenditures incurred for administrative and institutional activities such as payroll, personnel, purchasing, data processing, legal affairs, risk management, budgeting, treasury operations, internal auditing and executive management.
215	Student Aid Expenditures for student financial aid offered under various programs sponsored by the State, the Federal government and the University.
144	Auxiliary Enterprises Expenditures incurred by self-supporting enterprises including student housing and dining operations.
40	Debt Service Principal and interest payments made on the University's outstanding general obligation and revenue bonds.
57	Other Uses Allocations for deferred maintenance and capital improvements and net increase in current fund balances.
\$1,372	Total Uses



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Rutgers, The State University of New Jersey (the "University") as of June 30, 2001, and the related statements of current funds revenues, expenditures and other changes and changes in fund balances for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2000 financial statements; and in our report dated August 30, 2000, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University at June 30, 2001, and the current funds revenues, expenditures and other changes and changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, in 2001 the University changed its method of accounting for non-exchange transactions to conform to Governmental Accounting Standards Board Statement No. 33 and, retroactively, restated the 2000 summarized comparative information for the change.

August 31, 2001

Rutgers, The State University of New Jersey

Balance Sheet

JUNE 30, 2001

(WITH COMPARATIVE AMOUNTS FOR 2000)

(dollars in thousands)

	Current Funds	Loan Funds	Endowment Funds	Plant Funds	Total 2001	Total 2000
ASSETS:						
Cash and Cash Equivalents	\$119,060	\$1,501	\$27,535	\$93,813	\$241,909	\$270,406
Investments	86,515		334,722	86,602	507,839	525,579
Accounts Receivable (net)	59,021		93		59,114	62,425
Students' Notes Receivable (net)		36,547			36,547	35,710
Pledges Receivable (net)	8,324				8,324	8,344
Inventories	3,724				3,724	5,116
Prepaid Expenses and Deferred Charges	7,172			5,215	12,387	11,100
Construction Costs Reimbursable				22,699	22,699	4,750
Land				38,052	38,052	35,682
Land Improvement (net)				43,171	43,171	34,304
Buildings (net)				945,447	945,447	914,412
Equipment (net)				169,557	169,557	155,941
Intangible Assets (net)				28,525	28,525	
Construction in Progress				82,848	82,848	50,889
Total Assets	<u>\$283,816</u>	<u>\$38,048</u>	<u>\$362,350</u>	<u>\$1,515,929</u>	<u>\$2,200,143</u>	<u>\$2,114,658</u>
LIABILITIES:						
Accounts Payable and Accrued Expenses	\$73,339				\$73,339	\$68,742
Deferred Revenues	29,118				29,118	26,681
Payroll Withholdings	6,117				6,117	6,667
Annuities Payable			\$6,011		6,011	5,821
Notes Payable				\$1,677	1,677	1,723
Bonds Payable				404,315	404,315	419,145
Capitalized Lease Obligations				65,734	65,734	62,980
Other Payables	1,219			20,738	21,957	17,690
Total Liabilities	<u>109,793</u>		<u>6,011</u>	<u>492,464</u>	<u>608,268</u>	<u>609,449</u>
FUND BALANCES:						
Unrestricted-Designated	80,367	\$610			80,977	70,786
Restricted	93,656	7,635			101,291	93,382
U.S. Government Grants Refundable		29,803			29,803	29,737
Endowment			185,782		185,782	189,066
Term Endowment			25,269		25,269	28,446
Quasi-endowment:						
Designated			77,423		77,423	84,864
Restricted			61,206		61,206	71,046
Annuity and Life Income			6,659		6,659	5,083
Unexpended Plant Funds:						
Designated				130,615	130,615	128,394
Restricted				3,426	3,426	3,383
Debt Retirement				8,635	8,635	8,805
Net Investment in Plant				880,789	880,789	792,217
Total Fund Balances	<u>174,023</u>	<u>38,048</u>	<u>356,339</u>	<u>1,023,465</u>	<u>1,591,875</u>	<u>1,505,209</u>
Total Liabilities and Fund Balances	<u>\$283,816</u>	<u>\$38,048</u>	<u>\$362,350</u>	<u>\$1,515,929</u>	<u>\$2,200,143</u>	<u>\$2,114,658</u>

See accompanying notes to the financial statements

Rutgers, The State University of New Jersey

Statement of Current Funds Revenues, Expenditures and Other Changes

FOR THE YEAR ENDED JUNE 30, 2001
(WITH COMPARATIVE AMOUNTS FOR 2000)
(dollars in thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2001</u>	<u>Total 2000</u>
REVENUES:				
Educational and General:				
Student Tuition and Fees	\$318,213		\$318,213	\$297,715
State Appropriations	342,300		342,300	326,554
Fringe Benefits Paid Directly by the State of New Jersey	94,781		94,781	94,983
Federal Appropriations	7,159		7,159	7,584
Federal Grants and Contracts		\$219,187	219,187	216,545
State and Municipal Grants and Contracts		77,197	77,197	65,418
Gifts, Private Grants and Contracts	1,339	67,164	68,503	64,720
Endowment and Investment Income	18,742	8,923	27,665	25,320
Indirect Costs Recovered	29,481		29,481	27,820
Other Sources	16,581	5,950	22,531	21,383
Total Educational and General Revenues	<u>828,596</u>	<u>378,421</u>	<u>1,207,017</u>	<u>1,148,042</u>
Auxiliary Enterprises	165,005		165,005	158,547
Total Revenues	<u>993,601</u>	<u>378,421</u>	<u>1,372,022</u>	<u>1,306,589</u>
EXPENDITURES AND MANDATORY TRANSFERS:				
Educational and General:				
Instruction and Departmental Research	389,513	12,513	402,026	383,598
Sponsored Research		106,841	106,841	99,566
Other Separately Budgeted Research	64,326		64,326	59,998
Other Sponsored Programs		49,896	49,896	48,796
Extension and Public Service	22,119	4,750	26,869	23,643
Libraries	30,517	2,067	32,584	30,609
Student Services	43,609	3,115	46,724	45,000
Operation and Maintenance of Plant	100,836	301	101,137	94,279
General Administration and Institutional	82,193	3,094	85,287	75,832
Student Aid	25,680	189,442	215,122	205,352
Educational and General Expenditures	<u>758,793</u>	<u>372,019</u>	<u>1,130,812</u>	<u>1,066,673</u>
Mandatory Transfers:				
Principal and Interest	21,999		21,999	21,373
Loan Funds Matching Grants	63		63	39
Total Educational and General	<u>780,855</u>	<u>372,019</u>	<u>1,152,874</u>	<u>1,088,085</u>
Auxiliary Enterprises:				
Expenditures	144,467		144,467	133,096
Mandatory Transfers for Principal and Interest	18,047		18,047	18,198
Total Auxiliary Enterprises	<u>162,514</u>		<u>162,514</u>	<u>151,294</u>
Total Expenditures and Mandatory Transfers	<u>943,369</u>	<u>372,019</u>	<u>1,315,388</u>	<u>1,239,379</u>
OTHER TRANSFERS				
Transfers to Plant Funds for Deferred				
Maintenance and Capital Improvements	(41,307)		(41,307)	(49,442)
Other Transfers	1,274	1,288	2,562	5,898
Net Increase in Fund Balances	<u>\$10,199</u>	<u>\$7,690</u>	<u>\$17,889</u>	<u>\$23,666</u>

See accompanying notes to the financial statements.

Rutgers, The State University of New Jersey

Statement of Changes in Fund Balances

FOR THE YEAR ENDED JUNE 30, 2001 (Note 1)

(dollars in thousands)

	Current Funds		Loan Funds	Endowment Funds	Plant Funds		Net Investment
	Unrestricted	Restricted			Unexpended	Debt Retirement	
REVENUES AND OTHER ADDITIONS:							
Educational and General Revenues	\$828,596						
Auxiliary Enterprises Revenues	165,005						
Federal Grants and Contracts		\$240,842					
State and Municipal Grants and Contracts		78,326					
Gifts, Private Grants and Contracts		74,193	\$1	\$24,264	\$2,526		\$32,585
State Capital Appropriations					23,813		
Federal Advances			188				
Investment Income		8,045	996	913	9,432	(\$14)	
Expended for Plant Facilities (including \$34,696 charged to current funds)							105,316
Debt Retirement							17,186
Student Tuition and Fees						4,356	
Net Increase (Decrease) in Fair Value of Investments				(41,391)	1,744		
Matured Annuity and Life Income Funds		878					
Other Sources		5,950	159	208	1,368		
Total Revenues and Other Additions	<u>993,601</u>	<u>408,234</u>	<u>1,344</u>	<u>(16,006)</u>	<u>38,883</u>	<u>4,342</u>	<u>155,087</u>
EXPENDITURES AND OTHER DEDUCTIONS:							
Educational and General Expenditures	758,793	372,019					
Auxiliary Enterprises Expenditures	144,467						
Refunds to Grantors		332					
Administrative and Collection Costs			757				
Matured Annuity and Life Income Funds				878			
Expended for Plant Facilities (including non-capitalized expenditures of \$10,602)					81,222		
Disposal of Plant Facilities							1,066
Depreciation Expense							65,449
Debt Retirement						17,186	
Interest on Debt						26,705	
Indirect Costs Recovered		29,481					
Other Deductions			325	139			
Total Expenditures and Other Deductions	<u>903,260</u>	<u>401,832</u>	<u>1,082</u>	<u>1,017</u>	<u>81,222</u>	<u>43,891</u>	<u>66,515</u>
TRANSFERS AMONG FUNDS:							
ADDITIONS (DEDUCTIONS)							
Mandatory:							
Principal and Interest	(40,046)					40,046	
Loan funds Matching Grants	(63)		63				
Transfers to Plant Funds for Deferred							
Maintenance and Capital Improvements	(41,307)				41,307		
Other Transfers	1,274	1,288	(48)	(5,143)	3,296	(667)	
Total Transfers	<u>(80,142)</u>	<u>1,288</u>	<u>15</u>	<u>(5,143)</u>	<u>44,603</u>	<u>39,379</u>	<u>0</u>
Net Increase for the Year	10,199	7,690	277	(22,166)	2,264	(170)	88,572
Fund Balances at Beginning of Year	<u>70,168</u>	<u>85,966</u>	<u>37,771</u>	<u>378,505</u>	<u>131,777</u>	<u>8,805</u>	<u>792,217</u>
Fund Balances at End of Year	<u>\$80,367</u>	<u>\$93,656</u>	<u>\$38,048</u>	<u>\$356,339</u>	<u>\$134,041</u>	<u>\$8,635</u>	<u>\$880,789</u>

See accompanying notes to the financial statements.

Rutgers, The State University of New Jersey

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Accounting

The financial statements of Rutgers, The State University of New Jersey (the "University") have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted with United States of America and as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants' Audit Guide for Colleges and Universities.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds, according to the activities or objectives specified. Separate accounts are maintained for each fund, however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

The Current Funds group accounts for those economic resources which are expendable for performing the primary missions of the University (instruction, research and public service) during the current fiscal year. The current funds group has two basic subgroups: unrestricted-designated and restricted.

Current Unrestricted-Designated Funds are resources received by the University that have no limitations or stipulations placed on them by external agencies or donors. However, these funds have been designated by the governing boards or management to support a wide variety of programs including student activities, research projects, continuing education and summer programs, agricultural experiment station activities, junior year abroad programs, auxiliary enterprises and other self-supporting organized activities relating to educational departments.

Current Restricted Funds are those available for financing operations, but which are restricted by donors and other external agencies as to specific purposes, programs, departments or schools.

The Loan Funds group accounts for resources, primarily from the Federal government, which provide loans to students on a revolving basis (repayments of principal and interest become available for loans to other students).

The Endowment Funds group accounts for those resources that have been set aside and invested, either as required by the provider of the resources or as determined by the University's governing board or management. Endowments are gifts and bequests which are to be invested in perpetuity with the earnings on those investments to be used as specified by the donor in the gift instrument. Term endowment funds are similar to endowment funds, except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established by the governing boards for the same purposes as endowment funds, but any portion of these funds may be expended subject to donor imposed restrictions.

The Endowment Funds group also includes annuity and life income funds. Annuity funds consist of resources donated to the University on the condition that the University pay a stipulated amount to the donors or their designees for a specified time or until death of the annuitant. Life Income funds consist of resources contributed to the University subject to the requirement that the institution periodically pay the income earned on the assets to designated beneficiaries.

The Plant Funds group accounts for resources to be used for construction, renovation and acquisition of long-lived assets for University purposes, funds set aside for renewal and replacement of University properties, funds related to debt retirement and funds already expended in plant assets. The debt retirement fund balance consists primarily of funds held with a trustee for repair and replacement reserve requirements associated with the University's debt.

Reporting Entity

The University's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the "Foundation"). The Foundation was formed to aid the University in obtaining private funds and other resources to meet the needs and achieve the goals of the University. Although the Foundation is a legally separate, non-profit corporation, it exists for the benefit of the University and is considered a component unit of the University. Its balances and transactions were blended with those of the University for reporting purposes, in accordance with GASB Statement No. 14, "The Financial Reporting Entity."

Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under GASB Statement No. 14, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with commercial banks, money market funds, commercial paper, treasury bills and repurchase agreements.

Investments

Investments are recorded at fair value in the balance sheet. The year-to-year change in the fair value of investments held in each fund group is reported in the Statement of Changes in Fund Balances and the Statement of Current Funds Revenues, Expenditures and Other Changes.

The fair value of investments is based on the last sale price on the last business day of the fiscal year as quoted by an industry standard pricing service. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued by this pricing service based on market evaluations using standard trade publications and other quote devices.

Net realized and unrealized gains (losses) are included in Net Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fund Balances and in Endowment and Investment Income in the Statement of Current Funds Revenues, Expenditures and Other Changes.

Funds Held in Trust

Funds held in trust by others and not in the possession of, nor under the control of, the University are not included in the University's cash and investments. The market value of such funds aggregated approximately \$55.8 million at June 30, 2001 (\$61.9 million in 2000). Income derived from such irrevocable trust funds held by others, aggregating approximately \$1.8 million in 2001 and \$1.5 million in 2000, is reported in the accompanying financial statements as current restricted funds revenues.

Inventories

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

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost at the date of acquisition, or fair market value on the date of gift if donated, and are shown net of accumulated depreciation. Depreciation is recognized as a reduction in the Net Investment in Plant Fund balance using the straight line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books totaling approximately 4.7 million volumes have not been capitalized.

Intangible Assets

Intangible Assets include the fair value of patents donated to the University. These patents are associated with educational and research activities at the University.

Deferred Revenues and Deferred Charges

Deferred revenues and deferred charges include summer session activity which will be recognized as revenue and expense in current funds in the following fiscal year. Deferred charges also include the discount on certain University bond issues which will be amortized in plant funds over the terms of the respective bond issues.

Statement of Current Funds Revenues and Expenditures

The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books, (2) mandatory transfers, in the case of required provisions for debt amortization and interest and (3) transfers of a non-mandatory nature for deferred maintenance and capital improvements.

Current fund expenditures include \$126.2 million in 2001 (\$122.0 million in 2000) of employee fringe benefit costs (pensions, F.I.C.A., health and others) paid directly by the State of New Jersey. Of this amount, \$31.4 million (\$27.0 million in 2000) was reimbursed to the State from amounts recovered from self-supporting operations and sponsored programs.

Student Aid

The University distributes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans, through schools, directly to students. During the year ended June 30, 2001, the University disbursed \$110.4 million (\$108.6 million in 2000) under the Federal Direct Loan Program. The activity of this program is reflected in the accompanying financial statements as current restricted funds revenues and expenditures. Direct student loans receivable are not included in the University's balance sheet since they are repayable directly to the U.S. Department of Education.

The University also distributes funds on behalf of the Federal and State governments to students under the Federal Pell Grant Program and the State of New Jersey Tuition Aid Grant Program, the Educational Opportunity Fund and the Garden State Scholarship Program. The activity of these programs is reflected in the accompanying financial statements as current restricted funds revenues and expenditures.

Income Taxes

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

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

The cash and cash equivalents balance at June 30, 2001 includes a negative cash book balance of \$4.0 million resulting from the use of controlled disbursement bank accounts. The actual amount of cash on deposit in the University's bank accounts at June 30, 2001 was \$16.7 million. Of this amount, \$0.8 million was insured by the Federal Deposit Insurance Corporation, \$13.9 million was secured by the State of New Jersey Governmental Unit Deposit Protection Act and \$2.0 million was uninsured and uncollateralized. Cash equivalent investments are categorized by credit risk in the table below.

Investments

The Board of Governors and the Board of Trustees, through a Joint Investment Committee, have authority over the investment of University funds. Professional investment managers are engaged by the University to manage the investment of funds in accordance with the investment policies and objectives established by the Joint Investment Committee. Under current policies, investment managers may invest only in investment grade marketable securities. In addition, under the terms of the University's bond indentures, bond proceeds and debt service funds may be invested and reinvested only in obligations which will by their terms mature on or before the date funds are needed for expenditure or withdrawal.

The University's investments at June 30, 2001 are categorized by credit risk in the table below. Credit risk pertains to custodial risk, which is the risk that the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. Credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. There are three categories of credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements." Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the University's name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Total</u>
Cash Equivalents:			
Commercial Paper		\$158,937	\$158,937
Government Agency Discount Notes		6,999	6,999
Money Market Funds	\$8,325	64,482	72,807
Repurchase Agreements		7,168	7,168
	<u>\$8,325</u>	<u>\$237,586</u>	<u>\$245,911</u>
Total Cash Equivalents			
	<u>\$8,325</u>	<u>\$237,586</u>	<u>\$245,911</u>
Investments:			
Federal and State Government Securities	\$45,178	\$167,608	\$212,786
Corporate Equity Securities	192,573	19,334	211,907
Corporate Debt Securities	49,632	10,094	59,726
Asset-backed Securities	13,298	10,122	23,420
	<u>\$300,681</u>	<u>\$207,158</u>	<u>\$507,839</u>
Total Investments			
	<u>\$300,681</u>	<u>\$207,158</u>	<u>\$507,839</u>

Investments - Endowment Funds

The majority of endowment funds assets are combined into two separate investment pools. Each individual fund subscribes to or disposes of units in the pools on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. At June 30, 2001, the pooled assets had a total market value of \$298.2 million (\$324.6 million in 2000). In addition, the aggregate market value of endowment funds assets separately invested was \$64.0 million at June 30, 2001 (\$59.7 million in 2000).

The University employs a spending policy which provides for annual spending at a stated rate determined by the Joint Investment Committee of the Board of Governors and the Board of Trustees. Income earned above the stated rate is reinvested and added to the endowment principal, while any shortfall is covered by capital appreciation.

NOTE 3 - RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts and were comprised of the following at June 30, 2001 (dollars in thousands):

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net 2001</u>	<u>Net 2000</u>
Government Grants Receivable and Other Sponsored Programs	\$47,094	\$500	\$46,594	\$44,174
Student Accounts Receivable	3,232	1,116	2,116	1,787
Other	<u>11,188</u>	<u>784</u>	<u>10,404</u>	<u>16,464</u>
Total	<u>\$61,514</u>	<u>\$2,400</u>	<u>\$59,114</u>	<u>\$62,425</u>

Students' notes receivable in the balance sheet are also shown net of the allowance for doubtful notes which amounted to \$3.9 million at June 30, 2001 (\$4.0 million in 2000).

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

NOTE 4 - NOTES PAYABLE

Notes payable at June 30, 2001 and 2000 consist of an unsecured note payable to the U.S. Department of Education with interest at 5.50%, final installment due January 1, 2021.

The University has an unsecured \$20 million line of credit with a bank to be used for interim financing requirements. The amount available under the line of credit is reduced by a \$.1 million letter of credit which is used as collateral for certain insurance policies. No portion of the line of credit is in use, and no funds have been drawn on the letter of credit as of June 30, 2001 or 2000.

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment consisted of the following at June 30, 2001 (dollars in thousands):

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net 2001</u>	<u>Net 2000</u>
Land	\$38,052		\$38,052	\$35,682
Land Improvements	80,324	\$37,153	43,171	34,304
Buildings	1,333,111	387,664	945,447	914,412
Equipment	<u>483,448</u>	<u>313,891</u>	<u>169,557</u>	<u>155,941</u>
Total	<u>\$1,934,935</u>	<u>\$738,708</u>	<u>\$1,196,227</u>	<u>\$1,140,339</u>

NOTE 6 - BONDS PAYABLE

A summary of bonds issued and outstanding at June 30, 2001 and 2000 is as follows (dollars in thousands):

	Date Of Series	Original Amount	Outstanding June 30,	
			2001	2000
Revenue Refunding Bonds:				
Series A, 3.13%, due serially to May 1, 2001	May 1, 1967	\$5,025		\$75
Series R, 6.51% effective, due serially to May 1, 2009 and term bonds due May 1, 2018	Feb. 1, 1992	90,655	\$71,685	74,035
Series S, 5.11% effective, due serially to May 1, 2014	Apr. 15, 1993	35,170	21,355	23,365
Series T, 5.34% effective, due serially to May 1, 2016	Apr. 15, 1993	36,270	28,015	29,215
Series U, 4.89% effective, due serially to May 1, 2021	Dec. 1, 1997	40,015	35,035	36,410
Total Revenue Refunding Bonds		207,135	156,090	163,100
Revenue Bonds:				
Series E, 3.75%, due serially to May 1, 2016	May 1, 1967	1,200	615	645
Series F, 3.00%, due serially to May 1, 2016	Nov. 1, 1967	2,350	1,120	1,180
Series H, 5.90% effective, due serially to May 1, 2007	Nov. 1, 1970	8,300	3,030	3,430
Total Revenue Bonds		11,850	4,765	5,255
General Obligation Refunding Bonds:				
1992 Series A, 6.51% effective, due serially to May 1, 2007 and term bonds due May 1, 2018	Feb. 1, 1992	94,370	76,410	78,860
1993 Series 1, 5.32% effective, due serially to May 1, 2015	Apr. 15, 1993	10,275	7,710	8,080
1993 Series A, 5.12% effective, due serially to May 1, 2014 and term bonds due May 1, 2019	Oct. 1, 1993	81,600	64,615	66,840
Total General Obligation Refunding Bonds		186,245	148,735	153,780
General Obligation Bonds:				
1993 Series B, 5.37% effective, due serially to May 1, 2016	Apr. 15, 1993	28,020	22,680	23,660
1997 Series A, 5.34% effective, due serially to May 1, 2022 and term bonds due May 1, 2027	June 1, 1997	25,385	23,750	24,185
1998 Series A, 4.89% effective, due serially to May 1, 2018 and term bonds due May 1, 2020, 2023 and 2029	Nov. 1, 1998	50,000	48,295	49,165
Total General Obligation Bonds		103,405	94,725	97,010
Total Bonds		\$508,635	\$404,315	\$419,145

The Revenue Refunding Bonds, Series A and R-U, and the Revenue Bonds, Series E, F and H, were issued under an open-ended indenture of trust dated May 1, 1967 to finance the construction of auxiliary enterprise facilities and to consolidate previously outstanding bond indebtedness. Under the terms of the indenture, all bonds issued are direct and general obligations of the University and are in no way an obligation of the State of New Jersey. All revenues from auxiliary enterprise facilities constructed from the proceeds of the bonds, together with revenues from certain other such facilities, are pledged to secure the indebtedness and must be applied to (1) annual interest and amortization payments, (2) debt service reserve deficiencies, if any, (3) operating and maintenance expenses and (4) the funding of repair and replacement reserves. The excess of funds, after satisfying these requirements, is available to the University. The University has covenanted that so long as the bonds are outstanding it will not incur any other indebtedness secured by a pledge of the facility revenues, nor sell, mortgage or otherwise dispose of such facilities.

The General Obligation Refunding Bonds, 1992 and 1993 Series A, and General Obligation Bonds, 1993 Series B, 1997 and 1998 Series A, were issued under an open-ended indenture of trust, dated May 1, 1987, as supplemented; the General Obligation Refunding Bonds, 1993 Series 1, were issued under an indenture of trust, dated May 1, 1986. These bonds were issued to finance a portion of the cost of the renovation, construction and equipping of certain academic, research support and other facilities, as well as infrastructure development and land acquisitions of the University. Under the terms of the indentures, all bonds issued are direct and general obligations of the University and are in no way an obligation of the State of New Jersey.

Debt service payments over the next five years for the following bonds outstanding at June 30, 2001, are as follows (dollars in thousands):

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Series E, F, H, R-U					
Principal	\$7,805	\$8,210	\$8,655	\$9,140	\$8,635
Interest	8,824	8,426	7,999	7,541	7,050
1993 Series 1					
Principal	390	410	430	450	470
Interest	400	381	361	339	316
1992, 1993, 1997 and 1998 Series A					
Principal	6,280	6,600	6,945	7,305	7,700
Interest	11,544	11,231	10,892	10,530	10,142
1993 Series B					
Principal	1,035	1,085	1,145	1,205	1,270
Interest	1,199	1,148	1,093	1,036	975
Total	<u>\$37,477</u>	<u>\$37,491</u>	<u>\$37,520</u>	<u>\$37,546</u>	<u>\$36,558</u>

NOTE 7 - CAPITALIZED LEASE OBLIGATIONS

Facilities Authority

Dormitories — Pursuant to the terms of a lease and agreement dated September 1, 1971 between the University and the New Jersey Educational Facilities Authority (the “Facilities Authority”), the University transferred to the Facilities Authority title to certain land, upon which dormitories have been constructed. In 1974, the Facilities Authority issued bonds in the aggregate amount of \$6.7 million at an effective interest cost of 5.95% per annum, for the purpose of providing long-term financing for the aforementioned facilities. Such bonds mature serially through 2008. In accordance with the agreement, the University is required to pay an annual rental to the Facilities Authority over the life of the agreement in amounts necessary to retire the bonds, including interest, provide sinking fund and reserve account requirements and reimburse the Facilities Authority for its administrative costs. As security for its obligation under the agreement, the University has pledged the revenues arising from the financed facilities. Upon retirement of the bonds, title to the land and facilities will revert to the University. Accordingly, the land and facilities have been capitalized with a corresponding liability classified as a capitalized lease obligation. At June 30, 2001, this liability was \$2.6 million (\$2.9 million in 2000).

Higher Education Capital Improvement Fund (HECIP) — Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (the “HECIP Act”) of 1999 (P.L. 1999, c. 217), the University has been allocated \$169.0 million to help finance certain of its deferred maintenance and other capital needs. The funds are provided through bonds issued by the Facilities Authority. The University will be obligated to pay one-third of the debt service on the bonds when issued. On December 20, 2000, the Facilities Authority issued bonds, the University’s portion of which amounted to \$75.0 million. The bonds bear an effective interest rate of 5.06% per annum and mature on September 1, 2020. Additional bonds will be issued in fiscal 2002 for the balance of the University’s allocation. In accordance with the act, the University is required to make annual lease payments to retire 33.3% of the bonds, representing the University’s portion, including interest. The State of New Jersey is obligated to pay the remaining 66.7% of the annual debt service. At June 30, 2001, the University had a capital lease obligation of \$5.4 million.

Housing Authority

In connection with a redevelopment project undertaken by the Housing and Urban Development Authority of the City of New Brunswick (the “Housing Authority”), a series of agreements were entered into by the University, the Housing Authority and Robert Wood Johnson University Hospital, Inc., the outcome of which was the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the University and the Housing Authority, the Housing Authority issued bonds in the aggregate amount of \$55.3 million on July 23, 1992, at an effective interest rate of 6.23% per annum, for the purpose of providing long-term financing for the project. On December 1, 1998, these bonds were refinanced in the aggregate amount of \$54.5 million, at an effective interest rate of 4.83% per annum. Such bonds mature serially through 2024. In accordance with the agreement, the University is required to pay an annual rental to the Housing Authority over the life of the agreement in amounts necessary to retire the University’s portion of the bonds, including interest, to provide for sinking fund and reserve account requirements and to reimburse the Housing Authority for its administrative costs. Upon retirement of the bonds, title to the student apartment complex, parking deck, health club facility and the related common space will be transferred to the University. Accordingly, the land and facilities have been capitalized with a corresponding liability classified as a capital lease obligation. At June 30, 2001, this liability was \$47.5 million (\$48.8 million in 2000). As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

Hospital Sublease

In conjunction with the Housing Authority capital lease and agreement, the University simultaneously entered into a sublease and agreement with the Robert Wood Johnson University Hospital, Inc. (the "Hospital"), dated July 1, 1992, whereby the Hospital agreed to lease a portion of the parking facility from the University. The sublease provides for an initial term of two years which commenced July 1992, renewable in six consecutive five year terms. In accordance with the sublease, the Hospital is required to pay an annual rental to the University over the life of the agreement, subject to termination payments to the University should the options to renew not be exercised. The payments received under this sublease are being used by the University to cover a proportional amount of the lease payments due to the Housing Authority. Upon retirement of the bonds, title to the Hospital's portion of the parking deck will be transferred to the Hospital. At June 30, 2001, the estimated present value of the Hospital sublease over the full lease term, including renewal periods, amounted to \$8.4 million (\$8.7 million in 2000). Payments required under the lease and agreement between the University and the Housing Authority are in no way conditional upon the receipt of payments from the Hospital under the sublease and agreement.

Development Authority

Pursuant to the terms of a lease and agreement dated September 1, 1993 between the University and the New Jersey Economic Development Authority (the "Development Authority"), the University transferred to the Development Authority title to certain land, upon which a facility was constructed to house the Visual Arts Department of the Mason Gross School of the Arts, the Edward J. Bloustein School of Planning and Public Policy and the Center for Urban Policy Research. On May 1, 1994, the Development Authority issued bonds in the aggregate amount of \$17.6 million, maturing serially through July 1, 2024, at an effective interest rate of 6.138% per annum. The bonds were issued for the purpose of providing long-term financing for the construction of the aforementioned facility. Additional financing of approximately \$20.0 million was also provided by grants from The Port Authority of New York and New Jersey and the State of New Jersey. In accordance with the lease and agreement, the University is required to pay an annual rental to the Development Authority over the life of the agreement in amounts necessary to retire the bonds, including interest, and reimburse the Development Authority for its administrative costs. Upon retirement of the bonds, title to the land and facility will revert to the University. Accordingly, the University has recorded a capitalized lease obligation for the debt financed portion of the project. At June 30, 2001, the outstanding balance of this obligation was \$15.7 million (\$16.0 million in 2000).

Future lease payments (receipts) including anticipated payments on HECIP proceeds currently allocated to Rutgers, applicable to the aforementioned capital leases, due over the next five years, are as follows (dollars in thousands):

Year	Facilities Authority		Housing Authority	Hospital Sublease	Development Authority	Total
	Dormitories	HECIP				
2002	\$459	\$2,005	\$3,664	(\$652)	\$1,289	\$6,765
2003	461	2,007	3,663	(652)	1,289	6,768
2004	462	1,994	3,664	(653)	1,283	6,750
2005	461	2,003	3,664	(652)	1,286	6,762
2006	464	2,004	3,659	(652)	1,282	6,757
Thereafter	<u>922</u>	<u>30,042</u>	<u>69,739</u>	<u>(12,375)</u>	<u>23,217</u>	<u>111,545</u>
Total Lease Payments	3,229	40,055	88,053	(15,636)	29,646	145,347
Less Amount Representing Interest	<u>654</u>	<u>15,055</u>	<u>40,547</u>	<u>(7,207)</u>	<u>13,941</u>	<u>62,990</u>
Present Value of lease Payments	<u>\$2,575</u>	<u>\$25,000</u>	<u>\$47,506</u>	<u>(\$8,429)</u>	<u>\$15,705</u>	<u>\$82,357</u>

Miscellaneous Equipment Leases

The University has entered into certain lease-purchase agreements for equipment which are principally for a duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The payments of these agreements include a charge for interest at various rates depending on each agreement. At June 30, 2001, the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is approximately \$3.0 million (\$3.0 million in 2000). The annual rentals for these capitalized lease obligations are provided for in the University's operating budget and in the aggregate are not considered material.

NOTE 8 - COMMITMENTS

At June 30, 2001, the estimated cost of capital projects under construction, in the design stage with approved sources of funding, and in the design stage pending determination of sources of funding, aggregated approximately \$380.6 million. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	<u>Total Project Funding</u>		<u>Estimated Total Cost</u>
	<u>Received at June 30, 2001</u>	<u>Additional Funding Required at June 30, 2001</u>	
Borrowing	\$50,000	\$3,450	\$53,450
State Bond Issues and Capital Appropriations	13,752	177,206	190,958
Gifts and Other Sources	<u>82,362</u>	<u>53,818</u>	<u>136,180</u>
Total	<u>\$146,114</u>	<u>\$234,474</u>	<u>\$380,588</u>

NOTE 9 - EMPLOYEE BENEFITS

Retirement Plans

The University has primarily two retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, a defined benefit plan, and the Alternate Benefit Program, a defined contribution plan. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University for these plans. Pension expense paid directly by the State of New Jersey for 2001 aggregated \$26.3 million (\$27.1 and \$25.0 million in 2000 and 1999, respectively) of which \$4.6 million (\$3.4 and \$3.1 million in 2000 and 1999, respectively) has been reimbursed to the State from amounts recovered from self-supporting operations and sponsored programs. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The University has no direct pension obligation associated with the State plans, and no liability for such costs has been reflected in the accompanying financial statements. Summary information regarding these plans, is provided below.

Public Employees Retirement System ("PERS")

Plan Description — PERS is a multiple-employer, public cost-sharing retirement system which is administered by the State of New Jersey. The payroll for employees covered by PERS for the year ended June 30, 2001 was \$146.1 million (\$139.4 million in 2000).

University employees of a certain classification are required as a condition of employment to be members of PERS. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 60, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of membership service or the three highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest on reaching ten years of credited service. Members are eligible for retirement at age 60 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. Benefits are established by State statute.

Contributions — Covered University employees were required by PERS to contribute 3.00% of their annual compensation during fiscal year 2001. The State contributes the remaining amounts necessary to pay benefits when due. The State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State's annual contribution approximates the actuarially determined pension cost for the year.

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

Financial statements for the PERS are included in the State of New Jersey's Comprehensive Annual Financial Report, which may be obtained by writing to the State of New Jersey, Department of the Treasury, Office of Management and Budget, CN 221, Trenton, NJ 08625-0221.

Alternate Benefit Program ("ABP")

Plan Description — ABP is a multiple-employer, State retirement plan established as an alternative to PERS. The payroll for employees covered by ABP for the year ended June 30, 2001 was \$331.1 million (\$302.5 million in 2000).

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

Contributions — The employee mandatory contribution rate for ABP is 5.00% of base salary and is matched by the State at 8.00% of base salary. Contributions can be invested with up to six investment carriers available under the plan. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code.

Other Retirement Plans

The University has a small number of employees enrolled in the State of New Jersey Police and Firemen's Retirement System ("PFRS") and two Federal retirement plans, the Civil Service Retirement System ("CSRS") and the Federal Employees Retirement System ("FERS"). All three of the plans are defined benefit plans and cover the University's police (PFRS) and selected positions related to the University's Cook College/New Jersey Agricultural Experiment Station (CSRS or FERS). The University also has a small number of Foundation employees enrolled in a contributory retirement plan under arrangements with Teacher's Insurance and Annuity Association and College Retirement Equities Fund ("TIAA-CREF"), which provides for the purchase of annuities for the covered employees. Participation in all of these plans is limited, and the associated amounts are not significant.

Post-Retirement Health Care Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the University's retired employees, in accordance with State statutes. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey mandatory pension plans. Employees retiring with 25 years of service credited after June 30, 1997 may share in the cost of the health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, no expenditures or liabilities for these benefits are reflected in the University's financial statements.

Additional detailed information about these programs is provided in the State of New Jersey's Comprehensive Annual Financial Report.

Deferred Compensation Plan

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

NOTE 10 - COMPENSATED ABSENCES

The University records a liability for compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." This liability amounted to \$24.3 million as of June 30, 2001 (\$22.8 million in 2000) and is included in accounts payable and accrued expenses in the accompanying financial statements. The liability is calculated based upon employees' accrued vacation time as of the balance sheet date, as well as accrued sick time payable to retired employees.

Unused sick time which has been accumulated by eligible employees has not been accrued as it is payable only upon retirement and is not subject to reasonable estimation. The pay out to retirees for unused accumulated sick time is calculated at the lesser of 1/2 the value of earned time or \$15,000.

NOTE 11 - RISK MANAGEMENT

The University manages property and liability risks through a combination of commercial insurance policies, participation in a risk sharing pool and the use of deductibles and self-insured retentions, the most significant of which provides for the payment of workers' compensation benefits.

The University has accrued liabilities for self-insured retentions in the current funds. The accrued liabilities are based on estimates by management and third party claims administrators and generally represent the present value of unpaid claims, including estimates of claims incurred but not reported.

The risk sharing pool was formed by several universities to provide and arrange general liability, automobile liability and property insurance for its shareholders on a group basis. The University's annual payments to the pool for insurance coverage are based on actuarial studies and are charged to current fund expenditures in the accompanying financial statements.

NOTE 12 - CONTINGENCIES

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

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

NOTE 13 - SUBSEQUENT EVENTS

Dormitory Safety Trust Fund (DSTF) - Under the provisions of the Dormitory Safety Trust Fund Act (the "DSTF Act") (P.L. 2000, c.56), the University will receive a \$29.0 million interest free loan to finance the installation of fire suppression systems in buildings used as student dormitories. The New Jersey Educational Facilities Authority issued two series of bonds on August 14, 2001 to finance these loans. Series 2001A (Tax Exempt) bears an effective interest rate of 4.8% per annum and Series 2001B (Federally Taxable) bears an effective interest rate of 6.1% per annum. Both series mature on March 1, 2016. As of June 30, 2001, the University had no obligation on this loan.

Equipment Leasing Fund (ELF) - Under the terms of the Higher Education Equipment Leasing Fund Act of 1993 (ELF), the State has agreed to issue bonds to finance additional equipment for laboratory and instructional facilities at state institutions of higher education. The University is scheduled to receive \$22.3 million from this bond issue. In accordance with this act, the University is required to make annual lease payments to retire 25% of the University's portion of the bonds, including interest. The State of New Jersey is obligated to pay the remaining 75% of the annual debt service. Title to all equipment purchased under this lease agreement will be transferred to the University at the conclusion of the lease.

NOTE 14 - IMPLEMENTATION OF GASB STATEMENT 33

Effective July 1, 2000, the University adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." Nonexchange transactions are transactions in which there is not an transfer of equal value. Grants provided to the University that do not require an exchange of information or results of the research to the grantor and pledges made to the University by donors are typical nonexchange activities of the University. This statement requires that revenue on nonexchange transactions be recognized when all eligibility requirements have been met. In accordance with this statement, the 2000 condensed financial statements presented in this report have been restated to give effect to this change. As a consequence, the University's assets, restricted fund balance and restricted revenues previously reported for June 30, 2000 have been restated as follows:

	Balances as Previously Reported June 30, 2000	Adjustment	Balances as Restated June 30, 2000
Assets:			
Pledges Receivable (net)		\$8,344	\$8,344
Fund Balances:			
Restricted Fund Balance	\$85,038	8,344	93,382
Current Fund Revenues:			
Federal Grants and Contracts	218,097	(1,552)	216,545
State and Municipal Grants and Contracts	66,733	(1,315)	65,418
Gifts, Private Gifts and Contracts	54,714	9230	63,944
Endowment & Investment Income	13,956	(4,378)	9,578
Other Sources	707	6,099	6,806

NOTE 15 - GASB STATEMENTS NO. 35, 37 & 38

In November of 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 35 “Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34”. This Statement establishes new accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. The Statement permits public colleges and universities to use the guidance established for special-purpose governments engaged only in business-type activities, and requires management to include a discussion and analysis of the financial activities of the institution in addition to the basic financial statements and other required supplementary information. The new Statement was effective for the fiscal year beginning on July 1, 2001.

During 2001, the GASB also issued Statements No. 37, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus and No. 38, Certain Financial Statement Note Disclosures. These statements further modify accounting and financial reporting standards. Both of these Statements will be effective in conjunction with GASB No. 35.

Rutgers, The State University of New Jersey

University Administrative Officers

Francis L. Lawrence, Ph.D.
President

Raphael J. Caprio, Ph.D.
Vice President for Continuous Education and Outreach

Michael W. Carroll, M.A.
Executive Director of the Rutgers University Foundation and
Vice President for Development and Alumni Relations

Emmet A. Dennis, Ph.D.
Vice President for Student Affairs and
Dean of University College - New Brunswick

Roger J. Dennis, J.D.
Provost - Camden

James L. Flanagan, Sc.D.
Vice President for Research

Susan G. Forman, Ph.D.
Vice President for Undergraduate Education

Marianne I. Gaunt, M.L.S.
University Librarian

JoAnne G. Jackson, M.B.A.
Senior Vice President and Treasurer

Norman Samuels, Ph.D.
Provost - Newark and Dean, Graduate School - Newark

Mildred R. Schildkamp, B.S.
Secretary of the University and Assistant to the President

David R. Scott, J.D.
University Counsel

Joseph J. Seneca, Ph.D.
University Vice President for Academic Affairs

Paul A. Snyder
Vice President for Institutional Research and Planning

Nancy S. Winterbauer, Ed.D.
Vice President for University Budgeting

Stephen J. DiPaolo, C.P.A.
University Controller