

# **University of Medicine and Dentistry of New Jersey**

**Reports on State Awards in Accordance with  
New Jersey Department of the Treasury Circular**

**Letter 04-04-OMB**

**June 30, 2010**

# University of Medicine and Dentistry of New Jersey

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## Report of Independent Auditors

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

We have audited the consolidated statements of net assets of the University of Medicine and Dentistry of New Jersey, a component unit of the State of New Jersey (the "University"), and the related consolidated statements of revenues, expenses and changes in net assets, and of cash flows of the business-type activities as of and for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, which collectively comprise the University's basic financial statements (as listed in the accompanying index). These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the New Jersey Health Foundation, Inc. or the Cancer Institute of New Jersey Foundation, Inc., both discrete component units of the University, whose statements, when aggregated, reflect total discrete assets of 88% and 89% and total discrete net assets of 99% and 99% of the related aggregate discretely presented component unit totals as of June 30, 2010 and 2009, respectively, and total discrete operating revenues of 20% and 21% of the related aggregate discretely presented component unit totals for the years ended June 30, 2010 and 2009, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the New Jersey Health Foundation, Inc. and the Cancer Institute of New Jersey Foundation, Inc. is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of New Jersey Health Foundation, Inc., University Physician Associates of New Jersey, Inc. and Affiliates and Cancer Institute of New Jersey Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

As described in Note 2 to the basic financial statements, the financial statements of the University Physician Associates of New Jersey, Inc, a discretely presented component unit of the University, were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the effects of which are not practicable to quantify; however, the departures from generally accepted accounting principles are material to the aggregate discretely presented component units.

In our opinion, the consolidated financial statements of the business-type activities of the University referred to above present fairly, in all material respects, the financial position of the business-type activities of the University at June 30, 2010 and 2009, and their changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and the reports of other auditors, except for the departure from accounting principles generally accepted in the United States of America described in the third paragraph of this report, the financial statements of the aggregate discretely presented component units of the University referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University at June 30, 2010 and 2009, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming our opinion on the basic financial statements as a whole. The supplementary information for the Piscataway and Newark Centers of University Behavioural Healthcare on pages 58 and 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the business type activities of the University taken as a whole. The accompanying schedule of expenditures of state awards for the year ended June 30, 2010 is presented for purposes of additional analysis as required by New Jersey Department of the Treasury Circular Letter No.04-04-OMB, *Single Audit Policy for Recipients of Federal Grants and State Aid*, and is not a required part of the basic consolidated financial statements of the business type activities of the University. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements of the business type activities of the University and, in our opinion, is fairly stated in all material respects, in relation to the consolidated financial statements of the business type activities of the University taken as a whole.



October 29, 2010

# **Management's Discussion and Analysis**

# University of Medicine and Dentistry of New Jersey

## Management's Discussion and Analysis

### June 30, 2010

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#### Introduction

The following discussion and analysis provides an overview of the financial position of the University of Medicine and Dentistry of New Jersey (the "University") as of June 30, 2010 and its results of operations for the year then ended, with comparative information as of and for the years ended June 30, 2009 and 2008. This discussion and analysis has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

The University is the State's university of the health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated educational and healthcare partners throughout the State. The University operates three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute and schools of biomedical sciences, health related professions, nursing and public health and several faculty practice plans.

The University is dedicated to the pursuit of excellence in:

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

The University has approximately 6,300 full and part time students, 1,400 medical interns and residents and 14,200 faculty and staff.

#### Financial Highlights

The University's financial position reflects total assets of \$1.6 billion and total liabilities of \$1.1 billion as of June 30, 2010. Net assets, which represent the residual interest in the University's assets less liabilities and indicate the resources available to continue the operations of the University in accordance with the designation of the assets, decreased by \$21.6 million, or 4.3%, to \$483.0 million in 2010. This decrease is primarily related to depreciation expense, net of capital additions. In 2009, net assets decreased by \$91.7 million, or 15.4%, primarily due to depreciation expense and a grant made to an affiliate.

Operating revenues increased by \$46.8 million, or 3.5%, to \$1.4 billion in 2010, reflecting growth in professional services and contracts revenues, governmental grants and contracts and tuition and fees, partially offset by lower net patient service revenues. Operating expenses increased by \$32.0 million, or 1.8%, to \$1.8 billion in 2010, primarily due to professional services and contracts expenses and fringe benefit costs.

In 2009, operating revenues increased by \$148.9 million, or 12.7%, to \$1.3 billion, reflecting growth in professional services and contracts revenues and tuition and fees, and higher net patient service revenues as a result of the Medicaid settlement agreement. Operating expenses increased by \$90.2 million, or 5.4%, to \$1.8 billion in 2009, primarily due to professional services and contracts expenses.

State appropriations – operations increased by \$8.3 million, or 3.3%, to \$262.4 million in 2010, reflecting an increase in support for University Hospital ("UH") operations, partially offset by a reduction for the educational units. Fringe benefits paid by the State increased by \$10.7 million, or 5.9%, to \$192.9 million in 2010 due to an increase in corresponding salaries.

# University of Medicine and Dentistry of New Jersey

## Management's Discussion and Analysis

### June 30, 2010

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In 2009 State appropriations-operations decreased by \$27.3 million, or 9.7%, to \$254.1 million, reflecting decreased support for the educational units and the University's cancer programs. Fringe benefits paid by the State decreased by \$0.3 million, or 0.2%, to \$182.2 million in 2009 due to a decrease in corresponding salaries.

#### **Consolidated Financial Statements**

The University's audited consolidated financial statements include the statements of net assets, statements of revenues, expenses and changes in net assets and statements of cash flows, which have been prepared in accordance with Governmental Accounting Standards Board ("GASB") accounting principles.

The consolidated financial statements include the University's schools, health care units, faculty practice plans, lease holding corporation and auxiliary enterprises.

#### **Component Units**

As defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No 14, *The Financial Reporting Entity*, the New Jersey Health Foundation, Inc. (the "Foundation"), which includes the Foundation of the University of Medicine and Dentistry of New Jersey, the Cancer Institute of New Jersey Foundation, Inc. ("CINJ Foundation") and the Faculty Practice Plan for the UMDNJ-New Jersey Medical School – University Physician Associates of New Jersey, Inc. ("UPA") meet the criteria to be reported as component units of the University.

The results for these three entities are combined and reported in the aggregate discretely presented component units as separate statements within the basic financial statements because of the differences in their reporting models. Accordingly, the following discussion and analysis does not include their financial condition and activities.

#### **Consolidated Statements of Net Assets**

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

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

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A summary of the University's assets, liabilities and net assets as of June 30, 2010, 2009, and 2008 follows:

| <i>(In millions)</i>                     | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     |
|--|-----------------|-----------------|-----------------|
| <b>Assets</b>                            |                 |                 |                 |
| Current assets                           |                 |                 |                 |
| Cash and cash equivalents                | \$ 192.8        | \$ 152.6        | \$ 178.2        |
| Receivables                              | 261.3           | 255.2           | 242.4           |
| Assets held by trustees and other        | 31.3            | 58.3            | 52.5            |
| Noncurrent assets                        |                 |                 |                 |
| Endowment and other investments          | 23.9            | 23.0            | 54.8            |
| Assets held by trustees and other        | 107.6           | 105.7           | 97.1            |
| Capital assets, net                      | <u>933.7</u>    | <u>986.2</u>    | <u>1,056.0</u>  |
| Total assets                             | <u>1,550.6</u>  | <u>1,581.0</u>  | <u>1,681.0</u>  |
| <b>Liabilities</b>                       |                 |                 |                 |
| Current liabilities                      | 364.3           | 365.7           | 417.8           |
| Noncurrent liabilities                   | <u>703.3</u>    | <u>710.7</u>    | <u>666.9</u>    |
| Total liabilities                        | <u>1,067.6</u>  | <u>1,076.4</u>  | <u>1,084.7</u>  |
| <b>Net assets</b>                        |                 |                 |                 |
| Invested in capital, net of related debt | 336.5           | 379.8           | 445.3           |
| Restricted expendable                    | 158.8           | 162.9           | 183.8           |
| Restricted nonexpendable                 | 60.8            | 57.6            | 59.7            |
| Unrestricted                             | <u>(73.1)</u>   | <u>(95.7)</u>   | <u>(92.5)</u>   |
| Total net assets                         | <u>\$ 483.0</u> | <u>\$ 504.6</u> | <u>\$ 596.3</u> |

In 2010, the increase in cash and cash equivalents of \$40.2 million was primarily due to improved financial results, tight fiscal controls, the drawdown of assets held by trustees and higher State appropriations, which included the stabilization funds.

In 2009, the decrease in cash and cash equivalents and endowment and other investments of \$57.4 million was primarily due to \$51.4 million of payments for a grant made to an affiliate and the return of State appropriation funds.

Assets held by trustees and other decreased by \$27.0 million in 2010 due to drawdowns for debt service payments. In 2009, assets held by trustees and other increased by \$5.8 million.

Capital assets, net decreased by \$52.5 million in 2010 and \$69.8 million in 2009, as depreciation expense exceeded capital additions in each year.

Current liabilities consist primarily of accounts payable, accrued compensation and other liabilities and include \$62.3 million and \$68.7 million of amounts due to third party payors as of June 30, 2010 and 2009, respectively, related to healthcare cost report adjustments. In 2010, current liabilities decreased by \$1.4 million. In 2009, current liabilities decreased by \$52.1 million, primarily due to the reduction in amounts due to third party payors of \$36.2 million, which resulted from UH's settlement agreement with the State regarding certain Medicaid cost report liabilities. Under the aforementioned agreement, \$23.0 million of these liabilities were forgiven and a long-term repayment schedule was established, which resulted in the classification of \$10.7 million of the liabilities as noncurrent liabilities as of June 30, 2010.

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Noncurrent liabilities consist primarily of long-term debt and capital lease obligations. In 2010, noncurrent liabilities decreased by \$7.4 million due to long-term debt repayments. In 2009, the increase in noncurrent liabilities of \$43.8 million was primarily due to the issuance of new debt and the inclusion of \$10.1 million of amounts due to third party payors.

The decreases in net assets invested in capital of \$43.3 million and \$65.5 million in 2010 and 2009, respectively, were due to depreciation expense, which exceeded capital additions and debt reductions.

In 2010, restricted expendable net assets decreased by \$4.1 million, primarily due to debt service activity, partially offset by an increase in research and designated activity. In 2009, the decrease in restricted expendable net assets of \$20.9 million was due to lower investment income and an increase in accrued claims.

In 2010, unrestricted net assets deficit decreased by \$22.6 million, primarily due to improved operating results. In 2009, unrestricted net assets deficit increased by \$3.2 million, primarily due to the return of unexpended State appropriations related to the Camden campus, partially offset by UH's operating surplus before depreciation of \$21.9 million and the favorable operating results of the academic programs.

**Consolidated Statements of Revenues, Expenses and Changes in Net Assets**

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

A summary of the University's revenues, expenses and changes in net assets for the years ended June 30, 2010, 2009 and 2008 follows:

| <i>(In millions)</i>                               | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     |
|--|-----------------|-----------------|-----------------|
| <b>Operating revenues</b>                          |                 |                 |                 |
| Tuition and fees, net                              | \$ 96.8         | \$ 85.9         | \$ 75.1         |
| Governmental and private grants and contracts      | 329.2           | 305.3           | 305.5           |
| Net patient service revenues                       | 505.9           | 549.5           | 503.0           |
| Professional services and contracts                | 379.7           | 328.3           | 236.5           |
| Other  | <u>60.5</u>     | <u>56.3</u>     | <u>56.3</u>     |
| Total operating revenues                           | 1,372.1         | 1,325.3         | 1,176.4         |
| <b>Operating expenses</b>                          | <u>1,802.7</u>  | <u>1,770.7</u>  | <u>1,680.5</u>  |
| Operating loss                                     | <u>(430.6)</u>  | <u>(445.4)</u>  | <u>(504.1)</u>  |
| <b>Nonoperating revenues (expenses)</b>            |                 |                 |                 |
| State appropriations - operations                  | 262.4           | 254.1           | 281.4           |
| Fringe benefits paid by the State                  | 192.9           | 182.2           | 182.5           |
| Affiliate grant and return of State appropriations | (10.6)          | (34.8)          | (37.5)          |
| Interest expense and other                         | <u>(35.7)</u>   | <u>(48.0)</u>   | <u>(25.1)</u>   |
| Total nonoperating revenues, net                   | <u>409.0</u>    | <u>353.5</u>    | <u>401.3</u>    |
| <b>Other revenues</b>                              |                 |                 |                 |
| State appropriations - capital                     | <u>-</u>        | <u>0.2</u>      | <u>0.2</u>      |
| <b>Decrease in net assets</b>                      | (21.6)          | (91.7)          | (102.6)         |
| Net assets - beginning of year                     | <u>504.6</u>    | <u>596.3</u>    | <u>698.9</u>    |
| <b>Net assets - end of year</b>                    | <u>\$ 483.0</u> | <u>\$ 504.6</u> | <u>\$ 596.3</u> |

# University of Medicine and Dentistry of New Jersey

## Management's Discussion and Analysis

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#### Revenues

To achieve its mission, the University receives revenues from a variety of sources in addition to its student tuition and fees, including research grants and contracts, patient services, professional services and contracts, state appropriations and investment income. The University will continue to aggressively seek funding from all possible sources and to manage these resources to fund its operating activities.

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

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

#### Academic Programs

Tuition and State appropriations are the primary sources of revenue for the University's academic programs. Tuition revenues increased by 12.7% and 14.4% in 2010 and 2009, respectively, due to a 4.0 % average rate increase and a 5.7% and 5.0% increase in student enrollment in 2010 and 2009, respectively, which reflects the strong demand for the University's health related academic programs. The schools received State appropriations of \$245.3 million and \$237.9 million in 2010 and 2009, respectively, which included \$98.1 million and \$69.4 million of fringe benefits paid by the State.

#### Research Activities

Governmental and private grants and contracts revenues increased by \$23.9 million, or 7.8%, in 2010 due to higher recoveries of expenditures related to American Reinvestment and Recovery Act ("ARRA") grants and State nursing grants. Governmental and private grants and contracts revenues remained constant at a level of \$305 million in 2009 and 2008.

#### 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 \$43.6 million in 2010 due to the State's forgiveness of \$36.2 million of Medicaid liabilities in 2009, a \$6.2 million reduction in the charity care subsidy and lower patient volumes at UH. In 2009, the State forgave \$23.0 million of UH's liabilities and established a long-term repayment plan for another \$23.0 million of liabilities from 2014 through 2019, which resulted in a \$13.2 million present value discount of the balances. The healthcare units received State appropriations of \$208.8 million and \$194.0 million in 2010 and 2009, respectively, which included \$94.8 million and \$112.1 million of fringe benefits paid by the State.

UH net patient service revenues totaled \$450.9 million in 2010, as compared to \$497.8 million in 2009 and \$449.6 million in 2008. 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

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## **Management's Discussion and Analysis**

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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, and emergency room visits decreased by 1.2% to 99,175 in 2010, after a 5.6% increase to 100,358 in 2009. Inpatient discharges, which account for approximately 70% of UH's net patient service revenues, decreased by 6.5% to 20,117 in 2010, after a 1.3% decrease to 21,518 in 2009. Clinic visits, which generate outpatient revenues, decreased by 7.4% to 153,765 in 2010, after a 2.4% decrease to 166,010 in 2009.

The level of charity care services provided by UH represents approximately 25% of its patient case volume. Charity care funding from the State totaled \$92.8 million in 2010, \$99.0 million in 2009 and \$95.7 million in 2008, and is projected to total \$99.3 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 \$222.7 million in 2010, \$193.0 million in 2009 and \$175.0 million in 2008.

The largest portion of the contract activity involves University Behavioral Healthcare ("UBHC"). Contract revenues include a contract with the State of New Jersey Department of Corrections ("DOC") for mental and physical health services for inmates that generated revenues in 2010, 2009 and 2008 of \$137.3 million, \$116.7 million and \$42.0 million, respectively.

#### **State Appropriations-Operations**

State appropriations-operations increased by \$8.3 million in 2010, reflecting increased support for UH operations, partially offset by a reduction for the educational units. State appropriations-operations decreased by \$27.3 million in 2009, reflecting decreased support for the educational units and the University's cancer programs.

The State's 2011 budget includes appropriations for the University totaling \$206.0 million. The decrease of \$56.4 million includes a \$30.9 million reduction of stabilization funds, the transfer of \$10.6 million related to an affiliate grant and \$14.9 million related to decreased support for educational activities.

#### **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.

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A summary of the University's operating expenses for the years ended June 30, 2010, 2009 and 2008, follows:

| <i>(In millions)</i>                     | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|-------------------|
| Instruction                              | \$ 183.2          | \$ 202.9          | \$ 192.4          |
| Research                                 | 186.6             | 179.9             | 183.5             |
| Public service                           | 115.4             | 90.1              | 69.9              |
| Institutional and administrative support | 103.1             | 88.5              | 104.1             |
| Patient care services                    | 685.3             | 728.7             | 740.8             |
| Professional services and contracts      | 345.1             | 288.8             | 190.2             |
| Operation and maintenance of plant       | 55.6              | 55.3              | 52.2              |
| Depreciation                             | 70.8              | 77.5              | 78.3              |
| Insurance                                | 10.1              | 12.1              | 18.2              |
| Other                                    | 47.5              | 46.9              | 50.9              |
| Total                                    | <u>\$ 1,802.7</u> | <u>\$ 1,770.7</u> | <u>\$ 1,680.5</u> |

The increase in operating expenses of \$32.0 million, or 1.8%, in 2010 is primarily attributable to the increase in costs related to the DOC contracts of \$25.8 million and faculty practice plans of \$28.9 million, partially offset by lower patient care expenses.

The overall increase in 2010 reflects increases in salaries and wages of \$24.4 million and fringe benefit costs of \$20.0 million, partially offset by a decrease in supplies and services costs of \$5.6 million and depreciation expense of \$6.7 million. UH's operating expenses decreased by \$11.9 million, or 2.5%, in 2010 as a result of operational improvements regarding management reductions and consolidations, physician compensation, supply efficiencies and lower legal expenses.

In 2009, operating expenses increased by \$90.2 million, or 5.4%, primarily due to the increase in costs related to the DOC contracts of \$80 million. UH's operating expenses decreased by \$15 million, or 2%, in 2009 as a result of operational improvements regarding pharmacy costs, physician compensation, management reductions and consolidations, supply efficiencies and lower legal expenses.

The overall increase in 2009 reflects increases in salaries and wages of \$56.3 million, fringe benefit costs of \$17.2 million and supplies and services costs of \$17.6 million.

**Capital Assets and Debt Activities**

It is the University's objective to manage its financial resources effectively and maintain adequate financial flexibility to access the capital markets as needed. The University maintains debt ratings of Baa1 for its revenue bonds and Baa2 for its certificates of participation from Moody's Investors Service and BBB+ from Fitch Ratings. The ratings reflect concerns about UH's financial performance and the University's level of liquidity.

In 2009, the University refinanced \$232 million of its revenue bonds, variable rate bonds and auction rate securities and converted them into fixed rate revenue bonds. All of the University's debt agreements are fixed rate agreements and their fair value approximates their carrying amounts.

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

Total capital expenditures were \$18.8 million in 2010, \$17.3 million in 2009 and \$51.2 million in 2008. The major capital activities in 2010 and 2009 were for equipment purchases and infrastructure improvements.

As of June 30, 2010, the University had \$1,996.1 million invested in capital assets, which was reduced by \$1,062.4 million of accumulated depreciation and \$597.2 million of expended debt, resulting in net assets of \$336.5 million.

As of June 30, 2009, the University had \$1,978.9 million invested in capital assets, which was reduced by \$992.7 million of accumulated depreciation and \$606.4 million of expended debt, resulting in net assets of \$379.8 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, 2010, 2009 and 2008 follows:

| <i>(In millions)</i>                             | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     |
|--|-----------------|-----------------|-----------------|
| Cash and cash equivalents (used in) provided by: |                 |                 |                 |
| Operating activities                             | \$ (163.9)      | \$ (200.1)      | \$ (225.7)      |
| Noncapital financing activities                  | 238.5           | 214.5           | 248.1           |
| Capital financing activities                     | (62.8)          | (60.1)          | (100.8)         |
| Investing activities                             | <u>28.4</u>     | <u>20.1</u>     | <u>114.6</u>    |
| Net increase (decrease) in cash                  | 40.2            | (25.6)          | 36.2            |
| Cash and cash equivalents - beginning of year    | <u>152.6</u>    | <u>178.2</u>    | <u>142.0</u>    |
| Cash and cash equivalents - end of year          | <u>\$ 192.8</u> | <u>\$ 152.6</u> | <u>\$ 178.2</u> |

Cash used in operating activities decreased by \$36.2 million in 2010 due to higher tuition and fees and professional services and contract revenues. In 2009, cash used in operating activities decreased by \$25.6 million due to higher net patient service revenues and tuition and fees.

Cash provided by noncapital financing activities increased by \$24.0 million in 2010 due to higher State appropriations revenues and the impact of payments for a grant made to an affiliate and the return of appropriation funds in 2009. In 2009, cash provided by non-capital financing activities decreased by \$33.6 million due to lower State appropriations revenues and the impact of the payments described above.

Cash used by capital financing activities increased by \$2.7 million in 2010 due to higher debt payments. In 2009, cash used by capital financing activities decreased by \$40.7 million due to lower capital expenditures.

# University of Medicine and Dentistry of New Jersey

## Management's Discussion and Analysis

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Cash provided by investing activities increased by \$8.3 million in 2010 due to the net activity with assets held by trustees. In 2009, cash provided by investing activities decreased by \$94.5 million due to lower maturities of investments.

#### **Cash, Cash Equivalents, Investments and Assets Held by Trustees**

The University's cash and cash equivalents balance includes \$175.2 million and \$114.2 million of funds as of June 30, 2010 and 2009, 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**

The financial performance of the University related to its academic and research missions remains solid and reflects growth in student demand, enrollment, tuition and research activities. The University expects this growth in academic activities to continue, while its research growth is dependent upon the national trend of Federal research activity. Professional services and contracts activities have also experienced growth.

State appropriations - operations are expected to decrease by approximately \$56.4 million in 2011, based upon the final State budget. This decrease includes a \$30.9 million reduction of stabilization funds for the University, the transfer of \$10.6 million related to an affiliate grant and a \$14.9 million decrease related to State support for the educational units. To address the budgetary challenges from this reduction in State appropriations, the University developed cost saving strategies that include reductions in the level of employees, supplies and services costs and purchasing improvements.

The University reassessed its tuition structure for 2011 in light of the expected decrease in State appropriations and increased the medical and dental school tuition rates by 18%, with an overall rate increase of 15%. Tuition revenues are expected to increase by \$16 million in 2011 from these rate increases.

Growth in governmental and private grants and contracts is critical to the University's ability to attract faculty and scientists and enhance its academic reputation. Research funds are received from Federal, State and local governments and private sources, which generally provide for the recovery of direct and indirect costs. Research revenues are expected to increase in 2011 due to the expenditure activity related to ARRA awards received to date totaling \$46.3 million. The University faces challenges to maintain its growth in Federal research funding, while it expands its collaborative efforts with other state universities.

As a result of the tuition increases, the implementation of cost saving strategies, revenue initiatives and improved research revenues, the University projects breakeven operating results for its academic and research missions in 2011, excluding the impact of depreciation expense.

UH continues to be faced with financial challenges. UH achieved a slight loss in 2010 and breakeven results in 2009 due to the favorable impact of \$25 million in State stabilization funding in 2010 and \$36 million from the Medicaid settlement in 2009. UH's financial results also benefitted from a reduction in its average length of stay to 5.14 days in 2010, a decrease from the 5.43 average in 2009. In 2008, UH expenses exceeded its revenues by \$57 million. Since it is a safety net hospital and has a high level of uninsured and Medicaid patients, UH must deal with the adverse financial impact of revenue collections

# **University of Medicine and Dentistry of New Jersey**

## **Management's Discussion and Analysis**

### **June 30, 2010**

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and reimbursement issues related to its payors. The level of charity care services and related expenses remains high, while funding was reduced in 2010 to a level insufficient to cover costs. UH also provides the highest level of graduate medical level education ("GME") in the State, for which it received \$9 million in 2010 as reimbursement from the Medicaid program.

Even though \$25 million of stabilization funding for UH was eliminated by the State in 2011, UH still projects a breakeven budget in 2011 with little change in patient volumes, due to a projected rate increase, a \$6 million increase in charity care funding, and the continued implementation of strategies that are designed to stabilize its financial operations on both a short-term and long-term basis. The University continues to advocate with State officials regarding increasing reimbursement levels for GME activities.

UBHC and the Cancer Institute of New Jersey ("CINJ") are expected to maintain financial stability in the future. State appropriations - operations for these units totaled \$47.5 million in 2010, and are projected to remain level in 2011. 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 \$138 million of annual revenues in 2011.

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

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

#### **Legal Matters**

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

On December 30, 2005, the United States Attorney's Office for the District of New Jersey (the "Office") filed a criminal complaint charging the University with receiving improper Medicaid reimbursements. In connection with the filing of that complaint, the University and the Office entered into a Deferred Prosecution Agreement ("DPA"). Pursuant to the agreement, the University agreed to undertake remedial actions, retain an independent monitor ("Federal Monitor") and continue to cooperate with the Office, including with respect to any ongoing investigations, and make repayment of \$4.9 million relating to physician services in outpatient clinics. This amount was repaid by the University in 2006.

The Office terminated the DPA on January 10, 2008 and dismissed with prejudice the criminal complaint. The University settled the civil component of the criminal complaint in June 2009 for \$2.0 million.

**University of Medicine and Dentistry of New Jersey**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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Under the DPA, the Federal Monitor had certain investigative and other authority related to the University's operations. As a result of one of the investigations, the Federal Monitor issued a report in November 2006 which alleged that the University had violated certain billing and anti-kickback laws and regulations. The report indicated that the University could be liable for as much as \$84 million in restitution, fines and penalties as a result of these potential violations. Under a September 2009 settlement agreement with the Office, the University has resolved this matter and remitted \$8.3 million as a settlement amount to the Office in October 2009.

In connection with the settlement of these two cases, 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 agrees to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs.

Other matters referenced in the periodic Federal Monitor reports have been and continue to be investigated by the University. It is anticipated that these matters will be concluded by December 31, 2010. Where necessary, the University has engaged external experts to assess various healthcare matters, and the related liabilities have been estimated and recorded within the 2010 and 2009 financial statements, respectively.

The University is aware of Federal and State inquiries and investigations and has received subpoenas and other requests for information. The University has cooperated with the agencies and provided the information and data requested. Although the ultimate outcome of those investigations which remain incomplete is unknown at this time, management does not believe they will have a material effect on the University's financial position, operating results or cash flows.

# **Basic Financial Statements**

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

|   | <b>June 30,</b>   |                   |
|---|-------------------|-------------------|
|   | <b>2010</b>       | <b>2009</b>       |
| <b>Assets</b>   |                   |                   |
| Current assets  |                   |                   |
| Cash and cash equivalents   | \$ 192,846        | \$ 152,594        |
| Short-term investments  | 264               | 239               |
| Accounts receivable, net of allowance for doubtful accounts<br>of \$249,406 in 2010 and \$238,667 in 2009 | 120,276           | 113,346           |
| Other receivables, net of allowance for doubtful accounts<br>of \$18,831 in 2010 and \$10,228 in 2009     | 67,016            | 61,783            |
| Grants receivable, net of allowance for doubtful accounts<br>of \$7,582 in 2010 and \$7,284 in 2009       | 74,018            | 80,130            |
| Inventories and other assets  | 16,975            | 17,059            |
| Assets held by trustees - current portion   | 14,002            | 41,041            |
| Total current assets  | <u>485,397</u>    | <u>466,192</u>    |
| Noncurrent assets   |                   |                   |
| Endowment investments   | 18,108            | 17,466            |
| Other long-term investments   | 5,797             | 5,491             |
| Loans to students   | 31,865            | 29,810            |
| Deferred financing costs and other  | 16,033            | 17,393            |
| Assets held by trustees   | 59,737            | 58,433            |
| Capital assets, net   | <u>933,656</u>    | <u>986,223</u>    |
| Total noncurrent assets   | <u>1,065,196</u>  | <u>1,114,816</u>  |
| Total assets  | <u>1,550,593</u>  | <u>1,581,008</u>  |
| <b>Liabilities</b>  |                   |                   |
| Current liabilities   |                   |                   |
| Accounts payable and accrued expenses   | 168,597           | 175,147           |
| Estimated third party payors settlements-current portion  | 62,334            | 68,679            |
| Accrued vacation  | 49,034            | 49,082            |
| Deferred revenues   | 72,211            | 60,598            |
| Long-term debt and capital lease obligations - current portion  | <u>12,072</u>     | <u>12,157</u>     |
| Total current liabilities   | <u>364,248</u>    | <u>365,663</u>    |
| Noncurrent liabilities  |                   |                   |
| Accrued claims liability and other  | 30,455            | 26,760            |
| Estimated third party payors settlements  | 10,744            | 10,064            |
| Long-term debt and capital lease obligations  | <u>662,131</u>    | <u>673,866</u>    |
| Total noncurrent liabilities  | <u>703,330</u>    | <u>710,690</u>    |
| Total liabilities   | <u>1,067,578</u>  | <u>1,076,353</u>  |
| <b>Net Assets</b>   |                   |                   |
| Invested in capital, net of related debt  | 336,494           | 379,806           |
| Restricted expendable   | 158,807           | 162,936           |
| Restricted nonexpendable  | 60,801            | 57,632            |
| Unrestricted  | <u>(73,087)</u>   | <u>(95,719)</u>   |
| Total net assets  | <u>\$ 483,015</u> | <u>\$ 504,655</u> |

The accompanying notes are an integral part of these financial statements

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

|  | June 30, 2010                      |                                      |   |            | June 30, 2009                      |                                      |   |            |
|--|------------------------------------|--------------------------------------|---|------------|------------------------------------|--------------------------------------|---|------------|
|  | New Jersey Health Foundation, Inc. | Cancer Institute of New Jersey, Inc. | University Physician Associates of New Jersey, Inc. | Total      | New Jersey Health Foundation, Inc. | Cancer Institute of New Jersey, Inc. | University Physician Associates of New Jersey, Inc. | Total      |
| <b>Assets</b>  |                                    |                                      |   |            |                                    |                                      |   |            |
| Current assets   |                                    |                                      |   |            |                                    |                                      |   |            |
| Cash and cash equivalents                                | \$ 330                             | \$ 6,407                             | \$ 12,409   | \$ 19,146  | \$ 41                              | \$ 4,925                             | \$ 11,417   | \$ 16,383  |
| Cash and cash equivalents whose use is limited           | -                                  | -                                    | 2,347   | 2,347      | -                                  | -                                    | 720   | 720        |
| Short term investments                                   | 27,156                             | 2,298                                | 10,229  | 39,683     | 28,569                             | 1,991                                | 9,604   | 40,164     |
| Contributions receivable, net                            | 6,797                              | 542                                  | -   | 7,339      | 9,878                              | 569                                  | -   | 10,447     |
| Other assets   | 23                                 | 167                                  | 896   | 1,086      | 133                                | 98                                   | 901   | 1,132      |
| Total current assets                                     | 34,306                             | 9,414                                | 25,881  | 69,601     | 38,621                             | 7,583                                | 22,642  | 68,846     |
| Noncurrent assets  |                                    |                                      |   |            |                                    |                                      |   |            |
| Cash equivalents restricted for long term purposes       | -                                  | 704                                  | -   | 704        | -                                  | 840                                  | -   | 840        |
| Long term investments                                    | 133,572                            | 2,642                                | 238   | 136,452    | 126,077                            | 4,864                                | 156   | 131,097    |
| Contributions receivable, net                            | 12,908                             | 1,895                                | -   | 14,803     | 11,968                             | 1,988                                | -   | 13,956     |
| Capital assets, net                                      | 2,237                              | 2                                    | 95  | 2,334      | 2,263                              | 3                                    | 143   | 2,409      |
| Total noncurrent assets                                  | 148,717                            | 5,243                                | 333   | 154,293    | 140,308                            | 7,695                                | 299   | 148,302    |
| Total assets   | 183,023                            | 14,657                               | 26,214  | 223,894    | 178,929                            | 15,278                               | 22,941  | 217,148    |
| <b>Liabilities</b>                                       |                                    |                                      |   |            |                                    |                                      |   |            |
| Current liabilities                                      |                                    |                                      |   |            |                                    |                                      |   |            |
| Accounts payable and accrued expenses                    | 1,350                              | 164                                  | 238   | 1,752      | 933                                | 174                                  | 443   | 1,550      |
| Grants payable   | 18,508                             | -                                    | -   | 18,508     | 26,936                             | -                                    | -   | 26,936     |
| Payable to New Jersey Medical School ("NJMS") dept funds | -                                  | -                                    | 3,463   | 3,463      | -                                  | -                                    | 3,111   | 3,111      |
| Payable to NJMS dean's funds                             | -                                  | -                                    | 2,853   | 2,853      | -                                  | -                                    | 1,873   | 1,873      |
| Payable to physician overhead funds                      | -                                  | -                                    | 29  | 29         | -                                  | -                                    | 49  | 49         |
| Payable to voluntary department participant fund         | -                                  | -                                    | 2,085   | 2,085      | -                                  | -                                    | 2,037   | 2,037      |
| Funds held in custody for others                         | 302                                | -                                    | -   | 302        | 303                                | -                                    | -   | 303        |
| Total current liabilities                                | 20,160                             | 164                                  | 8,668   | 28,992     | 28,172                             | 174                                  | 7,513   | 35,859     |
| Noncurrent liabilities                                   |                                    |                                      |   |            |                                    |                                      |   |            |
| Payable to participant fund                              | -                                  | -                                    | 15,179  | 15,179     | -                                  | -                                    | 13,640  | 13,640     |
| Total liabilities  | 20,160                             | 164                                  | 23,847  | 44,171     | 28,172                             | 174                                  | 21,153  | 49,499     |
| <b>Net Assets</b>  |                                    |                                      |   |            |                                    |                                      |   |            |
| Restricted expendable - temporarily restricted           | 38,309                             | 13,102                               | -   | 51,411     | 20,360                             | 13,591                               | -   | 33,951     |
| Restricted non expendable - permanently restricted       | 85,023                             | 911                                  | -   | 85,934     | 93,884                             | 909                                  | -   | 94,793     |
| Board designated - unrestricted                          | 39,531                             | 480                                  | 2,367   | 42,378     | 36,513                             | 604                                  | 1,788   | 38,905     |
| Total net assets   | 162,863                            | 14,493                               | 2,367   | 179,723    | 150,757                            | 15,104                               | 1,788   | 167,649    |
| Total liabilities and net assets                         | \$ 183,023                         | \$ 14,657                            | \$ 26,214   | \$ 223,894 | \$ 178,929                         | \$ 15,278                            | \$ 22,941   | \$ 217,148 |

The accompanying notes are an integral part of these financial statements

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

|   | <b>Year Ended June 30,</b> |             |
|---|----------------------------|-------------|
|   | <b>2010</b>                | <b>2009</b> |
| <b>Operating revenues</b>                             |                            |             |
| Tuition and fees, net                                 | \$ 96,793                  | \$ 85,895   |
| Governmental grants and contracts                     | 259,033                    | 234,435     |
| Private grants and contracts                          | 70,216                     | 70,871      |
| Net patient service revenues                          | 505,934                    | 549,471     |
| Professional services and contracts                   | 379,650                    | 328,300     |
| Auxiliary sales and services                          | 19,435                     | 21,927      |
| Other operating revenues                              | 41,034                     | 34,386      |
| Total operating revenues                              | 1,372,095                  | 1,325,285   |
| <b>Operating expenses</b>                             |                            |             |
| Instruction   | 183,245                    | 202,884     |
| Research  | 186,616                    | 179,864     |
| Public service  | 115,367                    | 90,058      |
| Academic and student support                          | 30,802                     | 27,517      |
| Institutional and administrative support              | 103,144                    | 88,499      |
| Patient care services                                 | 685,299                    | 728,759     |
| Professional services and contracts                   | 345,085                    | 288,739     |
| Operation and maintenance of plant                    | 55,645                     | 55,292      |
| Depreciation  | 70,799                     | 77,480      |
| Insurance   | 10,066                     | 12,145      |
| Auxiliary enterprises and other                       | 16,709                     | 19,431      |
| Total operating expenses                              | 1,802,777                  | 1,770,668   |
| Operating loss  | (430,682)                  | (445,383)   |
| <b>Nonoperating revenues (expenses)</b>               |                            |             |
| State appropriations - operations                     | 262,445                    | 254,144     |
| Fringe benefits paid by the State                     | 192,901                    | 182,233     |
| Affiliate grant and return of State appropriations    | (10,607)                   | (34,788)    |
| Investment income                                     | 2,698                      | 5,778       |
| Unrealized appreciation (depreciation) on investments | 762                        | (2,371)     |
| Interest expense                                      | (40,244)                   | (39,130)    |
| Other   | 1,087                      | (12,350)    |
| Total nonoperating revenues, net                      | 409,042                    | 353,516     |
| <b>Other revenues</b>                                 |                            |             |
| State appropriations - capital                        | -                          | 203         |
| <b>Decrease in net assets</b>                         | (21,640)                   | (91,664)    |
| Net assets - beginning of year                        | 504,655                    | 596,319     |
| <b>Net assets - end of year</b>                       | \$ 483,015                 | \$ 504,655  |

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, 2010           |   |   |            | Year Ended June 30, 2009           |   |   |            |
|--|------------------------------------|---|---|------------|------------------------------------|---|---|------------|
|  | 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      |
| <b>Operating revenues</b>                                |                                    |   |   |            |                                    |   |   |            |
| Contributions  | \$ 18,651                          | \$ 3,481  | \$ -  | \$ 22,132  | \$ 18,822                          | \$ 5,459  | \$ -  | \$ 24,281  |
| Net physician billings                                   | -                                  | -   | 90,285  | 90,285     | -                                  | -   | 88,847  | 88,847     |
| Other revenues, net                                      | 48                                 | -   | -   | 48         | 45                                 | -   | -   | 45         |
| Total operating revenues                                 | 18,699                             | 3,481   | 90,285  | 112,465    | 18,867                             | 5,459   | 88,847  | 113,173    |
| <b>Operating expenses</b>                                |                                    |   |   |            |                                    |   |   |            |
| Grants   | 17,206                             | 3,036   | -   | 20,242     | 23,089                             | 3,010   | -   | 26,099     |
| Distributions to UPA physicians                          | -                                  | -   | 33,380  | 33,380     | -                                  | -   | 31,080  | 31,080     |
| Distributions to NJMS department funds                   | -                                  | -   | 11,437  | 11,437     | -                                  | -   | 11,189  | 11,189     |
| Distributions to NJMS funds                              | -                                  | -   | 17,668  | 17,668     | -                                  | -   | 18,757  | 18,757     |
| Distributions to NJMS dean's fund                        | -                                  | -   | 6,800   | 6,800      | -                                  | -   | 6,867   | 6,867      |
| Distributions to University medical malpractice fund     | -                                  | -   | 2,703   | 2,703      | -                                  | -   | 2,647   | 2,647      |
| Fund raising   | 2,557                              | 368   | -   | 2,925      | 1,621                              | 461   | -   | 2,082      |
| General and administrative                               | (42)                               | 882   | 18,459  | 19,299     | 202                                | 830   | 17,305  | 18,337     |
| Total operating expenses                                 | 19,721                             | 4,286   | 90,447  | 114,454    | 24,912                             | 4,301   | 87,845  | 117,058    |
| Operating (loss) gain                                    | (1,022)                            | (805)   | (162)   | (1,989)    | (6,045)                            | 1,158   | 1,002   | (3,885)    |
| <b>Nonoperating revenues (expenses)</b>                  |                                    |   |   |            |                                    |   |   |            |
| Net unrealized and realized gains (losses) on investment | 17,791                             | 194   | 741   | 18,726     | (25,325)                           | 259   | (397)   | (25,463)   |
| Interest and dividend income                             | 1,794                              | -   | -   | 1,794      | 2,683                              | -   | -   | 2,683      |
| Investment management and cost recovery fees             | (3,263)                            | -   | -   | (3,263)    | (3,866)                            | -   | -   | (3,866)    |
| Refunded to grantor                                      | (1,767)                            | -   | -   | (1,767)    | (516)                              | -   | -   | (516)      |
| Provision for uncollectible pledges                      | (1,427)                            | -   | -   | (1,427)    | (1,607)                            | -   | -   | (1,607)    |
| Total nonoperating revenues (expenses), net              | 13,128                             | 194   | 741   | 14,063     | (28,631)                           | 259   | (397)   | (28,769)   |
| <b>Increase (decrease) in net assets</b>                 | 12,106                             | (611)   | 579   | 12,074     | (34,676)                           | 1,417   | 605   | (32,654)   |
| Net assets - beginning of year                           | 150,757                            | 15,104  | 1,788   | 167,649    | 185,433                            | 13,687  | 1,183   | 200,303    |
| <b>Net assets - end of year</b>                          | \$ 162,863                         | \$ 14,493                                       | \$ 2,367  | \$ 179,723 | \$ 150,757                         | \$ 15,104                                       | \$ 1,788  | \$ 167,649 |

The accompanying notes are an integral part of these financial statements

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

|   | <b>Year Ended June 30,</b> |                     |
|---|----------------------------|---------------------|
|   | <b>2010</b>                | <b>2009</b>         |
| <b>Cash flows from operating activities</b>   |                            |                     |
| Tuition and fees  | \$ 97,270                  | \$ 86,084           |
| Research grants and contracts   | 338,722                    | 307,310             |
| Services to patients  | 496,983                    | 520,929             |
| Professional services and contracts   | 376,006                    | 328,707             |
| Other receipts  | 57,487                     | 40,047              |
| Loan repayments from students   | 3,597                      | 3,323               |
| Loans to students   | (6,137)                    | (4,219)             |
| Payments to employees   | (1,056,008)                | (1,012,794)         |
| Payments to vendors   | (471,798)                  | (469,480)           |
| Net cash and cash equivalents used in operating activities  | <u>(163,878)</u>           | <u>(200,093)</u>    |
| <b>Cash flows from noncapital financing activities</b>  |                            |                     |
| State appropriations  | 262,445                    | 254,144             |
| Other payments, net   | (23,893)                   | (39,639)            |
| Net cash and cash equivalents provided by noncapital financing activities                             | <u>238,552</u>             | <u>214,505</u>      |
| <b>Cash flows from capital financing activities</b>   |                            |                     |
| Proceeds from issuance of capital debt  | 28                         | 255,278             |
| Capital grants received   | 3,739                      | 203                 |
| Purchases of capital assets   | (15,148)                   | (17,235)            |
| Principal payments on debt and capital lease obligations  | (11,132)                   | (253,509)           |
| Interest payments on debt and capital lease obligations   | (40,314)                   | (44,858)            |
| Net cash and cash equivalents used in capital financing activities                                    | <u>(62,827)</u>            | <u>(60,121)</u>     |
| <b>Cash flows from investing activities</b>   |                            |                     |
| Deposits with assets held by trustees   | (135,802)                  | (150,889)           |
| Utilization of assets held by trustees  | 161,575                    | 132,974             |
| Proceeds from sales and maturities of investments   | -                          | 31,500              |
| Purchases of investments  | -                          | (26)                |
| Interest on investments   | 2,632                      | 6,523               |
| Net cash and cash equivalents provided by investing activities  | <u>28,405</u>              | <u>20,082</u>       |
| Net (decrease) increase in cash and cash equivalents  | 40,252                     | (25,627)            |
| Cash and cash equivalents - beginning of year   | 152,594                    | 178,221             |
| Cash and cash equivalents - end of year   | <u>\$ 192,846</u>          | <u>\$ 152,594</u>   |
| <b>Reconciliation of operating loss to net cash and cash equivalents used in operating activities</b> |                            |                     |
| Operating loss  | \$ (430,682)               | \$ (445,383)        |
| Adjustments to reconcile operating loss to net cash used in operating activities:                     |                            |                     |
| Fringe benefits paid by the State   | 192,901                    | 182,233             |
| Depreciation and amortization expense   | 71,609                     | 78,290              |
| Provision for bad debts   | 149,916                    | 154,700             |
| Third party payors settlements  | -                          | 36,203              |
| Other   | (2,153)                    | (8,476)             |
| Changes in assets and liabilities   |                            |                     |
| Receivables, net  | (155,599)                  | (168,128)           |
| Inventory and other assets  | 284                        | 1,563               |
| Loans to students, net  | (2,540)                    | (896)               |
| Accounts payable and accrued expenses   | 4,512                      | (36,149)            |
| Deferred revenues   | 7,874                      | 5,950               |
| Net cash and cash equivalents used in operating activities  | <u>\$ (163,878)</u>        | <u>\$ (200,093)</u> |

The accompanying notes are an integral part of these financial statements

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010 and 2009**  
**(In thousand of dollars)**

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**1. Organization**

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

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

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

Schools of the University:

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

University Health Care Units:

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

Faculty Practice Plans:

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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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Lease Holding Corporation:

- University Care Corporation (“UCC”)

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

The Foundation’s, CINJ Foundation’s and UPA’s results 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 2).

During 2010 and 2009, the Foundation distributed \$17,206 and \$23,089, respectively, to fund University programs and operations. Included in the Foundation’s financial statements are \$18,508 and \$26,936 of grants payable to the University as of June 30, 2010 and 2009, respectively. Separate financial statements for the Foundation can be obtained by writing to the President, New Jersey Health Foundation, Inc., 120 Albany Street, Tower II, Suite 850, New Brunswick, New Jersey 08901.

During 2010 and 2009, the CINJ Foundation distributed \$3,036 and \$3,010, respectively to fund CINJ programs and operations. Separate financial statements for CINJ Foundation can be obtained by writing to the Chief Operating Officer, Cancer Institute of New Jersey Foundation, Inc., 120 Albany Street, Tower II, Fifth Floor, New Brunswick, New Jersey 08901.

During 2010 and 2009, UPA distributed \$ 20,940 and \$20,703, respectively, to NJMS, which included contributions toward the medical malpractice fund. Included in UPA’s financial statements are \$6,801 and \$5,427 of distributions payable to the University as of June 30, 2010 and 2009, respectively, which are included within the University’s financial statements in other receivables. Separate financial statements for UPA can be obtained by writing to the Executive Director/Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ADMC 12, Room 1205, Newark, New Jersey 07107.

## 2. Summary of Significant Accounting Policies

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

### **Basis of Presentation**

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

### **Basis of Accounting**

The University uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (“FASB”), including

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

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

### **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 and accompanying footnotes to 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 significant estimates include its contractual allowances and allowances for doubtful accounts for patient service revenues and the related patient accounts receivable, reserves for grants and other receivables, amounts due to third party payors, accrued claims liability and commitments and contingencies.

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Other Receivables**

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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### **Grants Receivable**

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

### **Inventories**

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

### **Endowment**

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

### **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. government obligations, commercial paper, repurchase agreements and cash management 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.

### **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 2010 or 2009.

### **Deferred Financing Costs and Other**

Deferred financing costs represent costs incurred to obtain various capital financings and are amortized over the term of the related debt using the effective interest method or the straight-line method when not materially different. Deferred financing costs totaled \$8,597 and \$8,947, net of accumulated amortization of \$3,930 and \$3,580 as of June 30, 2010 and 2009, respectively.

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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### **Compensated Absences**

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

### **Deferred Revenues**

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

### **Accrued Claims Liability**

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

### **Net Assets**

Net assets of the University are classified in four components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, the State, or contributors external to the University, including amounts deposited with trustees as required by revenue bond indentures, as discussed in Note 8. *Restricted nonexpendable net assets* are those 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. *Unrestricted net assets* are remaining net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted*.

### **Revenues and Expenses**

The University's consolidated statements of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare, education and research services which are the University's principal activities. Nonexchange revenues, including State appropriations (excluding amounts related to capital), investment income, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare, education and research services, other than financing costs. Non-operating expenses are all expenses incurred related to financing, noncapital financing and investing activities.

### **Net Patient Service Revenues and Patient Accounts Receivable**

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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### **Auxiliary Sales and Services**

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

### **Capitalized Interest Costs**

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

### **New Authoritative Pronouncements**

The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which are effective in 2010 for the University. Neither statement had a significant impact on the University's financial statements.

### **Comparative Information and Reclassification**

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

## **3. Tuition and Fees, Net**

Tuition and fees revenues are recorded on an accrual basis, net of allowances. Scholarship allowances are the estimated difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Scholarship allowances totaled \$4,995 and \$5,112 in 2010 and 2009, respectively.

## **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, 2008.
- 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, 2004.

## University of Medicine and Dentistry of New Jersey

### Notes to Consolidated Financial Statements

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

Revenues received under the various reimbursement systems and agreements are subject to audit and adjustment. Accordingly, provisions for estimated adjustments resulting from audit, final settlement and changes in estimates have been recorded. Differences between the provisions and the amounts settled are recorded in the year of settlement. The University recognized revenues of \$3,856 in 2010 and \$31,297 in 2009 as a result of the January 2009 settlement agreement with the State regarding certain Medicaid cost report liabilities and other changes in estimated third party settlements.

The University has recorded liabilities related to UH's Medicaid cost reports totaling \$68,257 and \$65,044 as of June 30, 2010 and 2009, respectively, which are included in estimated third party payors settlements. In January 2009, the University and the State entered into a settlement agreement regarding certain Medicaid liabilities totaling \$46,031. Under the agreement, the State forgave \$23,000 of these liabilities and established a long-term repayment plan for the remaining \$23,031 as follows: \$1,000 per year for each of the succeeding four years commencing on July 1, 2013; \$1,250 per year for each of the succeeding four years commencing on July 1, 2017; \$1,500 per year for each of the succeeding four years commencing on July 1, 2021; and \$2,000 per year for each of the succeeding four years commencing on July 1, 2025. As a result of the repayment period, the University discounted the liabilities by \$13,200 to their estimated present value. The agreement also requires that UH use 50% of any surplus that it realizes in a year, net of capital expenditures, as repayment of the liabilities.

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. The University has established a Corporate Compliance Program to monitor and ensure compliance with these regulations (see Note 13).

UH and UBHC provide care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services and the Department of Human Services without charge or at amounts less than their established rates. These units maintain records to identify and monitor the level of charity care they provide, which includes the amount of gross charges foregone for services and supplies furnished. Gross charges related to charity care totaled \$375,195 and \$473,076 in 2010 and 2009, respectively. The University receives partial reimbursement for the charity care it provides through the Health Care Subsidy Fund.

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

The components of net patient service revenues are as follows:

|   | <b>Year Ended June 30,</b> |                     |
|---|----------------------------|---------------------|
|   | <b>2010</b>                | <b>2009</b>         |
| Gross charges                             | <u>\$ 2,099,759</u>        | <u>\$ 2,136,374</u> |
| Additions (deductions) from gross charges |                            |                     |
| Health Care Subsidy Fund payments         |                            |                     |
| Charity care                              | 92,760                     | 98,955              |
| Hospital relief                           | 14,979                     | 15,055              |
| Contractual and other allowances          | (1,568,622)                | (1,602,158)         |
| Provision for bad debts                   | (132,942)                  | (134,955)           |
| Reduction of cost report liabilities      | <u>-</u>                   | <u>36,200</u>       |
| Subtotal                                  | <u>(1,593,825)</u>         | <u>(1,586,903)</u>  |
| Net patient service revenues              | <u>\$ 505,934</u>          | <u>\$ 549,471</u>   |

### 5. Cash and Cash Equivalents, Investments and Assets Held by Trustees

Cash on deposit, which is included in cash and cash equivalents in the consolidated financial statements, is \$25,574 and \$49,364 as of June 30, 2010 and 2009, 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 \$175,194 and \$114,232 of funds as of June 30, 2010 and 2009, respectively, which are invested in the State's cash management fund, which is an investment trust fund that is managed by the State on behalf of various State divisions, agencies and employees.

Investments consist of the following:

|                      | <b>Cost</b>     | <b>Fair Value</b> | <b>Unrealized Gains (Losses)</b> |
|----------------------|-----------------|-------------------|----------------------------------|
| <b>June 30, 2010</b> |                 |                   |                                  |
| Common stock         | \$ 807          | \$ 18,594         | \$ 17,787                        |
| Corporate bonds      | 5,001           | 5,311             | 310                              |
| Mutual funds         | 259             | 264               | 5                                |
|                      | <u>\$ 6,067</u> | <u>\$ 24,169</u>  | <u>\$ 18,102</u>                 |
| <b>June 30, 2009</b> |                 |                   |                                  |
| Common stock         | \$ 624          | \$ 17,604         | \$ 16,980                        |
| Corporate bonds      | 5,002           | 5,353             | 351                              |
| Mutual funds         | 243             | 239               | (4)                              |
|                      | <u>\$ 5,869</u> | <u>\$ 23,196</u>  | <u>\$ 17,327</u>                 |

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**

Investment maturities consist of the following:

|                      | <b>Fair Value</b> | <b>Less Than 1 Year</b> | <b>1 - 5 Years</b> | <b>6 - 10 Years</b> |
|----------------------|-------------------|-------------------------|--------------------|---------------------|
| <b>June 30, 2010</b> |                   |                         |                    |                     |
| Corporate bonds      | \$ 5,311          | \$ -                    | \$ 5,311           | \$ -                |
| Mutual funds         | 264               | 264                     | -                  | -                   |
|                      | <u>\$ 5,575</u>   | <u>\$ 264</u>           | <u>\$ 5,311</u>    | <u>\$ -</u>         |
| <b>June 30, 2009</b> |                   |                         |                    |                     |
| Corporate bonds      | \$ 5,353          | \$ -                    | \$ 5,353           | \$ -                |
| Mutual funds         | 239               | 239                     | -                  | -                   |
|                      | <u>\$ 5,592</u>   | <u>\$ 239</u>           | <u>\$ 5,353</u>    | <u>\$ -</u>         |

Assets held by trustees consist of the following:

|                       | <b>Cost</b>      | <b>Fair Value</b> | <b>Unrealized Gains</b> |
|-----------------------|------------------|-------------------|-------------------------|
| <b>June 30, 2010</b>  |                  |                   |                         |
| U.S. treasuries       | \$ 25,324        | \$ 25,331         | \$ 7                    |
| Commercial paper      | 4,876            | 4,909             | 33                      |
| Repurchase agreements | 19,843           | 19,843            | -                       |
| Money market funds    | 23,578           | 23,578            | -                       |
| Accrued interest      | 78               | 78                | -                       |
|                       | <u>\$ 73,699</u> | <u>\$ 73,739</u>  | <u>\$ 40</u>            |
| <b>June 30, 2009</b>  |                  |                   |                         |
| U.S. treasuries       | \$ 183           | \$ 183            | \$ -                    |
| Commercial paper      | 4,914            | 4,959             | 45                      |
| Repurchase agreements | 19,843           | 19,843            | -                       |
| Money market funds    | 74,489           | 74,489            | -                       |
|                       | <u>\$ 99,429</u> | <u>\$ 99,474</u>  | <u>\$ 45</u>            |

Assets held by trustees maturities consist of the following:

|                       | <b>Fair Value</b> | <b>Less Than 1 Year</b> | <b>1 - 5 Years</b> | <b>6 - 10 Years</b> | <b>More Than 10 Years</b> |
|-----------------------|-------------------|-------------------------|--------------------|---------------------|---------------------------|
| <b>June 30, 2010</b>  |                   |                         |                    |                     |                           |
| U.S. treasuries       | \$ 25,331         | \$ 25,331               | \$ -               | \$ -                | \$ -                      |
| Commercial paper      | 4,909             | 4,909                   | -                  | -                   | -                         |
| Repurchase agreements | 19,843            | -                       | -                  | -                   | 19,843                    |
| Money market funds    | 23,578            | 23,578                  | -                  | -                   | -                         |
| Accrued interest      | 78                | 78                      | -                  | -                   | -                         |
|                       | <u>\$ 73,739</u>  | <u>\$ 53,896</u>        | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ 19,843</u>          |
| <b>June 30, 2009</b>  |                   |                         |                    |                     |                           |
| U.S. treasuries       | \$ 183            | \$ 183                  | \$ -               | \$ -                | \$ -                      |
| Commercial paper      | 4,959             | 4,959                   | -                  | -                   | -                         |
| Repurchase agreements | 19,843            | -                       | -                  | -                   | 19,843                    |
| Money market funds    | 74,489            | 74,489                  | -                  | -                   | -                         |
|                       | <u>\$ 99,474</u>  | <u>\$ 79,631</u>        | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ 19,843</u>          |

Substantially all of the University's investments, including assets held by trustees, are Category 1 investments, which are defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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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:

|                 | <b>Year Ended June 30,</b> |                 |
|-----------------|----------------------------|-----------------|
|                 | <b>2010</b>                | <b>2009</b>     |
| Interest income | \$ 2,070                   | \$ 5,192        |
| Dividend income | 628                        | 586             |
|                 | <u>\$ 2,698</u>            | <u>\$ 5,778</u> |

### **Interest Rate Risk**

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

Interest rate yields on investments consist of the following:

|                 | <b>Year Ended June 30,</b> |             |
|-----------------|----------------------------|-------------|
|                 | <b>2010</b>                | <b>2009</b> |
| Corporate bonds | 6.13%                      | 6.13%       |

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

|                       | <b>Year Ended June 30,</b> |             |
|-----------------------|----------------------------|-------------|
|                       | <b>2010</b>                | <b>2009</b> |
| Commercial paper      | 1.21%                      | 1.14%       |
| Repurchase agreements | 4.71%                      | 4.71%       |
| Cash management funds | 0.24%                      | 0.51%       |

### **Credit Risk**

The University's investment policy limits investments in corporate bonds to the top rating issued by nationally recognized statistical rating agencies. As of June 30, 2010 and 2009, respectively, investments in corporate bonds were rated A1 by Standard and Poor's. Mutual bond fund investments are not rated.

### **Concentration of Credit Risk**

The University's investment policy places no limits on the amount that may be invested in U.S. Government securities. However, holdings other than U.S. Government securities, must be diversified so as to limit concentration in any single obligor, industry or geographic area. Investment of corporate bonds and commercial paper must be in U.S. corporations. As of June 30, 2010 and 2009 the University held no investments in U.S. governments agencies securities.

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**

**6. Capital Assets**

The historical cost of capital assets and capital asset activities for the years ended June 30, 2010 and 2009 are as follows:

|   | <b>June 30,<br/>2009</b> | <b>Additions</b>   | <b>Retirements/<br/>Capitalization</b> | <b>June 30,<br/>2010</b> |
|---|--------------------------|--------------------|--|--------------------------|
| <b>Depreciable assets</b>                       |                          |                    |  |                          |
| Land improvements                               | \$ 8,593                 | \$ 87              | \$ -                                   | \$ 8,680                 |
| Buildings and leasehold improvements            | 1,410,652                | 2,648              | (24)                                   | 1,413,276                |
| Equipment                                       | 485,966                  | 18,853             | (1,135)                                | 503,684                  |
| Capital assets for investment in joint ventures | 35,394                   | -                  | -                                      | 35,394                   |
| Capitalized interest                            | 19,018                   | -                  | -                                      | 19,018                   |
|   | <u>1,959,623</u>         | <u>21,588</u>      | <u>(1,159)</u>                         | <u>1,980,052</u>         |
| <b>Accumulated depreciation</b>                 |                          |                    |  |                          |
| Land improvements                               | (5,021)                  | (306)              | -                                      | (5,327)                  |
| Buildings and leasehold improvements            | (572,847)                | (41,467)           | 88                                     | (614,226)                |
| Equipment                                       | (390,206)                | (28,229)           | 1,031                                  | (417,404)                |
| Capital assets for investment in joint ventures | (24,636)                 | (797)              | -                                      | (25,433)                 |
|   | <u>(992,710)</u>         | <u>(70,799)</u>    | <u>1,119</u>                           | <u>(1,062,390)</u>       |
| <b>Accumulated amortization</b>                 |                          |                    |  |                          |
| Capitalized interest                            | (1,809)                  | (445)              | -                                      | (2,254)                  |
| <b>Non-depreciable assets</b>                   |                          |                    |  |                          |
| Land  | 15,987                   | 231                | (102)                                  | 16,116                   |
| Construction in progress                        | 5,132                    | 9,053              | (12,053)                               | 2,132                    |
|   | <u>\$ 986,223</u>        | <u>\$ (40,372)</u> | <u>\$ (12,195)</u>                     | <u>\$ 933,656</u>        |
|   | <b>June 30,<br/>2008</b> | <b>Additions</b>   | <b>Retirements/<br/>Capitalization</b> | <b>June 30,<br/>2009</b> |
| <b>Depreciable assets</b>                       |                          |                    |  |                          |
| Land improvements                               | \$ 11,836                | \$ 214             | \$ (3,457)                             | \$ 8,593                 |
| Buildings and leasehold improvements            | 1,398,510                | 7,092              | 5,050                                  | 1,410,652                |
| Equipment                                       | 639,194                  | 13,762             | (166,990)                              | 485,966                  |
| Capital assets for investment in joint ventures | 35,617                   | -                  | (223)                                  | 35,394                   |
| Capitalized interest                            | 18,652                   | 366                | -                                      | 19,018                   |
|   | <u>2,103,809</u>         | <u>21,434</u>      | <u>(165,620)</u>                       | <u>1,959,623</u>         |
| <b>Accumulated depreciation</b>                 |                          |                    |  |                          |
| Land improvements                               | (5,209)                  | (297)              | 485                                    | (5,021)                  |
| Buildings and leasehold improvements            | (526,770)                | (46,926)           | 849                                    | (572,847)                |
| Equipment                                       | (519,733)                | (29,867)           | 159,394                                | (390,206)                |
| Capital assets for investment in joint ventures | (24,469)                 | (390)              | 223                                    | (24,636)                 |
|   | <u>(1,076,181)</u>       | <u>(77,480)</u>    | <u>160,951</u>                         | <u>(992,710)</u>         |
| <b>Accumulated Amortization</b>                 |                          |                    |  |                          |
| Capitalized interest                            | (1,365)                  | (444)              | -                                      | (1,809)                  |
| <b>Non-depreciable assets</b>                   |                          |                    |  |                          |
| Land  | 19,451                   | 941                | (4,405)                                | 15,987                   |
| Construction in progress                        | 10,256                   | 13,635             | (18,759)                               | 5,132                    |
|   | <u>\$ 1,055,970</u>      | <u>\$ (41,914)</u> | <u>\$ (27,833)</u>                     | <u>\$ 986,223</u>        |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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During 2009, the University retired fully depreciated assets totaling \$151,955.

The University and Rutgers, the State University of New Jersey, 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 \$35,394 as of June 30, 2010 and 2009, respectively. Total accumulated depreciation related to these assets was \$25,433 and \$24,636 as of June 30, 2010 and 2009, respectively.

Included in the University's capital asset balances are assets acquired under capital leases totaling \$116,664 and \$115,952 as of June 30, 2010 and 2009, respectively. Total accumulated amortization related to these assets was \$47,231 and \$44,917 as of June 30, 2010 and 2009, respectively.

Included in the University's capital asset balances are capitalized interest costs of \$0 and \$366 as of June 30, 2010 and 2009, respectively. These amounts are net of \$234 in interest income and \$600 in interest expense as of June 30, 2009.

### **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 \$22,716 and \$21,630 in 2010 and 2009, respectively. Contributions to the Fund from the State totaled \$12,854 and \$9,485 in 2010 and 2009, respectively. Contributions to the Fund from the University's affiliates totaled \$8,107 and \$8,310 in 2010 and 2009, respectively, and are included in nonoperating revenues.

Net assets in the Fund amounted to (\$3,492) and (\$1,747) as of June 30, 2010 and 2009, respectively.

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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

As of June 30, 2010 and 2009, long-term debt, including bonds and capital lease obligations, consists of the following:

|   | 2010              | 2009              |
|---|-------------------|-------------------|
| University of Medicine and Dentistry of New Jersey Bonds, 2002 Series A, May 2002 issue in the amount of \$224,130. Serial bonds in the amount of \$90,315 bearing interest at rates of 4.0% to 5.5% are payable in installments of interest and principal through 2024; \$115,645 of 5.0%-5.5% terms bonds are due through 2031. The bonds are collateralized by University revenues consisting of any moneys appropriated for debt service, any and all tuition revenues and any funds available to pay operating expenses. | \$ 205,960        | \$ 211,440        |
| University of Medicine and Dentistry of New Jersey Series 2009 B Revenue Refunding Bonds, April 2009 issue in the amount of \$258,075. Serial bonds in the amount of \$72,625 bearing interest rates at 5.25%-6.5% are payable in equal installments of interest and principal through 2020; \$185,450 of 6.0%-7.5% term bonds are due through 2032. The bonds are collateralized by any legally available funds, with no specific pledge of revenues other than the funds held under the Lockbox Agreement. (1)              | 258,075           | 258,075           |
| University of Medicine and Dentistry of New Jersey Certificates of Participation, Series 2003 (2)   | 53,420            | 54,730            |
| Certificates of Participation, Series 2004 (3)  | 80,055            | 81,520            |
| Capital building leases (4)   | 58,292            | 59,817            |
| Capital equipment leases (5)  | -                 | 490               |
| Capital improvement fund obligation (6)   | 21,301            | 22,690            |
| Notes payable (7)   | 3,073             | 3,571             |
|   | <u>680,176</u>    | <u>692,333</u>    |
| Unamortized bond discount and loss on extinguishment of debt  | <u>(5,973)</u>    | <u>(6,310)</u>    |
| Total long-term debt, net of discount and capital lease obligations   | <u>\$ 674,203</u> | <u>\$ 686,023</u> |

- (1) In April 2009, the University entered into a Loan 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 2009B 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. The refunding resulted in a loss on extinguishment of debt of \$4,000, which was recognized as part of unamortized bond discount and is being amortized through 2025.

Total debt service payments for the 2009 B Bonds exceeded the total debt service payments for the refunded debt by \$82,000, which on a present value basis resulted in an economic loss of \$17,400.

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 Series 2009 B Bonds and 2002 Series A Bonds.

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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- (2) In January 2003, the University entered into a Master Lease Agreement whereby the University issued \$57,925 under Series 2003 Certificates of Participation for construction of the Child Health Institute located in New Brunswick. Serial certificates in the amount of \$20,430 bearing interest at rates of 3.4% - 5.0% are payable in equal installments of interest and principal through 2022; \$32,990 of 4.5% - 5.0% term certificates are due through 2032. These certificates are collateralized by available University revenues other than proceeds and earnings in rebate funds and grant accounts as well as insurance proceeds obtained for repair and replacement of the facility.
- (3) In December 2004, the University entered into a Master Lease Agreement whereby the University issued \$87,440 under Series 2004 Certificates of Participation for construction of the University Housing building located in Newark. Serial certificates in the amount of \$28,090 bearing interest at rates of 3.4% - 5.3% are payable in equal installments of interest and principal through 2024; \$51,965 of 5.0% term certificates are due through 2036. These certificates are collateralized by available University revenues other than proceeds and earnings in rebate fund 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) The University has a capital lease purchase agreement for equipment for several Newark facilities. The lease required an annual payment of \$510 through 2010, with an effective interest of 4.02%.
- (6) 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.
- (7) In May 1992 and February 1998, the University entered into capital funding agreements with the New Jersey Department of Human Services for \$250 and \$450, respectively, to purchase various properties. Title to the properties rests with the University. The agreements terminate in June 2012 and 2018, respectively, at which time the University can renew the agreements or repay the debt.

In October 2005, the University increased the February 1998 capital funding agreement with the New Jersey Department of Human Services to \$522 to renovate various collateralized properties. The termination date of this agreement remains June 2018.

## University of Medicine and Dentistry of New Jersey

### Notes to Consolidated Financial Statements

In December 2004, the University entered into an Enhanced Affiliation agreement with Robert Wood Johnson University Hospital, which provides for working capital requirements for Robert Wood Johnson Medical School 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, 2010, \$4,000 was drawn on the promissory note and principal payments were made in the amount of \$1,700.

In December 2006, the University assumed a loan obligation for PHRI payable to NJEDA in the amount of \$362. The loan was used to purchase certain machinery and equipment. The term of the agreement was through April 2010 and the interest was determined monthly at 3% below the Wall Street Journal prime rate, with a floor of 3% and a ceiling of 6.75%.

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, 2010 are as follows:

| <b>Year Ending June 30,</b>  | <b>Principal</b>  | <b>Interest</b>   | <b>Total Payments</b> |
|--|-------------------|-------------------|-----------------------|
| 2011   | \$ 10,466         | \$ 36,074         | \$ 46,540             |
| 2012   | 12,291            | 35,602            | 47,893                |
| 2013   | 16,493            | 34,935            | 51,428                |
| 2014   | 17,277            | 34,048            | 51,325                |
| 2015   | 18,137            | 33,145            | 51,282                |
| 2016-2020  | 105,293           | 149,574           | 254,867               |
| 2021-2025  | 127,257           | 116,465           | 243,722               |
| 2026-2030  | 166,805           | 73,941            | 240,746               |
| 2031-2035  | 135,980           | 19,139            | 155,119               |
| 2036   | 11,885            | 594               | 12,479                |
|  | <u>621,884</u>    | <u>533,517</u>    | <u>1,155,401</u>      |
| Less: Unamortized bond discount and loss on extinguishment of debt | <u>(5,973)</u>    | <u>-</u>          | <u>(5,973)</u>        |
|  | <u>\$ 615,911</u> | <u>\$ 533,517</u> | <u>\$ 1,149,428</u>   |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

Capital lease payments as of June 30, 2010 are as follows:

| Year Ending June 30, | Principal        | Interest         | Total Payments   |
|----------------------|------------------|------------------|------------------|
| 2011                 | \$ 1,606         | \$ 3,274         | \$ 4,880         |
| 2012                 | 1,689            | 3,190            | 4,879            |
| 2013                 | 1,779            | 3,101            | 4,880            |
| 2014                 | 1,945            | 3,003            | 4,948            |
| 2015                 | 2,408            | 2,900            | 5,308            |
| 2016-2020            | 14,409           | 12,366           | 26,775           |
| 2021-2025            | 15,156           | 8,033            | 23,189           |
| 2026-2030            | 12,960           | 4,325            | 17,285           |
| 2031-2032            | 6,340            | 576              | 6,916            |
|                      | <u>\$ 58,292</u> | <u>\$ 40,768</u> | <u>\$ 99,060</u> |

Long-term debt and capital lease obligations, estimated third party payors settlements and accrued claims liability activities for the years ended June 30, 2010 and 2009 are as follows:

|  | June 30,<br>2009  | Additions        | Reductions         | June 30,<br>2010  | Amounts<br>Due Within<br>One Year |
|--|-------------------|------------------|--------------------|-------------------|-----------------------------------|
| Bonds and notes payable                  |                   |                  |                    |                   |                                   |
| Revenue bonds                            | \$ 492,205        | \$ -             | \$ (6,869)         | \$ 485,336        | \$ 7,206                          |
| Certificates of participation            | 136,250           | -                | (2,775)            | 133,475           | 2,860                             |
| Notes payable                            | 3,571             | -                | (498)              | 3,073             | 400                               |
| Unamortized bond premium (discount)      | (6,310)           | -                | 337                | (5,973)           | -                                 |
|  | <u>625,716</u>    | <u>-</u>         | <u>(9,805)</u>     | <u>615,911</u>    | <u>10,466</u>                     |
| Capital lease obligations                |                   |                  |                    |                   |                                   |
| Building leases                          | 59,817            | -                | (1,525)            | 58,292            | 1,606                             |
| Equipment leases                         | 490               | -                | (490)              | -                 | -                                 |
|  | <u>60,307</u>     | <u>-</u>         | <u>(2,015)</u>     | <u>58,292</u>     | <u>1,606</u>                      |
| Estimated third party payors settlements | 10,064            | 680              | -                  | 10,744            | -                                 |
| Accrued claims liability and other       | 30,286            | 12,909           | (12,740)           | 30,455            | -                                 |
|  | <u>\$ 726,373</u> | <u>\$ 13,589</u> | <u>\$ (24,560)</u> | <u>\$ 715,402</u> | <u>\$ 12,072</u>                  |

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**

|  | June 30,<br>2008  | Additions         | Reductions          | June 30,<br>2009  | Amounts<br>Due Within<br>One Year |
|--|-------------------|-------------------|---------------------|-------------------|-----------------------------------|
| Bonds and notes payable                  |                   |                   |                     |                   |                                   |
| Revenue bonds                            | \$ 441,902        | \$ 258,075        | \$ (207,772)        | \$ 492,205        | \$ 6,868                          |
| Certificates of participation            | 174,315           | -                 | (38,065)            | 136,250           | 2,775                             |
| Mortgages payable                        | 214               | -                 | (214)               | -                 | -                                 |
| Notes payable                            | 4,102             | -                 | (531)               | 3,571             | 499                               |
| Unamortized bond premium (discount)      | 2,660             | (5,631)           | (3,339)             | (6,310)           | -                                 |
|  | <u>623,193</u>    | <u>252,444</u>    | <u>(249,921)</u>    | <u>625,716</u>    | <u>10,142</u>                     |
| Capital lease obligations                |                   |                   |                     |                   |                                   |
| Building leases                          | 61,267            | -                 | (1,450)             | 59,817            | 1,525                             |
| Equipment leases                         | 979               | -                 | (489)               | 490               | 490                               |
|  | <u>62,246</u>     | <u>-</u>          | <u>(1,939)</u>      | <u>60,307</u>     | <u>2,015</u>                      |
| Estimated third party payors settlements | -                 | 10,064            | -                   | 10,064            | -                                 |
| Accrued claims liability and other       | 22,595            | 17,014            | (9,323)             | 30,286            | 3,526                             |
|  | <u>\$ 708,034</u> | <u>\$ 279,522</u> | <u>\$ (261,183)</u> | <u>\$ 726,373</u> | <u>\$ 15,683</u>                  |

The estimated third party payors settlements amount represents the discounted value of the \$23,031 of liabilities that are to be repaid during 2014-2029. Annual interest expense of \$647 will be recorded through 2029 and will increase this liability.

Based on an actuarial valuation, the University recorded an accrued liability for workers compensation claims of \$30,207 and \$26,507 at June 30, 2010 and 2009, respectively, on a discounted basis assuming a 3.5% interest rate for each year. Actual losses will vary due to the uncertainty inherent in the projections used in the actuarial valuation.

## 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 \$58,860 in 2010 and \$58,251 in 2009 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 \$834,532 and \$814,961 for 2010 and 2009, 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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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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:

|   | <b>Year Ended June 30,</b> |             |
|---|----------------------------|-------------|
|   | <b>2010</b>                | <b>2009</b> |
| Employee contributions  | \$ 30,739                  | \$ 30,058   |
| Employer contributions (paid by the State)                            | 47,975                     | 46,620      |
| Basis for determining contributions - participating employee salaries | 599,690                    | 582,749     |

### **Public Employees' Retirement System**

*Plan Description*—PERS is a multiple-employer, public cost-sharing defined benefit retirement system which is administered by the State. University employees of a certain classification are required as a condition of employment to be members of PERS. Annual benefits are equal to the final average salary multiplied by years of service divided by 55. Final average salary is defined as the average of the salaries received by the member for the last three years of membership service or the three highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest after ten years of credited service. Members are eligible for retirement at age 60 with no minimum years of service required. Members who have 25 years or more of credited service may also select early retirement without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits which are established by State statute.

The State issues a financial report available to the public that includes financial statements and required supplementary information for PERS. It may be obtained from the Division.

*Contributions*—Covered University employees are required by PERS to contribute 5.5% of their annual compensation during 2010 and 2009. 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:

|   | <b>Year Ended June 30,</b> |             |
|---|----------------------------|-------------|
|   | <b>2010</b>                | <b>2009</b> |
| Employee contributions  | \$ 13,342                  | \$ 13,475   |
| Employer contributions (paid by the State)                            | 10,844                     | 10,893      |
| Employer contributions as a percentage of salary expense              | 5%                         | 5%          |
| Basis for determining contributions - participating employee salaries | 234,842                    | 232,212     |

## **10. Concentration of Credit Risk**

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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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, 2010 and 2009 are due from the following payors:

|                          | <b>2010</b> | <b>2009</b> |
|--------------------------|-------------|-------------|
| Medicare and Medicaid    | 34%         | 35%         |
| Other third-party payors | 34%         | 33%         |
| Self-pay patients        | 32%         | 32%         |
|                          | <u>100%</u> | <u>100%</u> |

### 11. Fair Value of Financial Instruments

The University estimates the fair value of its revenue bonds based upon quoted market prices. As of June 30, 2010, the carrying amount and fair value of the bonds were approximately \$638,185 and \$659,810, respectively. As of June 30, 2009 the carrying amount and fair value of the bonds were approximately \$647,160 and \$593,051, respectively.

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

### 12. Commitments and Contingencies

The University has a contract with SunGard Higher Education for software and outsourcing services needed to maintain the University's integrated administrative computer system through December 31, 2010 at an annual cost of \$3,140.

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, 2010 and 2009, the remaining balance on these contracts was \$11,251 and \$1,730, 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:

| <b>Year Ending June 30,</b> |                  |
|-----------------------------|------------------|
| 2011                        | \$ 4,970         |
| 2012                        | 4,241            |
| 2013                        | 3,771            |
| 2014                        | 3,098            |
| 2015                        | 2,873            |
| 2016-2020                   | 10,960           |
| 2021-2025                   | 10,159           |
| 2026-2030                   | 9,054            |
| 2031-and thereafter         | 1,858            |
|                             | <u>\$ 50,984</u> |

Total rent expense for all operating leases were \$5,130 and \$5,824 in 2010 and 2009, respectively.

## **University of Medicine and Dentistry of New Jersey**

### **Notes to Consolidated Financial Statements**

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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, 2010 and 2009, respectively.

During 2000, the Board of Trustees authorized the University to enter into two limited partnerships (Woodbury Mews 3, LLP and Woodbury Mews 4, LLP), which were formed to operate an assisted living facility and a dementia/Alzheimer's facility. In return for a 20% interest in each LLP, the University provided access to stand-by letters of credit totaling \$4,500. In 2004, one letter was amended downward by \$700. As of June 30, 2010 and 2009, \$3,800 was drawn on the letters of credit. The University reserved the entire \$3,800 in 2006.

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

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### 13. 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 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.

On December 30, 2005, the United States Attorney's Office for the District of New Jersey (the "Office") filed a criminal complaint charging the University with receiving improper Medicaid reimbursements. In connection with the filing of that complaint, the University and the Office entered into a Deferred Prosecution Agreement ("DPA"). Pursuant to the agreement, the University agreed to undertake remedial actions, retain an independent monitor ("Federal Monitor") and continue to cooperate with the Office, including with respect to any ongoing investigations, and make repayment of \$4,900 relating to physician services in outpatient clinics. This amount was repaid by the University in 2006.

On December 13, 2007, the Office announced that an extension of the DPA and retention of the Federal Monitor were not necessary, and terminated the DPA on January 10, 2008 and dismissed with prejudice the criminal complaint. The University settled the civil component of the criminal complaint in June 2009 for \$2,000.

Under the DPA, the Federal Monitor had certain investigative and other authority related to the University's operations. As a result of one of the investigations, the Federal Monitor issued a report in November 2006 which alleged that the University had violated certain billing and anti-kickback laws and regulations. The report indicated that the University could be liable for as much as \$84,000 in restitution, fines and penalties as a result of these potential violations. Under a September 2009 settlement agreement with the Office, the University has resolved this matter and remitted \$8,300 as a settlement amount to the Office in October 2009.

In connection with the settlement of these two cases, 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 agrees to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs.

Other matters referenced in the periodic Federal Monitor reports have been and continue to be investigated by the University. It is anticipated that these matters will be concluded by December 31, 2010. Where necessary, the University has engaged external experts to assess various healthcare matters, and the related liabilities have been estimated and recorded within the 2010 and 2009 financial statements, respectively.

The University is aware of Federal and State inquiries and investigations and has received subpoenas and other requests for information. The University has cooperated with the agencies and provided the information and data requested. Although the ultimate outcome of those investigations which remain incomplete is unknown at this time, management does not believe they will have a material effect on the University's financial position, operating results or cash flows.

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**

**14. Natural Expenses By Functional Classification**

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

|  | <b>Year Ended June 30, 2010</b> |                            |                                      |                     |                     |
|--|---------------------------------|----------------------------|--------------------------------------|---------------------|---------------------|
|  | <b>Salaries and<br/>Wages</b>   | <b>Fringe<br/>Benefits</b> | <b>Supplies<br/>and<br/>Services</b> | <b>Depreciation</b> | <b>Total</b>        |
| Instruction                              | \$ 133,732                      | \$ 41,210                  | \$ 8,303                             | \$ -                | \$ 183,245          |
| Research                                 | 70,207                          | 19,304                     | 97,105                               | -                   | 186,616             |
| Public service                           | 76,024                          | 22,715                     | 16,628                               | -                   | 115,367             |
| Academic and student support             | 18,380                          | 5,206                      | 7,216                                | -                   | 30,802              |
| Institutional and administrative support | 55,538                          | 30,173                     | 17,433                               | -                   | 103,144             |
| Patient care services                    | 376,249                         | 104,521                    | 204,529                              | -                   | 685,299             |
| Professional services and contracts      | 230,377                         | 38,990                     | 75,718                               | -                   | 345,085             |
| Operation and maintenance of plant       | 19,214                          | 13,770                     | 22,661                               | -                   | 55,645              |
| Depreciation                             | -                               | -                          | -                                    | 70,799              | 70,799              |
| Insurance                                | 590                             | 205                        | 9,271                                | -                   | 10,066              |
| Auxiliary enterprises and other          | 2,487                           | 773                        | 13,449                               | -                   | 16,709              |
| <b>Total operating expenses</b>          | <b>\$ 982,798</b>               | <b>\$ 276,867</b>          | <b>\$ 472,313</b>                    | <b>\$ 70,799</b>    | <b>\$ 1,802,777</b> |

|  | <b>Year Ended June 30, 2009</b> |                            |                                      |                     |                     |
|--|---------------------------------|----------------------------|--------------------------------------|---------------------|---------------------|
|  | <b>Salaries and<br/>Wages</b>   | <b>Fringe<br/>Benefits</b> | <b>Supplies<br/>and<br/>Services</b> | <b>Depreciation</b> | <b>Total</b>        |
| Instruction                              | \$ 143,523                      | \$ 43,195                  | \$ 16,166                            | \$ -                | \$ 202,884          |
| Research                                 | 68,755                          | 19,442                     | 91,667                               | -                   | 179,864             |
| Public service                           | 65,459                          | 13,019                     | 11,580                               | -                   | 90,058              |
| Academic and student support             | 16,859                          | 4,239                      | 6,419                                | -                   | 27,517              |
| Institutional and administrative support | 49,843                          | 13,860                     | 24,796                               | -                   | 88,499              |
| Patient care services                    | 393,592                         | 116,958                    | 218,209                              | -                   | 728,759             |
| Professional services and contracts      | 192,918                         | 36,174                     | 59,647                               | -                   | 288,739             |
| Operation and maintenance of plant       | 24,398                          | 9,185                      | 21,709                               | -                   | 55,292              |
| Depreciation                             | -                               | -                          | -                                    | 77,480              | 77,480              |
| Insurance                                | 588                             | -                          | 11,557                               | -                   | 12,145              |
| Auxiliary enterprises and other          | 2,466                           | 819                        | 16,146                               | -                   | 19,431              |
| <b>Total operating expenses</b>          | <b>\$ 958,401</b>               | <b>\$ 256,891</b>          | <b>\$ 477,896</b>                    | <b>\$ 77,480</b>    | <b>\$ 1,770,668</b> |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### 15. Component Unit - New Jersey Health Foundation, Inc.

The following information in note 15 has been taken from the Foundation's audited financial statements.

#### Summary of Significant Accounting Policies

##### Contributions

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

##### Grants Payable

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

##### Concentration of Credit Risk

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

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

##### 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:

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## Notes to Consolidated Financial Statements

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

### Recently Adopted Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC No. 105-10 (formerly referred to as SFAS No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). The Codification brings together and organizes all Generally Accepted Accounting Principles (GAAP) previously in Levels A through D of the GAAP Hierarchy and designates GAAP into two levels, authoritative and nonauthoritative. As of June 30, 2010, the Organization adopted ASC 105-10.

In 2010, the Foundation adopted Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally hedge funds and private equity – collectively alternative investments). This guidance amends Accounting Standards Codification (ASC) No. 820-10 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Foundation's ability to timely redeem its interest rather than on valuation inputs.

Effective June 30, 2010, the Foundation adopted ASC No. 855-10 (formerly referred to as SFAS No. 165), *Subsequent Events* (ASC 855-10). ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to June 30, 2010 through September 1, 2010, the date on which the financial statements were approved for issuance. The adoption of ASC 855-10 had no impact on the Foundation's financial statements.

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## Notes to Consolidated Financial Statements

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### Investments

#### Overall Investment Objective

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

#### Allocation of Investment Strategies

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

#### Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Foundation's interests in alternative investment funds are generally reported at the net asset value (NAV) provided by the fund managers, which is used as a practical expedient to estimate the fair value of 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, 2010, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

The following table summarizes the Foundation's investments and other assets by major category in the fair value hierarchy as of June 30, 2010, as well as related strategy, liquidity and funding commitments:

|  | June 30, 2010 |           |           |            | Redemption<br>or liquidation      | Days'<br>notice |
|--|---------------|-----------|-----------|------------|-----------------------------------|-----------------|
|  | Level 1       | Level 2   | Level 3   | Total      |                                   |                 |
| Long-term investment strategies:         |               |           |           |            |                                   |                 |
| Traditional fixed income funds           | \$ 21,416     | \$ -      | \$ -      | \$ 21,416  | Daily                             | 1               |
| Domestic equities:                       |               |           |           |            | Daily Level 1/<br>Monthly Level 2 |                 |
| Large-mid cap                            | 31,064        | 8,729     | -         | 39,793     |                                   | 2               |
| Small cap value                          | 4,002         | -         | -         | 4,002      | Daily                             | 1               |
| Small cap                                | 5,537         | -         | -         | 5,537      | Daily                             | 30              |
| Total                                    | 40,603        | 8,729     | -         | 49,332     |                                   |                 |
| Global (excluding U.S.) equities:        |               |           |           |            |                                   |                 |
| Developed markets                        | -             | 18,357    | -         | 18,357     | Monthly                           | 5               |
| Emerging markets                         | 4,481         | -         | -         | 4,481      | Daily                             | 1               |
| Total                                    | 4,481         | 18,357    | -         | 22,838     |                                   |                 |
| Hedged equity funds of funds:            |               |           |           |            |                                   |                 |
| Long/short strategies                    | -             | -         | 8,399     | 8,399      | Locked-up (1)                     | 60              |
| Absolute return/multiple strategies      | -             | -         | 22,284    | 22,284     | Locked-up (2)                     | 100             |
| Total                                    | -             | -         | 30,683    | 30,683     |                                   |                 |
| Private equity and venture capital funds | -             | -         | 6,493     | 6,493      | Illiquid (3)                      | N/A             |
| Other equity securities                  | 1,093         | 1,717     | -         | 2,810      | Daily                             | 1               |
| Total long-term investments              | 67,593        | 28,803    | 37,176    | 133,572    |                                   |                 |
| Cash equivalents – money market funds    | 27,156        | -         | -         | 27,156     | Daily                             | 1               |
| Total                                    | \$ 94,749     | \$ 28,803 | \$ 37,176 | \$ 160,728 |                                   |                 |

(1) Subject to a two year lock-up which expires September 2012.

(2) \$15 million of these funds subject to a three year lock-up expiring December 2012; after expiration subject to another three year lock-up. \$1 million of these funds subject to a three year rolling lock-up expiring June 2011. Remaining funds subject to a one year lock-up expiring December 2010.

(3) These funds are expected to liquidate within 7 –10 years. Unfunded future commitments aggregate \$2,100.

The money market funds are fully insured deposits through the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program.

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.

The following table presents the Foundation's activities for the year ended June 30, 2010 for investments classified in Level 3:

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**Notes to Consolidated Financial Statements**

|                                    | <b>2010</b>                                     |   |                                     |              |
|------------------------------------|---|---|-------------------------------------|--------------|
| <b>Level 3 roll forward</b>        | <b>Hedged<br/>equity<br/>funds of<br/>funds</b> | <b>Private<br/>equity and<br/>venture<br/>capital funds</b> | <b>Other<br/>funds of<br/>funds</b> | <b>Total</b> |
| Beginning value as of July 1, 2009 | \$ 32,567                                       | \$ 3,808  | \$ 34,679                           | \$ 71,054    |
| Acquisitions                       | -   | 2,021   | -                                   | 2,021        |
| Redemptions                        | (4,738)   | -   | -                                   | (4,738)      |
| Transfer of assets (1)             | -   | -   | (34,679)                            | (34,679)     |
| Net realized and unrealized gains  | 2,854   | 664   | -                                   | 3,518        |
| Fair value at June 30, 2010        | \$ 30,683                                       | \$ 6,493  | \$ -                                | \$ 37,176    |

(1) The transfer of assets out of Level 3 was due to the adoption of ASC No. 820-10. Certain investments categorized as Level 3 as of July 1, 2009 under previous guidance were transferred to Levels 1 and 2 to conform with the guidance provided in ASC No. 820-10.

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

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, 2010 is aggregated below based on redemption or sale period:

|                                       | <b>Investment<br/>fair values</b> |
|---------------------------------------|-----------------------------------|
| Investment redemption or sale period: |                                   |
| Daily                                 | \$ 96,466                         |
| Monthly                               | 27,086                            |
| Subject to rolling lock-ups           | 30,683                            |
| Illiquid                              | 6,493                             |
|                                       | \$ 160,728                        |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### Net Asset Balances

#### Temporarily Restricted Net Assets

As of June 30, 2010, temporarily restricted net assets are available for the following purposes:

|                                      |    |               |
|--------------------------------------|----|---------------|
| Construction of facilities           | \$ | 1,615         |
| Research grants                      |    | 15,507        |
| Faculty chairs                       |    | 2,638         |
| Lectures and events                  |    | 966           |
| Continuing education program support |    | 1,741         |
| Scholarships and fellowships         |    | 3,225         |
| Other designated program support     |    | 12,617        |
|                                      | \$ | <u>38,309</u> |

#### Permanently Restricted Net Assets

As of June 30, 2010, permanently restricted net assets consist of endowment contributions from donors with income to be used for specific or general purposes as follows:

|                              |    |               |
|------------------------------|----|---------------|
| Faculty chairs               | \$ | 31,437        |
| Research                     |    | 23,995        |
| Construction of facilities   |    | 11,762        |
| Lectureships                 |    | 994           |
| Scholarships and fellowships |    | 13,768        |
| Other                        |    | 3,067         |
|                              | \$ | <u>85,023</u> |

The Foundation's endowment consists of 257 funds 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:

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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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, 2010.

### **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.

# University of Medicine and Dentistry of New Jersey

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The following represents the net asset classes of the Foundation's board designated and donor-restricted endowment funds as of June 30, 2010:

|                                  | <b>Board<br/>designated</b> | <b>Temporarily<br/>restricted</b> | <b>Permanently<br/>restricted</b> | <b>Total</b>      |
|----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|-------------------|
| Board designated endowment funds | \$ 37,616                   | \$ -                              | \$ -                              | \$ 37,616         |
| Donor-restricted endowment funds | -                           | 7,068                             | 85,023                            | 92,091            |
| Total endowment funds            | 37,616                      | 7,068                             | 85,023                            | 129,707           |
| Other non-endowment funds        | 1,915                       | 31,241                            | -                                 | 33,156            |
| Total net assets                 | <u>\$ 39,531</u>            | <u>\$ 38,309</u>                  | <u>\$ 85,023</u>                  | <u>\$ 162,863</u> |

The following table presents changes in endowments for the year ended June 30, 2010:

|   | <b>Board<br/>designated</b> | <b>Temporarily<br/>restricted</b> | <b>Permanently<br/>restricted</b> | <b>Total</b>      |
|---|-----------------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets at July 1  | \$ 34,817                   | \$ -                              | \$ 93,884                         | 128,701           |
| Investment income   | 606                         | 1,040                             | -                                 | 1,646             |
| Net appreciation (realized and unrealized)                                  | 5,254                       | 12,460                            | -                                 | 17,714            |
| Contributions   | -                           | -                                 | 1,240                             | 1,240             |
| Appropriation of endowment assets for expenditure                           | (1,993)                     | (1,776)                           | -                                 | (3,769)           |
| Cost recovery and investment fees   | (928)                       | (2,223)                           | -                                 | (3,151)           |
| Refunded to grantor/repurpose of grant                                      | -                           | -                                 | (10,000)                          | (10,000)          |
| Transfer of gain on investments to replenish board<br>designated net assets | 2,433                       | (2,433)                           | -                                 | -                 |
| Board designated expenses   | (2,561)                     | -                                 | -                                 | (2,561)           |
| Transfers   | (12)                        | -                                 | (101)                             | (113)             |
|   | <u>\$ 37,616</u>            | <u>\$ 7,068</u>                   | <u>\$ 85,023</u>                  | <u>\$ 129,707</u> |

### Contributions Receivable

Contributions receivable consist of the following as of June 30, 2010:

|  |                 |
|--|-----------------|
| Unconditional promises to give, net                    | \$17,847        |
| Receivable under charitable remainder trust agreements | <u>1,858</u>    |
|  | <u>\$19,705</u> |

Contributions receivable are expected to be received subsequent to June 30, 2010 as follows:

|  |                 |
|--|-----------------|
| Less than one year                                   | \$6,797         |
| One year to five years                               | 14,074          |
| Present value discount ranging from 1.5% to 6%       | (926)           |
| Allowance for uncollectible contributions receivable | <u>(240)</u>    |
|  | <u>\$19,705</u> |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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The receivable under charitable remainder trust agreements of \$1,858 as of June 30, 2010, consists of the following:

- (1) Charitable remainder trust to be received after the death of two beneficiaries, namely the wife and son of the deceased donor. The estimated value of the trust assets to be received by the Foundation is \$1,750. Therefore, as of June 30, 2010, the present value of the \$1,750 at 6% for 22 years, \$487, has been included in contributions receivable.
- (2) Charitable remainder trust to be received after the death of the donor. The estimated value of the trust assets to be received by the Foundation is \$840, which has been included in contributions receivable.
- (3) Charitable remainder trust to be received after the death of one beneficiary, namely the wife of the deceased donor. The estimated value of the trust assets to be received by the Foundation is \$700. Therefore, as of June 30, 2010, the present value of the \$700 at 4% for 7 years, \$532, has been included in contributions receivable.

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

The following information in note 16 has been taken from the CINJ Foundation's audited financial statements.

#### Investments

As of June 30, 2010 and 2009 investments consist of the following:

|  | 2010            | 2009            |
|--|-----------------|-----------------|
| Short-term investments:  |                 |                 |
| Certificates of deposit - temporarily restricted   | \$ 2,289        | \$ 1,991        |
| Marketable securities - temporarily restricted   | 9               | -               |
| Total short-term investments   | <u>2,298</u>    | <u>1,991</u>    |
| Long-term investments:   |                 |                 |
| Certificates of deposit - temporarily restricted   | 196             | 2,578           |
| Corporate bonds - temporarily restricted   | 2,257           | 2,253           |
| Cash surrender value of \$4 million second-to-die universal Life Insurance Policy - permanently restricted | 39              | 33              |
| Total long-term investments  | <u>2,642</u>    | <u>4,864</u>    |
| Total investments  | <u>\$ 4,940</u> | <u>\$ 6,855</u> |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2010:

|                                  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>  |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------|
| Net Interest and dividend income | \$ 18               | \$ 172                            | \$ 10                             | \$ 200        |
| Unrealized gain                  | -                   | 7                                 | (13)                              | (6)           |
| Net realized gain (loss)         | -                   | -                                 | -                                 | -             |
| Net earnings on investments      | <u>\$ 18</u>        | <u>\$ 179</u>                     | <u>\$ (3)</u>                     | <u>\$ 194</u> |

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2009:

|                                  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>  |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------|
| Net Interest and dividend income | \$ 49               | \$ 121                            | \$ 33                             | \$ 203        |
| Unrealized gain                  | -                   | 56                                | -                                 | 56            |
| Net realized gain (loss)         | -                   | -                                 | -                                 | -             |
| Net earnings on investments      | <u>\$ 49</u>        | <u>\$ 177</u>                     | <u>\$ 33</u>                      | <u>\$ 259</u> |

### **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 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.

## University of Medicine and Dentistry of New Jersey

### Notes to Consolidated Financial Statements

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, 2010:

|   | <u>Level 1</u>  | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>     |
|---|-----------------|-----------------|----------------|------------------|
| Investments   |                 |                 |                |                  |
| Cash equivalents:   |                 |                 |                |                  |
| Money market funds  | \$ 6,407        | \$ -            | \$ -           | \$ 6,407         |
| Short-term investments:   |                 |                 |                |                  |
| Certificates of deposit - financial services                      | 2,289           | -               | -              | 2,289            |
| Marketable securities - common stock - consumer services          | 9               | -               | -              | 9                |
| Total short-term investments                                      | <u>2,298</u>    | <u>-</u>        | <u>-</u>       | <u>2,298</u>     |
| Long-term investments:  |                 |                 |                |                  |
| Certificates of deposit - financial services - financial services | 196             | -               | -              | 196              |
| Corporate bonds - financial services - AAA                        | 150             | 2,257           | -              | 2,407            |
| Life insurance  | -               | -               | 39             | 39               |
| Cash equivalents restricted for long-term purposes                | 704             | -               | -              | 704              |
| Total long-term investments                                       | <u>1,050</u>    | <u>2,257</u>    | <u>39</u>      | <u>3,346</u>     |
| Total investments   | <u>\$ 9,755</u> | <u>\$ 2,257</u> | <u>\$ 39</u>   | <u>\$ 12,051</u> |

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, 2009:

|  | <u>Level 1</u>   | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>     |
|--|------------------|-----------------|----------------|------------------|
| Investments  |                  |                 |                |                  |
| Cash equivalents:                                  |                  |                 |                |                  |
| Money market funds                                 | \$ 4,925         | \$ -            | \$ -           | \$ 4,925         |
| Short-term investments:                            |                  |                 |                |                  |
| Certificates of deposit - financial services       | 1,991            | -               | -              | 1,991            |
| Long-term investments:                             |                  |                 |                |                  |
| Certificates of deposit - financial services       | 2,578            | -               | -              | 2,578            |
| Corporate bonds - financial services               | -                | 2,253           | -              | 2,253            |
| Life insurance                                     | -                | -               | 33             | 33               |
| Cash equivalents restricted for long-term purposes | 840              | -               | -              | 840              |
| Total long-term investments                        | <u>3,418</u>     | <u>2,253</u>    | <u>33</u>      | <u>5,704</u>     |
| Total investments                                  | <u>\$ 10,334</u> | <u>\$ 2,253</u> | <u>\$ 33</u>   | <u>\$ 12,620</u> |

For applicable assets and liabilities subject to this pronouncement, the CINJ Foundation will value such assets and liabilities using quoted market prices in active market for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the CINJ

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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Foundation will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the CINJ Foundation will develop measurement criteria based upon the best information available.

The following is a summary of activity for the year ended June 30, 2010 for assets measured at fair value based upon unobservable measure criteria:

|   |    |           |
|---|----|-----------|
| Balance beginning of year                               | \$ | 33        |
| Cash surrender value of life insurance policy purchased |    | 6         |
| Balance end of year                                     | \$ | <u>39</u> |

### Endowment Funds

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

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

### 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

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## Notes to Consolidated Financial Statements

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### **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 is in the process of rewriting its endowment policy to reflect the impact of today's economic climate. Pending completion of a revised endowment policy, the CINJ Foundation started a conservative, timed investment of the existing endowment funds during fiscal year 2010.

### **Strategies Employed for Achieving Objectives**

The CINJ Foundation had established a long-term endowment strategy at a point in time where the economic climate was quite different than that of today. The investment committee is re-visiting the CINJ Foundation's policies in light of recent funds received for endowment and restructuring how these funds are invested.

### **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.

**University of Medicine and Dentistry of New Jersey**  
**Notes to Consolidated Financial Statements**

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The following table provides information regarding the change in endowment net assets for the years ended June 30, 2010 and 2009:

|   | <b>Permanently Restricted</b> |               |
|---|-------------------------------|---------------|
|   | <b>2010</b>                   | <b>2009</b>   |
| Endowment net assets, beginning                             | \$ 909                        | \$ 41         |
| Investment return   | (3)                           | 33            |
| Contribution (Net)  | 6                             | 880           |
| Administrative fee  | (1)                           | (45)          |
| Endowment net assets, ending -<br>with purpose restrictions | <u>\$ 911</u>                 | <u>\$ 909</u> |

**Contributions Receivable**

Contributions receivable include only unconditional promises to give and are expected to be received subsequent to June 30, 2010 and 2009 as follows:

|  | <b>2010</b>     | <b>2009</b>     |
|--|-----------------|-----------------|
| One year or less   | \$ 542          | \$ 569          |
| One year to five years   | 2,110           | 2,313           |
| Present value discount at 3.5% and 4.5% for 2010<br>and 2009, respectively | (165)           | (300)           |
| Allowance for uncollectible contributions                                  | <u>(50)</u>     | <u>(25)</u>     |
|  | <u>\$ 2,437</u> | <u>\$ 2,557</u> |

Contributions receivable are classified as follows as of June 30:

|                        | <b>2010</b>     | <b>2009</b>     |
|------------------------|-----------------|-----------------|
| Unrestricted           | \$ 162          | \$ 168          |
| Temporarily Restricted | 2,258           | 2,353           |
| Permanently Restricted | <u>17</u>       | <u>36</u>       |
|                        | <u>\$ 2,437</u> | <u>\$ 2,557</u> |

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

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

**Investments, Assets Whose Use is Limited, and Trading Securities.**

**Long Term Investments**

Investments are stated at fair value and consisted of the following as of June 30, 2010 and 2009:

|                       | <b>2010</b>   | <b>2009</b>   |
|-----------------------|---------------|---------------|
| Marketable securities | <u>\$ 238</u> | <u>\$ 156</u> |

# University of Medicine and Dentistry of New Jersey

## Notes to Consolidated Financial Statements

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### Assets Limited as to Use

Assets limited as to use at June 30, 2010 and 2009 is set forth in the following table:

|  | <b>2010</b>     | <b>2009</b>   |
|--|-----------------|---------------|
| Cash and cash equivalents whose use is limited | \$ 2,347        | \$ 720        |
|  | <u>\$ 2,347</u> | <u>\$ 720</u> |

### Trading Securities

The composition of trading securities at June 30, 2010 and 2009 is set forth in the following table:

|  | <b>2010</b>      | <b>2009</b>     |
|--|------------------|-----------------|
| Investment in money market funds         | \$ 1,291         | \$ 1,250        |
| Investments in equity                    | 3,216            | 2,601           |
| Investment in U.S. government securities | 1,461            | 1,357           |
| Investments in bonds                     | 4,261            | 4,396           |
| Total trading securities                 | <u>\$ 10,229</u> | <u>\$ 9,604</u> |

Investment income and net unrealized gain (loss) on long-term investments, cash and cash equivalents whose use is limited, and cash and cash equivalents for the years ended June 30, 2010 and 2009 consisted of the following:

|  | <b>2010</b>   | <b>2009</b>     |
|--|---------------|-----------------|
| Interest income (loss/unrealized market changes) | \$ 720        | \$ (414)        |
| Dividend income                                  | 2             | 2               |
| Net unrealized gain (loss)                       | 82            | (47)            |
|  | <u>\$ 804</u> | <u>\$ (459)</u> |

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2010 are as follows:

|                            | <b>Fair Value at June 30, 2010</b> |                 |                |
|----------------------------|------------------------------------|-----------------|----------------|
|                            | <b>Level 1</b>                     | <b>Level 2</b>  | <b>Level 3</b> |
| <b>Assets</b>              |                                    |                 |                |
| Money market funds         | \$ 12,307                          | \$ -            | \$ -           |
| Equity securities          | 3,454                              | -               | -              |
| U.S. government securities | 1,461                              | -               | -              |
| Bonds                      | -                                  | 4,260           | -              |
| Total assets               | <u>\$ 17,222</u>                   | <u>\$ 4,260</u> | <u>\$ -</u>    |

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## Notes to Consolidated Financial Statements

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The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2009 are as follows:

|                            | <b>Fair Value at June 30, 2009</b> |                 |                |
|----------------------------|------------------------------------|-----------------|----------------|
|                            | <b>Level 1</b>                     | <b>Level 2</b>  | <b>Level 3</b> |
| <b>Assets</b>              |                                    |                 |                |
| Money market funds         | \$ 3,395                           | \$ -            | \$ -           |
| Equity securities          | 2,757                              | -               | -              |
| U.S. government securities | 1,357                              | -               | -              |
| Bonds                      | -                                  | 4,396           | -              |
| Total assets               | <u>\$ 7,509</u>                    | <u>\$ 4,396</u> | <u>\$ -</u>    |

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

*U.S. Governments Securities and Bonds* – The estimated fair values of debt securities are based on quoted market prices (Level 1) and/or other market data for the same or comparable instruments and transactions in establishing the prices (Level 2). Fair values of debt securities that do not trade on a regular basis in active markets are classified as Level 2.

*Marketable Equity Securities and Money Market Funds* – Fair value estimates for publicly traded equity securities and money market funds are based on quoted market prices are classified as Level 1.

# **Supplementary Information**

**University of Medicine and Dentistry of New Jersey**  
**Combining Statements of Net Assets – Piscataway and Newark Centers of**  
**University Behavioral HealthCare**  
**As of June 30, 2010**  
**(In thousand of dollars)**

|   | <u>Piscataway<br/>Center</u> | <u>Newark<br/>Center</u> | <u>Total</u>     |
|---|------------------------------|--------------------------|------------------|
| <b>Assets</b>   |                              |                          |                  |
| Current assets  |                              |                          |                  |
| Cash and cash equivalents   | \$ 13,472                    | \$ 1,494                 | \$ 14,966        |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$3,388 | 5,637                        | 1,647                    | 7,284            |
| Other receivables, net of allowance for doubtful<br>accounts of \$101     | 1,307                        | 11                       | 1,318            |
| Grants Receivable   | 1,586                        | 309                      | 1,895            |
| Inventory and other assets  | <u>62</u>                    | <u>-</u>                 | <u>62</u>        |
| Total current assets  | <u>22,064</u>                | <u>3,461</u>             | <u>25,525</u>    |
| Noncurrent assets   |                              |                          |                  |
| Capital assets, net   | <u>17,281</u>                | <u>396</u>               | <u>17,677</u>    |
| Total assets  | <u>39,345</u>                | <u>3,857</u>             | <u>43,202</u>    |
| <b>Liabilities</b>  |                              |                          |                  |
| Current liabilities   |                              |                          |                  |
| Accounts payable and accrued expenses                                     | 3,959                        | 604                      | 4,563            |
| Estimated third party payors settlements                                  | 4,922                        | -                        | 4,922            |
| Accrued vacation  | 1,434                        | 551                      | 1,985            |
| Due to other funds  | <u>506</u>                   | <u>-</u>                 | <u>506</u>       |
| Total current liabilities   | <u>10,821</u>                | <u>1,155</u>             | <u>11,976</u>    |
| Noncurrent liabilities:   |                              |                          |                  |
| Long-term debt and capital lease obligations                              | <u>772</u>                   | <u>255</u>               | <u>1,027</u>     |
| Total liabilities   | <u>11,593</u>                | <u>1,410</u>             | <u>13,003</u>    |
| <b>Net Assets</b>   | <u>\$ 27,752</u>             | <u>\$ 2,447</u>          | <u>\$ 30,199</u> |

**University of Medicine and Dentistry of New Jersey**  
**Combining Statements of Revenues, Expenses and Changes in Net Assets –**  
**Piscataway and Newark Centers of University Behavioral HealthCare**  
**For the Year Ended June 30, 2010**  
(In thousand of dollars)

|   | <u>Piscataway<br/>Center</u> | <u>Newark<br/>Center</u> | <u>Total</u>     |
|---|------------------------------|--------------------------|------------------|
| <b>Operating revenues</b>                   |                              |                          |                  |
| Government grants and contracts             | \$ 17,592                    | \$ 4,535                 | \$ 22,127        |
| Private grants and contracts                | 930                          | 3                        | 933              |
| Net patient service revenues                | 18,601                       | 7,137                    | 25,738           |
| Professional services and contracts         | 6,822                        | 327                      | 7,149            |
| Other operating revenues                    | 481                          | 14                       | 495              |
| Total operating revenues                    | <u>44,426</u>                | <u>12,016</u>            | <u>56,442</u>    |
| <b>Operating expenses</b>                   |                              |                          |                  |
| Instruction                                 | 3                            | -                        | 3                |
| Research                                    | 735                          | -                        | 735              |
| Public Service                              | 17,976                       | 4,538                    | 22,514           |
| Institutional & administrative support      | (60)                         | (32)                     | (92)             |
| Patient care services                       | 48,817                       | 15,874                   | 64,691           |
| Depreciation                                | 1,557                        | 91                       | 1,648            |
| Insurance                                   | 436                          | 335                      | 771              |
| Total operating expenses                    | <u>69,464</u>                | <u>20,806</u>            | <u>90,270</u>    |
| Operating loss                              | <u>(25,038)</u>              | <u>(8,790)</u>           | <u>(33,828)</u>  |
| <b>Nonoperating revenues (expenses)</b>     |                              |                          |                  |
| State appropriations - operations           | 15,918                       | 8,413                    | 24,331           |
| Fringe benefits paid by the State           | 8,459                        | 3,104                    | 11,563           |
| Other                                       | 9,401                        | (11,576)                 | (2,175)          |
| Total nonoperating revenues (expenses), net | <u>33,778</u>                | <u>(59)</u>              | <u>33,719</u>    |
| <b>Decrease in net assets</b>               | 8,740                        | (8,849)                  | (109)            |
| Net assets - beginning of year              | <u>19,012</u>                | <u>11,296</u>            | <u>30,308</u>    |
| <b>Net assets - end of year</b>             | <u>\$ 27,752</u>             | <u>\$ 2,447</u>          | <u>\$ 30,199</u> |

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                        | Program Title                     | Grant Period |            | Total<br>Awarded<br>Program<br>Amount and<br>Adjustments | Total<br>Disbursements<br>and<br>Reclassifications | FY 2010<br>Total<br>Awarded<br>Amount and<br>Adjustments | FY 2010<br>Disbursements<br>and<br>Reclassifications |
|---|-----------------------------------|--------------|------------|--|--|--|--|
|   |                                   | From         | To         |  |  |  |  |
| <b>Research and Development and Research Training Cluster</b> |                                   |              |            |  |  |  |  |
| Commission on Cancer Research                                 |                                   |              |            |  |  |  |  |
| 05-1968-CCR-EO  | Summer fellow / Ranaw             | 6/1/2005     | 8/31/2005  | \$ 3,200   | \$ 3,200   | \$ -   | \$ (717)   |
| 05-2409-CCR-E-O   | Role of p300/CBP                  | 6/1/2005     | 5/31/2007  | 96,800   | 95,565   | -  | (5,751)  |
| 07-1056-CCR-E-O   | Testosterone Supplement           | 7/1/2006     | 6/30/2009  | 99,000   | 98,945   | -  | 18,363   |
| 07-1057-CCR-EO  | NJCCR Dr Gelinaz                  | 7/1/2006     | 6/30/2009  | 99,000   | 99,000   | -  | (300)  |
| 07-1058-CCR-E-O   | Phosphorylation                   | 7/1/2006     | 6/30/2008  | 90,350   | 90,350   | -  | -  |
| 08-1084-CCR-EO  | Breast Cancer Growth              | 7/1/2007     | 6/30/2009  | 95,098   | 95,098   | (3,902)  | 8,250  |
| 08-1095-CCR-EO  | Cloning a Viral receptor          | 7/1/2007     | 6/30/2009  | 40,000   | 40,000   | -  | (1,619)  |
| 08-1095-CCR-EO  | Study of Adult T-cell             | 7/1/2007     | 6/30/2009  | 36,750   | 36,750   | (3,250)  | 538  |
| 09-1074-CCR-EO  | BMP-6 and Neuroendocrine          | 7/1/2008     | 6/30/2009  | 52,800   | 52,800   | -  | (961)  |
| 09-1076-CCR-EO  | The role of E2f3                  | 6/26/2009    | 6/25/2011  | 269,139  | 85,437   | -  | 85,005   |
| 09-1077-CCR-EO  | Effect of Fetal Zeara             | 6/26/2009    | 6/25/2011  | 116,433  | 55,269   | 116,433  | 55,269   |
| 09-1079-CCR-EO  | The Role of PDCD2                 | 6/26/2009    | 6/25/2011  | 130,044  | 40,460   | 130,044  | 40,460   |
| 09-1082-CCR-EO  | A Computational & Systematic      | 6/26/2009    | 6/25/2011  | 553,393  | 136,466  | 553,393  | 136,466  |
| 09-1083-CCR-E-O   | Multidisciplinary Research        | 6/26/2009    | 6/25/2010  | 557,000  | 351,170  | -  | 351,170  |
| 09-1097-CCR-EO  | Mesenchymal stem cell             | 7/1/2008     | 6/30/2010  | 66,000   | 26,174   | -  | 22,552   |
| 09-1105-CCR-EO  | Immune Infiltrates                | 7/1/2008     | 6/30/2009  | 57,130   | 57,137   | -  | (141)  |
| 09-1106-CCR-EO  | Mitochondrial telomerase          | 7/1/2008     | 6/30/2010  | 49,500   | 51,893   | -  | 18,654   |
| 09-1124-CCR-EO  | Tumor Suppression                 | 7/1/2008     | 6/30/2010  | 130,900  | 128,385  | -  | 55,413   |
| 09-1125-CCR-EO  | Induced oxidative stress          | 6/26/2009    | 6/25/2010  | 133,850  | 15,913   | 133,850  | 15,913   |
| 09-1128-CCR-EO  | A Pilot Study of Nucleotides      | 7/1/2008     | 6/30/2011  | 132,000  | 114,552  | 66,000   | 66,293   |
| 09-1132-CCR-EO  | Mycoplasma and BMP2 i             | 7/1/2008     | 6/30/2010  | 132,000  | 139,988  | 66,000   | 81,094   |
| 09-1134-CCR-EO  | In Vivo Thermal Sensitivity       | 7/1/2008     | 6/30/2010  | 43,683   | 42,343   | (22,317)   | 667  |
| 09-1137-CCR-EO  | Prostate Cancer Stem Cell Therapy | 6/26/2009    | 6/25/2011  | 132,853  | 106,732  | -  | 106,732  |
| 09-1138-CCR-EO  | New routes to apoptos             | 6/26/2009    | 6/25/2011  | 264,018  | 136,332  | -  | 136,332  |
| 09-1144-CCR-EO  | Allogeneic Cellular T             | 6/26/2009    | 6/25/2011  | 126,996  | 75,845   | -  | 75,845   |
| 09-1160-CCR-E-O   | UMDNJ-NJMS/UH Cancer              | 6/26/2009    | 6/25/2011  | 476,340  | 290,989  | 476,340  | 290,989  |
| 09-1167-CCR-EO  | Epithelial Integrity              | 7/1/2008     | 6/30/2011  | 132,000  | 54,725   | 66,000   | 24,298   |
| 09-1255-CCR-EO  | Regulation of GTPase              | 7/1/2008     | 6/30/2010  | 112,500  | 123,132  | (22,500)   | 52,347   |
| 09-1959-CCR-EO  | Role of Macrophages               | 7/1/2008     | 6/30/2010  | 45,000   | 44,744   | 22,500   | 21,079   |
| 09-1966-CCR-EO  | Effect of Poly Polymerase         | 9/1/2008     | 8/31/2010  | 45,000   | 40,533   | 22,500   | 22,515   |
| 09-1970-CCR-EO  | The Role of Leukemia              | 6/26/2009    | 6/26/2011  | 135,318  | 104,564  | -  | 104,564  |
| 09-1973-CCR-EO  | Imaging & Targeting T             | 6/26/2009    | 6/30/2010  | 852,333  | 772,711  | 295,333  | 772,711  |
| 09-1975-CCR-EO  | BMP-6 & Neuroendocrine            | 6/26/2009    | 6/25/2010  | 133,680  | 131,163  | 133,680  | 131,163  |
| 09-2404-CCR-R-O   | Fellowship for Piotr Pierog       | 4/1/2009     | 3/31/2011  | 25,000   | 30,943   | -  | 25,751   |
| 09-2406-CCR-EO  | The Role of Autophagy             | 4/1/2009     | 3/31/2011  | 222,334  | 107,867  | -  | 95,496   |
| 09-2408-CCR-EO  | The FryHomolog                    | 4/1/2009     | 3/31/2011  | 130,474  | 91,647   | 13,474   | 73,117   |
| 10-1072-CCR-EO  | A novel biological therapy        | 12/1/2009    | 11/30/2011 | 150,000  | 61,764   | 150,000  | 61,764   |
| 10-1139-CCR-EO  | Cancer Survivorship               | 8/3/2009     | 6/30/2010  | 20,000   | 18,290   | 20,000   | 18,290   |
| 10-1961-CCR-EO  | Role of IDO-blockade              | 12/1/2009    | 11/30/2010 | 150,000  | -  | 150,000  | -  |
| 10-1963-CCR-EO  | Genetic Variants Implant          | 12/1/2009    | 11/30/2010 | 150,000  | 24,856   | 150,000  | 24,856   |
| 10-1964-CCR-EO  | MSCs in African Americans         | 12/1/2009    | 11/30/2010 | 150,000  | 15,919   | 150,000  | 15,919   |
| 10-1-CCR-EO   | Deep Sequencing Analysis          | 7/1/2009     | 6/30/2011  | 500,000  | 494,240  | 500,000  | 494,240  |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                                    | Program Title                         | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|---------------------------------------|--------------|------------|--|---|--|---|
|   |                                       | From         | To         |  |   |  |   |
| <b>Research and Development and Research Training Cluster (continued)</b> |                                       |              |            |  |   |  |   |
| Commission on Cancer Research (continued)                                 |                                       |              |            |  |   |  |   |
| 10-2410-CCR-EO  | GLS2, a Novel p53 Target              | 12/1/2009    | 11/30/2011 | 126,000                                      | 26,962                                    | 126,000                                      | 26,962                                      |
| 10-2411-CCR-EO  | Pten & p53 in Ovarian CA              | 12/1/2009    | 11/30/2011 | 92,000                                       | 35,081                                    | 92,000                                       | 35,081                                      |
| 10-2412-CCR-EO  | Oncogene induced telomere dysfunction | 12/1/2009    | 11/30/2011 | 75,000                                       | 28,799                                    | 75,000                                       | 28,799                                      |
| MOA   | Novel Actin Regulator                 | 4/1/2009     | 3/31/2011  | 86,167                                       | 53,284                                    | -  | 43,572                                      |
| Total Commission on Cancer Research                                       |                                       |              |            | 7,317,083                                    | 4,728,017                                 | 3,456,578                                    | 3,629,040                                   |
| New Jersey Department of Environmental Protection and Energy              |                                       |              |            |  |   |  |   |
| New Jersey Environmental Protection Agency                                |                                       |              |            |  |   |  |   |
| SR06-039  | The Distribution of Chromium          | 5/25/2006    | 5/25/2008  | 130,000                                      | 130,000                                   | -  | 560   |
| SR08-016  | Chromium Exposure                     | 2/15/2008    | 11/30/2009 | 342,888                                      | 342,888                                   | -  | 85,682                                      |
| SR08-010  | Characterization of Hexavalent        | 3/20/2008    | 6/19/2009  | 51,873                                       | 51,873                                    | -  | (11,532)                                    |
| SR08-045  | An Evaluation of Potential            | 6/30/2008    | 12/29/2009 | 75,000                                       | 75,017                                    | -  | 20,616                                      |
| SR09-005  | Evaluation of Two Samples             | 10/1/2008    | 6/30/2011  | 611,381                                      | 377,443                                   | 27,711                                       | 293,853                                     |
| SR09-015  | Blood Monitoring Program              | 6/1/2010     | 5/31/2011  | 476,429                                      | 235,719                                   | -  | 233,907                                     |
| Total New Jersey Environmental Protection Agency                          |                                       |              |            | 1,687,571                                    | 1,212,940                                 | 27,711                                       | 623,086                                     |
| New Jersey Division of Science Research and Technology                    |                                       |              |            |  |   |  |   |
| 06-2042-014-80  | Mechanisms of Mesenchymal             | 1/1/2006     | 12/31/2007 | 306,464                                      | 300,803                                   | -  | 1,183                                       |
| 06-2042-014-78  | PTH-mediated EGFR Signal              | 1/1/2006     | 12/31/2008 | 300,000                                      | 299,033                                   | -  | (256)                                       |
| SR09-002  | Exposure of Infants to Endocrine      | 6/20/2005    | 6/30/2010  | 100,384                                      | 103,254                                   | -  | 37,671                                      |
| Total New Jersey Division of Science Research and Technology              |                                       |              |            | 706,848                                      | 703,090                                   | -  | 38,598                                      |
| Total New Jersey Department of Environmental Protection and Energy        |                                       |              |            | 2,394,419                                    | 1,916,030                                 | 27,711                                       | 661,684                                     |
| Governor's Council on Autism  |                                       |              |            |  |   |  |   |
| 10-407-SCH-E0   | NJ Council Treatment                  | 6/1/2010     | 6/27/2011  | 232,964                                      | -   | 232,964                                      | -   |
| Total Governor's Council on Autism  |                                       |              |            | 232,964                                      | -   | 232,964                                      | -   |
| Department of Law and Public Safety                                       |                                       |              |            |  |   |  |   |
| Office of Highway Traffic Safety  |                                       |              |            |  |   |  |   |
| PS -Y II  | Pedestrian safety program             | 10/1/2008    | 9/30/2009  | 55,530                                       | 40,613                                    | -  | 34,539                                      |
| PS08-46-01-19   | Pedestrian Safety Program             | 10/1/2007    | 9/30/2008  | 24,409                                       | 24,409                                    | -  | (1,049)                                     |
| Total Division of Science Research and Technology                         |                                       |              |            | 79,939                                       | 65,022                                    | -  | 33,490                                      |
| Division of Criminal Justice  |                                       |              |            |  |   |  |   |
| 08VAGI-22   | VOCA FY10                             | 1/1/2009     | 3/31/2009  | 13,746                                       | 13,477                                    | 13,746                                       | -   |
| Total Division of Criminal Justice  |                                       |              |            | 13,746                                       | 13,477                                    | 13,746                                       | -   |
| Total Department of Law and Public Safety                                 |                                       |              |            | 93,685                                       | 78,499                                    | 13,746                                       | 33,490                                      |
| New Jersey Department of Health and Senior Services                       |                                       |              |            |  |   |  |   |
| Special Children's Health Services  |                                       |              |            |  |   |  |   |
| 08-255-SCH-E-1  | Newborn Screening                     | 7/1/2007     | 6/30/2008  | 48,249                                       | 48,249                                    | -  | (3,505)                                     |
| Total Special Children's Health Services                                  |                                       |              |            | 48,249                                       | 48,249                                    | -  | (3,505)                                     |

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**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                                    | Program Title                      | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|------------------------------------|--------------|------------|--|---|--|---|
|   |                                    | From         | To         |  |   |  |   |
| <b>Research and Development and Research Training Cluster (continued)</b> |                                    |              |            |  |   |  |   |
| Division of Epidemiology and Disease Control<br>MOA                       | On line CME Activity               | 3/1/2009     | 12/31/2009 | 34,236                                       | 27,714                                    | -  | 27,714                                      |
| Total Division of Epidemiology and Disease Control                        |                                    |              |            | 34,236                                       | 27,714                                    | -  | 27,714                                      |
| Division of AIDS Prevention and Control                                   |                                    |              |            |  |   |  |   |
| 04-754-AID-E-0  | Comprehensive HIV Service          | 1/1/2004     | 12/31/2004 | 175,000                                      | 175,000                                   | -  | (117)                                       |
| 09-800-AID-E-0  | HIV Antibody Alternate             | 7/1/2008     | 6/30/2009  | 2,919,840                                    | 2,919,916                                 | -  | 757,253                                     |
| 09-792-AID-E-0  | HIV Antibody Alternate             | 7/1/2008     | 6/30/2009  | 285,012                                      | 285,012                                   | (1,204)                                      | 8,985                                       |
| 10-778-AID-E-0  | NJ Rapid HIV Testing               | 7/1/2009     | 6/30/2010  | 2,722,190                                    | 1,685,024                                 | 2,722,190                                    | 1,685,024                                   |
| 10-795-AID-E-0  | HIV Antibody Alternate             | 7/1/2009     | 6/30/2010  | 286,216                                      | 223,862                                   | 286,216                                      | 223,862                                     |
| Total Division of Aids Prevention & Control                               |                                    |              |            | 6,388,258                                    | 5,288,814                                 | 3,007,202                                    | 2,675,007                                   |
| Family Health Services  |                                    |              |            |  |   |  |   |
| 99-VAWA-33<br>MOA. NJDHSS   | Develop A Database                 | 9/1/2000     | 6/30/2009  | 309,122                                      | 283,466                                   | 45,700                                       | 44,556                                      |
| MOA   | New Jersey Cancer Education        | 4/24/2003    | 6/30/2009  | 35,600                                       | 35,600                                    | -  | -   |
| MOA   | Evaluation of NJ comprehensive     | 3/1/2004     | 2/28/2005  | 325,000                                      | 322,595                                   | -  | 17,925                                      |
| MOA   | Needs Assessment                   | 4/15/2008    | 10/15/2008 | 12,852                                       | 12,852                                    | -  | (686)                                       |
| 10-272-SCH-H-3<br>MOA   | NJ Regional Hemophilia             | 7/1/2009     | 6/30/2010  | 271,975                                      | 266,919                                   | 271,975                                      | 266,919                                     |
| MOA   | Comprehensive Care HD              | 7/1/1996     | 6/30/1997  | 243,856                                      | 244,696                                   | -  | 840   |
| Total Family Health Services  |                                    |              |            | 1,198,405                                    | 1,166,128                                 | 317,675                                      | 329,554                                     |
| Division of Alcohol, Drug Abuse and Addiction Services                    |                                    |              |            |  |   |  |   |
| 06-508-ADA-3  | Alcohol & Drug Abuse               | 9/1/2005     | 8/31/2006  | 164,007                                      | 164,007                                   | -  | (5,571)                                     |
| Total Division of Alcohol, Drug Abuse and Addiction Services              |                                    |              |            | 164,007                                      | 164,007                                   | -  | (5,571)                                     |
| Office of Local Health  |                                    |              |            |  |   |  |   |
| MOA   | MOA-Potassium Iodide               | 3/31/2005    | 6/30/2007  | 45,000                                       | 39,827                                    | -  | 1,959                                       |
| Total Office of Local Health  |                                    |              |            | 45,000                                       | 39,827                                    | -  | 1,959                                       |
| New Jersey Commission on Spinal Cord Research                             |                                    |              |            |  |   |  |   |
| 04-3029-SCR-E-0   | Inhibitory Mechanisms              | 6/15/2004    | 6/30/2008  | 364,092                                      | 364,092                                   | -  | (102)                                       |
| 04-3033-SCR-E-0   | NJCSCR Mouse Sponal c              | 7/1/2004     | 6/30/2007  | 399,967                                      | 399,967                                   | -  | 1   |
| 05-3047-SCR-E-0   | Glial Migration                    | 6/15/2005    | 6/30/2007  | 360,690                                      | 361,019                                   | -  | 378   |
| 06-2918-SCR-E-0   | NJCSCR-Fellowship-Han              | 7/1/2006     | 6/30/2008  | 95,491                                       | 95,491                                    | (180)  | -   |
| 06-3058-SCR-E-0   | Engineering Nanofibrillar Surfaces | 6/15/2006    | 6/30/2009  | 315,462                                      | 377,290                                   | -  | (6,183)                                     |
| 07-2928-SCR-E-0   | A C-type lectin-like               | 6/15/2007    | 6/30/2010  | 100,000                                      | 100,000                                   | -  | (4,262)                                     |
| 07-2933-SCR-E-0   | Poiods spinal cord                 | 6/15/2007    | 6/30/2009  | 57,279                                       | 57,429                                    | (2,721)                                      | 1,112                                       |
| 07-3060-SCR-E-0   | Molecular Mechanisms               | 12/15/2006   | 12/30/2008 | 331,112                                      | 331,111                                   | -  | (3,474)                                     |
| 07-3066SCR-E-0  | NJCSCR Role of brn3 G              | 6/15/2007    | 6/30/2010  | 400,000                                      | 399,992                                   | -  | 59,224                                      |
| 082938SCREO   | NJSCR Schwann cell                 | 12/1/2007    | 11/30/2008 | 19,970                                       | 19,970                                    | -  | -   |

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**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                                    | Program Title                 | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|-------------------------------|--------------|------------|--|---|--|---|
|   |                               | From         | To         |  |   |  |   |
| <b>Research and Development and Research Training Cluster (continued)</b> |                               |              |            |  |   |  |   |
| New Jersey Commission on Spinal Cord Research (continued)                 |                               |              |            |  |   |  |   |
| 08-2940-SCR-E-0   | Fellowship for Kedar          | 6/1/2008     | 12/30/2010 | 60,000                                       | 61,534                                    | -  | 29,035                                      |
| 08-3073-SCR-E-0   | Novel Targets Neuroprotection | 12/15/2007   | 12/30/2010 | 197,562                                      | 196,510                                   | -  | 91,451                                      |
| 08-3082-SCR-E-0   | Spinal Cord Injury            | 6/15/2008    | 6/30/2011  | 378,532                                      | 216,418                                   | -  | 125,804                                     |
| 08-3207-BIR-E-1   | Stimulating CNS: Regeneration | 6/1/2008     | 5/31/2011  | 427,392                                      | 234,564                                   | 208,295                                      | 201,147                                     |
| 09-2944-SCR-E-0   | Axon regeneration             | 6/15/2009    | 6/14/2011  | 60,000                                       | 24,971                                    | 60,000                                       | 24,971                                      |
| 09-2945-SCR-E-0   | Molecular Mechanisms          | 6/15/2009    | 6/30/2011  | 100,000                                      | 29,812                                    | 100,000                                      | 29,812                                      |
| 09-3035-SCR-E-5   | Cell Proliferation            | 6/15/2004    | 10/31/2010 | 1,100,000                                    | 1,029,590                                 | -  | 135,152                                     |
| 09-3084-SCR-E-0   | Molecules Promoting           | 6/15/2009    | 6/30/2011  | 368,515                                      | 51,087                                    | -  | 51,087                                      |
| 09-3087-SCR-E-0   | Foxn4 Neurogen NJSCR          | 6/15/2009    | 6/30/2010  | 193,764                                      | 99,207                                    | 193,764                                      | 99,207                                      |
| 09-3207-BIR-E-2   | Stimulating CNS Regeneration  | 6/1/2008     | 5/31/2011  | 592,145                                      | 284,133                                   | 299,527                                      | 205,906                                     |
| 10-2946-SCR-E-0   | Molecular Mechanisms          | 12/15/2009   | 12/30/2012 | 150,000                                      | 27,239                                    | 150,000                                      | 27,239                                      |
| 10-3088-SC-R-E-0  | NJSCR axon remyelination      | 12/15/2009   | 12/30/2011 | 200,000                                      | 29,849                                    | 200,000                                      | 29,849                                      |
| NJSCR PRE   | NJSCR Orphan GPCR             | 6/15/2010    | 6/30/2013  | 200,000                                      | -   | 200,000                                      | -   |
| Total New Jersey Commission on Spinal Cord Research                       |                               |              |            | 6,471,973                                    | 4,791,275                                 | 1,408,685                                    | 1,097,354                                   |
| Office of Cancer Control and Prevention                                   |                               |              |            |  |   |  |   |
| MOA   | MOA Evaluation of NJ          | 4/1/2005     | 6/30/2009  | 325,000                                      | 262,216                                   | -  | 51,343                                      |
| MOA   | MOA Evaluation Technical      | 3/1/2005     | 6/30/2009  | 30,000                                       | 30,000                                    | -  | (256)                                       |
| 06-50-CCC-E-2   | Essex County Implementation   | 7/1/2005     | 6/30/2006  | 65,000                                       | 67,402                                    | -  | (528)                                       |
| MOA   | MOA Evaluation Comprehensive  | 2/1/2006     | 6/30/2009  | 125,000                                      | 31,070                                    | -  | 22,757                                      |
| MOA   | MOA Evaluation Comprehensive  | 2/1/2006     | 6/30/2009  | 60,000                                       | 4,236                                     | -  | 80  |
| 08-50-CCC-E-1   | NJ Comprehensive Cancer       | 7/1/2007     | 6/30/2008  | 65,000                                       | 65,000                                    | -  | (36)  |
| 09-50-CCC-E-2   | ECCC Prostate Suppl F         | 7/1/2008     | 6/30/2009  | 157,132                                      | 157,132                                   | -  | 1,996                                       |
| 09-1098-CCR-EO  | The HuR in Tamoxifen          | 6/26/2009    | 6/25/2010  | 118,882                                      | 121,095                                   | -  | 121,095                                     |
| Total Office of Cancer Control and Prevention                             |                               |              |            | 946,014                                      | 738,151                                   | -  | 196,451                                     |
| New Jersey Comprehensive Tobacco Control Program                          |                               |              |            |  |   |  |   |
| MOA   | Overall Evaluation            | 7/1/2007     | 6/30/2008  | 1,065,000                                    | 1,065,000                                 | -  | 180   |
| 09-1997-TOB-E-0   | Tobacco Dependence Program    | 7/1/2008     | 6/30/2009  | 588,000                                      | 583,435                                   | -  | (43,176)                                    |
| 10-280-TOB-E-0  | Tobacco Dependence Program    | 7/1/2009     | 6/30/2010  | 558,600                                      | 625,636                                   | 558,600                                      | 625,636                                     |
| Total New Jersey Comprehensive Tobacco Program                            |                               |              |            | 2,211,600                                    | 2,274,071                                 | 558,600                                      | 582,640                                     |
| New Jersey Commission on Brain Injury Research                            |                               |              |            |  |   |  |   |
| 09-3213-BIR-E-0   | Tonic Gabageric inhibitor     | 6/1/2009     | 5/31/2012  | 449,424                                      | 101,721                                   | 449,424                                      | 101,721                                     |
| 07-3203-BIR-E-0   | NJ com Brain injury           | 4/1/2007     | 3/31/2010  | 297,217                                      | 297,217                                   | (2,783)                                      | 62,372                                      |
| 07-3200-BIR-E-0   | NJ Brain Injury research      | 6/1/2007     | 5/31/2009  | 300,000                                      | 311,594                                   | -  | (6,946)                                     |
| 083205-BIR-2  | NJ Comm on Brain Injury       | 7/1/2008     | 5/31/2011  | 330,000                                      | 298,584                                   | -  | 126,835                                     |
| 09-3212-BIR-E-0   | IGF protrin to Brain          | 6/1/2009     | 5/31/2011  | 165,000                                      | 127,757                                   | -  | 116,574                                     |
| 09-3206-BIR-E-2   | Role of Bone Marrow C         | 6/1/2008     | 12/31/2010 | 330,000                                      | 304,763                                   | -  | 166,072                                     |
| Total New Jersey Commission on Brain Injury Research                      |                               |              |            | 1,871,641                                    | 1,441,636                                 | 446,641                                      | 566,628                                     |

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**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                                    | Program Title                          | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|--|--------------|------------|--|---|--|---|
|   |  | From         | To         |  |   |  |   |
| <b>Research and Development and Research Training Cluster (continued)</b> |  |              |            |  |   |  |   |
| Division of Health Emergency Preparedness                                 |  |              |            |  |   |  |   |
| MOA   | The Hepac Support Program              | 1/1/2008     | 6/30/2009  | 113,028                                      | 112,673                                   | (15,020)                                     | 25,058                                      |
| MOA   | The HEPAC Support Program              | 9/1/2009     | 2/28/2010  | 32,817                                       | 32,326                                    | 32,817                                       | 32,326                                      |
| MOA   | Development of a Comprehensive Plan    | 8/1/2008     | 6/30/2009  | 250,000                                      | 250,000                                   | -  | 16,300                                      |
| MOA   | Development of a Comprehensive Plan    | 7/1/2009     | 6/30/2010  | 245,000                                      | 221,416                                   | 245,000                                      | 221,416                                     |
| Total Division of Health Emergency Preparedness                           |  |              |            | 640,845                                      | 616,415                                   | 262,797                                      | 295,100                                     |
| New Jersey Developmental Disabilities Council                             |  |              |            |  |   |  |   |
| P7GE9N  | Safety education for Child Pedestrians | 7/1/2008     | 6/30/2011  | 38,230                                       | 84,274                                    | -  | 39,717                                      |
| Total New Jersey Developmental Disabilities Council                       |  |              |            | 38,230                                       | 84,274                                    | -  | 39,717                                      |
| Division of Developmental Disabilities                                    |  |              |            |  |   |  |   |
| 07ML5C  | NJ DHS DDD 2005                        | 7/1/2004     | 6/30/2005  | 1,164,266                                    | 1,164,266                                 | -  | 227   |
| 07ML6C  | DDD 2006                               | 7/1/2005     | 6/30/2006  | 1,188,880                                    | 1,188,880                                 | -  | (36)  |
| Total Division of Mental Health Services                                  |  |              |            | 2,353,146                                    | 2,353,146                                 | -  | 191   |
| Division of Mental Health Services  |  |              |            |  |   |  |   |
| 50065   | Using Peer Counselors                  | 5/1/2008     | 4/30/2009  | 67,892                                       | 67,892                                    | (436)  | -   |
| Total Division of Developmental Disabilities                              |  |              |            | 67,892                                       | 67,892                                    | (436)  | -   |
| Total New Jersey Department of Health and Senior Services                 |  |              |            | 22,479,496                                   | 19,101,599                                | 6,001,164                                    | 5,803,239                                   |
| New Jersey Department of Education  |  |              |            |  |   |  |   |
| MOA   | Rapid HIV Testing                      | 10/1/2009    | 9/30/2010  | 667,414                                      | 360,375                                   | 667,414                                      | 360,375                                     |
| SRR016706A  | Laser Scanning                         | 4/1/2003     | 3/31/2009  | 220,000                                      | 220,206                                   | -  | 3,783                                       |
| Total Department of Education   |  |              |            | 887,414                                      | 580,581                                   | 667,414                                      | 364,158                                     |
| Governor's Commission on Science and Technology                           |  |              |            |  |   |  |   |
| 07-2042-014-82  | Stem Cell Based Therapy                | 8/1/2007     | 8/31/2009  | 300,000                                      | 283,886                                   | -  | 8,637                                       |
| 06-2042-014-76  | Molecular Circuitry                    | 1/1/2006     | 12/31/2008 | 300,000                                      | 299,437                                   | -  | 2,712                                       |
| 07-2042-014-83  | Stem Cells in Lung Cancer              | 7/1/2007     | 12/31/2009 | 300,000                                      | 339,003                                   | -  | 62,399                                      |
| 07-2042-014-84  | Vasculogtenesis Embryo                 | 7/1/2007     | 6/30/2010  | 298,246                                      | 291,933                                   | -  | 59,755                                      |
| 07-2042-014-85  | Stem Cell Therapeutic                  | 7/1/2007     | 6/30/2009  | 300,000                                      | 310,228                                   | -  | 13,152                                      |
| 07-2042-014-92  | Stem Cell research 07                  | 9/1/2007     | 8/31/2010  | 268,533                                      | 258,613                                   | -  | 82,791                                      |
| HESC-08-01-00   | NJ Stem cell Bioengineering            | 10/1/2007    | 9/30/2010  | 2,518,857                                    | 2,248,827                                 | -  | 790,475                                     |
| 07-2042-014-98  | Arterial Access Catheter               | 1/1/2008     | 6/30/2010  | 72,500                                       | 66,310                                    | -  | (2,286)                                     |
| 07-2042-014-91  | Mechanisms of Mesench                  | 9/1/2007     | 1/15/2010  | 300,000                                      | 300,000                                   | -  | 112,400                                     |
| 07-2042-014-88  | Use of Stem Cells                      | 9/1/2007     | 2/28/2010  | 300,000                                      | 300,070                                   | -  | 72,524                                      |
| 07-2042-014-93  | NJCST Differentiatio                   | 7/1/2007     | 6/30/2010  | 300,000                                      | 302,271                                   | -  | 71,238                                      |
| HESC-06-04-00   | Umbilical Cord Blood                   | 1/1/2006     | 6/30/2007  | 250,000                                      | 250,000                                   | -  | (530)                                       |
| HESC-06-05-00   | Cord Blood Stem Cell                   | 1/1/2006     | 5/31/2008  | 250,000                                      | 250,000                                   | -  | 566   |
| 07-2042-014-86  | Identification and Change              | 9/1/2007     | 8/31/2010  | 300,000                                      | 264,172                                   | -  | 88,785                                      |
| 07-2042-014-79  | Post-Transplant High                   | 9/1/2007     | 8/31/2010  | 300,000                                      | 220,486                                   | -  | 80,474                                      |
| 07-2042-014-87  | Stem Cell 07 2042 014                  | 9/1/2007     | 8/31/2010  | 297,080                                      | 235,868                                   | 119,743                                      | 16,290                                      |
| Total Governor's Commission on Science and Technology                     |  |              |            | 6,655,216                                    | 6,221,104                                 | 119,743                                      | 1,459,382                                   |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                                    | Program Title  | Grant Period |           | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|--|--------------|-----------|--|---|--|---|
|   |  | From         | To        |  |   |  |   |
| <b>Research and Development and Research Training Cluster (continued)</b> |  |              |           |  |   |  |   |
| New Jersey Meadowlands Commission   |  |              |           |  |   |  |   |
| MOA   | Determination of Hexeivalent Chromium                        | 4/1/2009     | 6/30/2010 | 38,000                                       | 36,471                                    | -  | 36,471                                      |
|   | Total New Jersey Meadowlands Commission                      |              |           | 38,000                                       | 36,471                                    | -  | 36,471                                      |
| State of New Jersey Office of Homeland Security                           |  |              |           |  |   |  |   |
| MOA   | MOA- NJ State Office   | 2/11/2008    | 8/10/2009 | 35,000                                       | 35,000                                    | -  | 2,218                                       |
| MOA   | Interpreting Prospective Studies                             | 3/31/2009    | 6/30/2010 | 82,500                                       | 80,023                                    | -  | 77,110                                      |
|   | Total New Jersey Office of Homeland Security                 |              |           | 117,500                                      | 115,023                                   | -  | 79,328                                      |
|   | Total Research and Development and Research Training Cluster |              |           | \$ 40,215,777                                | \$ 32,777,324                             | \$ 10,519,320                                | \$ 12,066,792                               |
| <b>Student Financial Aid Cluster</b>                                      |  |              |           |  |   |  |   |
| Department of Education   |  |              |           |  |   |  |   |
| Education Opportunity Fund  |  |              |           |  |   |  |   |
| PRE MATRIC  | EOF  | 7/1/2003     | 6/30/2010 | \$ 5,158                                     | \$ 5,158                                  | \$ (4,586)                                   | \$ -  |
| 2007 MLK Phys. Dentis   | 2007 MLK Phys. Dentist                                       | 6/1/2006     | 7/31/2007 | 119,150                                      | 119,150                                   | (5,150)                                      | -   |
| EOF   | EOF Academic Year 2008                                       | 6/1/2007     | 7/31/2008 | 99,788                                       | 92,241                                    | -  | (2)   |
| MOA   | URBAN SCHOLARSHIP AID  | 7/1/2007     | 6/30/2009 | -  | -   | (465)  | -   |
| EOF FY 09 MOA   | EOF-09   | 6/1/2008     | 7/31/2009 | 347,058                                      | 371,093                                   | (46,306)                                     | 21,912                                      |
| EOF MLK-NJMS FY2009   | EOF MLK-NJMS FY2009  | 6/1/2008     | 7/31/2009 | 214,873                                      | 214,873                                   | -  | (25,000)                                    |
| EOF MLK FY 2010   | EOF MLK FY 2010  | 6/1/2009     | 7/31/2010 | 333,824                                      | 602,000                                   | 333,824                                      | 627,000                                     |
| EOF FY 10 MOA   | EOF -10  | 6/1/2009     | 7/31/2010 | 417,112                                      | 400,032                                   | 417,112                                      | 410,907                                     |
|   | Total Education Opportunity Fund                             |              |           | 1,536,963                                    | 1,804,547                                 | 694,429                                      | 1,034,817                                   |
| New Jersey Office of Student Assistance                                   |  |              |           |  |   |  |   |
| DSFY03SA  | Edward Bloustein Dist  | 7/1/2002     | 6/30/2005 | 2,000  | 2,000                                     | 125  | -   |
| NJOSA TAG FY2009  | NJOSA TAG FY2009   | 7/1/2008     | 6/30/2009 | 326,029                                      | 326,029                                   | 46,029                                       | -   |
| NJOSA-TAG FY-2010   | NJOSA-TAG FY-2010  | 7/1/2009     | 6/30/2010 | 326,985                                      | 326,985                                   | 326,985                                      | 326,985                                     |
|   | Total New Jersey Office of Student Assistance                |              |           | 655,014                                      | 655,014                                   | 373,139                                      | 326,985                                     |
| Department of Education   |  |              |           |  |   |  |   |
| MOA   | College Access Challenge                                     | 7/1/2008     | 6/30/2011 | 10,000                                       | (903)                                     | -  | 3,097                                       |
|   | Total Office of Student Assistance                           |              |           | 10,000                                       | (903)                                     | -  | 3,097                                       |
|   | Total New Jersey Department of Education                     |              |           | 2,201,977                                    | 2,458,658                                 | 1,067,568                                    | 1,364,899                                   |
| New Jersey Commission on Cancer Research                                  |  |              |           |  |   |  |   |
| LOA# 01-2013-CCR-00   | PREDOCTORAL FELLOWSHIP                                       | 7/1/2000     | 6/30/2002 | 58,000                                       | 58,000                                    | -  | (39,869)                                    |
| 08-1093-CCR-E0  | Activation of RhoB i   | 7/1/2007     | 6/30/2009 | 35,838                                       | 35,838                                    | (4,162)                                      | -   |
|   | Total New Jersey Commission on Cancer Research               |              |           | 93,838                                       | 93,838                                    | (4,162)                                      | (39,869)                                    |
|   | Total Student Financial Aid Cluster                          |              |           | \$ 2,295,815                                 | \$ 2,552,496                              | \$ 1,063,406                                 | \$ 1,325,030                                |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number              | Program Title                        | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|--------------------------------------|--------------|------------|--|---|--|---|
|   |                                      | From         | To         |  |   |  |   |
| <b>Other Programs</b>                               |                                      |              |            |  |   |  |   |
| New Jersey Department of Education                  |                                      |              |            |  |   |  |   |
| Division of Libraries                               |                                      |              |            |  |   |  |   |
| 2001-0535   | Statewide Library Service            | 1/1/1999     | 6/30/2010  | \$ 629,000                                   | \$ 628,094                                | \$ 40,000                                    | \$ 39,612                                   |
| Total Division of Libraries                         |                                      |              |            | 629,000                                      | 628,094                                   | 40,000                                       | 39,612                                      |
| Special Education Division                          |                                      |              |            |  |   |  |   |
| MOU   | NJ DOE YEAR-2                        | 7/1/2008     | 8/31/2009  | 707,297                                      | 707,297                                   | (83,136)                                     | 20,935                                      |
| MOU   | NJ DOE- MOU                          | 9/1/2009     | 6/30/2010  | 941,597                                      | 547,507                                   | 941,597                                      | 547,507                                     |
| Total Special Education Division                    |                                      |              |            | 1,648,894                                    | 1,254,804                                 | 858,461                                      | 568,442                                     |
| Education Opportunity Fund                          |                                      |              |            |  |   |  |   |
| MAC Incentive Hiring                                | MAC Incentive Hiring                 | 12/1/2006    | 6/30/2010  | 40,000                                       | 35,000                                    | 15,000                                       | 10,000                                      |
| 2009(FY09/10) SUMMER                                | 2009(FY09/10) SUMMER                 | 6/21/2009    | 7/31/2009  | 67,492                                       | 66,978                                    | 67,492                                       | 43,861                                      |
| LOA   | Osteo PreMatric                      | 6/1/2009     | 7/31/2010  | 6,835  | 6,832                                     | 6,835  | 6,762                                       |
| 2010 (FY 10/11) SUMMER                              | 2010 (FY 10/11) SUMMER               | 6/20/2010    | 7/31/2010  | 67,492                                       | 9,347                                     | 67,492                                       | 9,347                                       |
| Total Education Opportunity Fund                    |                                      |              |            | 181,819                                      | 118,157                                   | 156,819                                      | 69,970                                      |
| Division of Vocational Education                    |                                      |              |            |  |   |  |   |
| MOU   | Occupational Education Safety        | 11/1/2007    | 10/31/2008 | 229,906                                      | 229,906                                   | -  | 2   |
| MOU   | Occupational Education               | 11/1/2008    | 10/31/2009 | 225,000                                      | 224,947                                   | -  | 106,180                                     |
| MOU   | Occupational Education               | 11/1/2009    | 10/31/2010 | 225,000                                      | 109,030                                   | 225,000                                      | 109,030                                     |
| Total Division of Vocational Education              |                                      |              |            | 679,906                                      | 563,883                                   | 225,000                                      | 215,212                                     |
| Division of Adult and Occupational Services         |                                      |              |            |  |   |  |   |
| SKMYC8C   | NJ Youthcorp Summer Program          | 5/1/2008     | 9/30/2008  | 79,533                                       | 79,533                                    | (5,028)                                      | (72)  |
| SKMYC9C   | NJ Youthcorp FY2009                  | 7/1/2008     | 6/30/2009  | 218,900                                      | 218,900                                   | -  | 2,924                                       |
| SKMYC10C  | NJ Youthcorp FY2010                  | 7/1/2009     | 9/30/2009  | 24,510                                       | 24,510                                    | 24,510                                       | 24,510                                      |
| Total Division of Adult and Occupational Services   |                                      |              |            | 322,943                                      | 322,943                                   | 19,482                                       | 27,362                                      |
| Department of Education                             |                                      |              |            |  |   |  |   |
| MOA   | Rapid HIV Testing                    | 2/1/2008     | 9/30/2009  | 1,012,301                                    | 997,656                                   | (142,080)                                    | 139,309                                     |
| Total Department of Education                       |                                      |              |            | 1,012,301                                    | 997,656                                   | (142,080)                                    | 139,309                                     |
| Total New Jersey Department of Education            |                                      |              |            | 4,474,863                                    | 3,885,537                                 | 1,157,682                                    | 1,059,907                                   |
| Higher Education Student Assistance Authority       |                                      |              |            |  |   |  |   |
| #03CSH034SLOA                                       | Primary Care Loan Redemption Program | 7/1/1992     | 6/30/2009  | 24,180,790                                   | 15,976,377                                | 1,745,962                                    | 776,971                                     |
| Total Higher Education Student Assistance Authority |                                      |              |            | 24,180,790                                   | 15,976,377                                | 1,745,962                                    | 776,971                                     |
| Department of Law and Public Safety                 |                                      |              |            |  |   |  |   |
| Division of Criminal Justice                        |                                      |              |            |  |   |  |   |
| MOA   | NJ Law Enforcement Cop to Cop        | 6/1/2008     | 5/30/2009  | 400,000                                      | 400,000                                   | -  | (399)                                       |
| MOA   | NJ Law Enforcement Cop to Cop        | 6/1/2009     | 5/30/2010  | 400,000                                      | 401,354                                   | 400,000                                      | 390,309                                     |
| ID1002  | (JUNE) Cop to Cop                    | 6/1/2009     | 6/30/2009  | 28,999                                       | 21,324                                    | 28,999                                       | 21,324                                      |
| MOA   | Psychiatric Consultation             | 7/1/2007     | 12/31/2008 | -  | 79,446                                    | -  | 12,820                                      |
| Total Division of Criminal Justice                  |                                      |              |            | 828,999                                      | 902,124                                   | 428,999                                      | 424,054                                     |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                       | Program Title  | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|--|--|--------------|------------|--|---|--|---|
|  |  | From         | To         |  |   |  |   |
| <b>Other programs (continued)</b>                            |  |              |            |  |   |  |   |
| New Jersey Department of Law and Public Safety               |  |              |            |  |   |  |   |
| MOU  | Continuing Education Course                          | 4/1/2008     | 1/31/2011  | 131,600                                      | 70,252                                    | 82,400                                       | 39,373                                      |
|  | Total New Jersey Department of Law and Public Safety |              |            | 131,600                                      | 70,252                                    | 82,400                                       | 39,373                                      |
|  | Total Department of Law and Public Safety            |              |            | 960,599                                      | 972,376                                   | 511,399                                      | 463,427                                     |
| <b>New Jersey Department of Children and Family Services</b> |  |              |            |  |   |  |   |
| Division of Child Behavioral Health Services                 |  |              |            |  |   |  |   |
| 06AXMR   | Children's Mobile Response                           | 7/1/2005     | 6/30/2006  | 375,879                                      | 375,879                                   | -  | (9)   |
| 07EGMR   | Children Training & T                                | 1/1/2007     | 12/31/2007 | 1,087,405                                    | 1,087,405                                 | (262,595)                                    | -   |
| 08ARGR   | C-M-R Essex BAII                                     | 7/1/2007     | 6/30/2008  | 117,265                                      | 21,830                                    | -  | (145)                                       |
| 08AXMR   | Children's Mobile Response                           | 7/1/2007     | 6/30/2008  | 727,799                                      | 502,889                                   | -  | (2)   |
| 08DRMR   | OP Adult - APN Child                                 | 7/1/2007     | 6/30/2008  | 2,049,324                                    | 2,049,324                                 | (277,457)                                    | -   |
| 08EGMR   | Children in Court                                    | 1/1/2008     | 12/31/2008 | 18,703                                       | 18,703                                    | (1,602)                                      | (305)                                       |
| 09ARGR   | Children's Mobile Response                           | 7/1/2008     | 6/30/2009  | 717,926                                      | 156,249                                   | -  | 27,747                                      |
| 09AXMR   | Children's Mobile Response                           | 7/1/2008     | 6/30/2009  | 704,168                                      | 497,946                                   | (238,751)                                    | 41,837                                      |
| 09DRMR   | OP Adult-APN Child                                   | 7/1/2008     | 6/30/2009  | 2,723,574                                    | 2,723,750                                 | (821,055)                                    | 144,823                                     |
| 10ARGR   | Children's Mobile Response                           | 7/1/2009     | 6/30/2010  | 725,672                                      | 159,697                                   | 725,672                                      | 158,914                                     |
| 10AXMR   | CMR-Middlesex BAII                                   | 7/1/2009     | 6/30/2010  | 1,036,861                                    | 483,926                                   | 1,036,861                                    | 483,926                                     |
| 10DRMR   | OP Adult APN Child                                   | 7/1/2009     | 6/30/2010  | 5,597,898                                    | 2,653,779                                 | 5,597,898                                    | 2,646,442                                   |
| 10EGMR   | Dually Diagnosed Training                            | 1/1/2009     | 12/31/2009 | 1,988,408                                    | 1,841,362                                 | (228,133)                                    | 1,022,305                                   |
| 10EGMR   | Dually Diagnosed Training                            | 1/1/2010     | 12/31/2010 | 2,216,541                                    | 806,316                                   | 2,216,541                                    | 806,316                                     |
|  | Total Division of Child Behavioral Health Services   |              |            | 20,087,423                                   | 13,379,055                                | 7,747,379                                    | 5,331,849                                   |
| <b>New Jersey Division of Youth and Family Services</b>      |  |              |            |  |   |  |   |
| 08XDDS   | DYFS FY08  | 7/1/2007     | 6/30/2008  | 2,340,283                                    | 2,340,283                                 | 31,212                                       | (22,568)                                    |
| 06CYGM   | DYFS Program #06CYGM                                 | 1/1/2006     | 12/31/2006 | 397,447                                      | 397,447                                   | (24,086)                                     | 17,422                                      |
| 07CYGM   | DYFS Program #07CYGM                                 | 1/1/2007     | 12/31/2007 | 480,468                                      | 480,469                                   | 23,194                                       | (40,622)                                    |
| 08RNGM   | Child Health Nursing                                 | 7/1/2007     | 6/30/2008  | 8,257,498                                    | 8,257,498                                 | (70,735)                                     | -   |
| 09RNGM   | Child Health Nursing                                 | 7/1/2008     | 6/30/2009  | 23,401,560                                   | 23,401,560                                | (3,350,351)                                  | 907,516                                     |
| 09CYGM   | HIV/AIDS and Boarder                                 | 1/1/2009     | 12/31/2009 | 468,672                                      | 433,984                                   | -  | 231,736                                     |
| 10RNGM   | Child Health Nursing                                 | 7/1/2009     | 6/30/2010  | 37,016,000                                   | 31,819,642                                | 37,016,000                                   | 31,819,642                                  |
| 10CYGM   | UMDNJ Family Planning                                | 1/1/2010     | 12/31/2010 | 468,672                                      | 177,483                                   | 468,672                                      | 177,483                                     |
| #SB09011   | SBYSP-TEEN POWERHOUSE                                | 7/1/2008     | 6/30/2009  | 304,272                                      | 304,272                                   | (22,943)                                     | 43,151                                      |
| #SB09011   | ADOLESCENT PREGNENCY                                 | 7/1/2008     | 6/30/2009  | 62,712                                       | 62,712                                    | -  | 566   |
| 10CYGP   | ADOLESCENT PREGNENCY                                 | 7/1/2009     | 6/30/2010  | 389,926                                      | 349,226                                   | 389,926                                      | 349,226                                     |
| 09CYGM   | TNT/PROJECT - 2009                                   | 1/1/2009     | 12/31/2009 | 53,692                                       | 53,692                                    | 53,692                                       | 53,692                                      |
| 10CYGM   | TNT/ PROJECT 2010                                    | 1/1/2010     | 12/31/2010 | 53,692                                       | -   | 53,692                                       | -   |
| 08AGMM   | Carri Children at Risk                               | 7/1/2007     | 6/30/2008  | 616,542                                      | 616,542                                   | (3,124)                                      | (725)                                       |
| 09AGMM   | Carri Children at Risk                               | 7/1/2008     | 6/30/2009  | 158,392                                      | 158,392                                   | -  | 19,435                                      |
| 10AGMM   | Carri Childrens at Risk                              | 7/1/2009     | 6/30/2010  | 158,392                                      | 151,761                                   | 158,392                                      | 151,761                                     |
| 08BYDS   | 08 Abuse Neglec Children                             | 7/1/2007     | 6/30/2008  | 195,008                                      | 195,008                                   | -  | 11,278                                      |
| 10BYDS   | Abused & Neglected 10                                | 7/1/2009     | 6/30/2010  | 197,890                                      | 146,699                                   | 197,890                                      | 146,699                                     |
| 09ONGM   | RISK REDCUTION PROGRA                                | 7/1/2008     | 6/30/2009  | 82,407                                       | 82,407                                    | (1,808)                                      | 2,076                                       |
| 10ONGM   | RISK REDUCTION PROGRA                                | 7/1/2009     | 6/30/2010  | 84,215                                       | 77,598                                    | 84,215                                       | 77,598                                      |
| 09AHMM   | Case Supervision                                     | 7/1/2008     | 6/30/2009  | 118,228                                      | 117,340                                   | -  | 7,037                                       |

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**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number                       | Program Title                          | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|--|--|--------------|------------|--|---|--|---|
|  |  | From         | To         |  |   |  |   |
| <b>Other programs (continued)</b>                            |  |              |            |  |   |  |   |
| New Jersey Division of Youth and Family Services (continued) |  |              |            |  |   |  |   |
| 10AHMM   | Case Management                        | 7/1/2009     | 6/30/2010  | 118,228                                      | 114,155                                   | 118,228                                      | 114,155                                     |
| SB09026  | S.B School Based Youth                 | 7/1/2008     | 6/30/2009  | 426,516                                      | 426,516                                   | (16,973)                                     | 84,230                                      |
| 10AKMP   | SB School Based Youth                  | 7/1/2009     | 6/30/2010  | 443,889                                      | 428,590                                   | 443,889                                      | 428,590                                     |
| MOA  | CCS - INSTITUTIONAL                    | 4/8/2004     | 6/30/2009  | 4,214,242                                    | 4,214,242                                 | (60,568)                                     | 98,188                                      |
| 09XDDS   | DYFS Check FY09                        | 7/1/2008     | 6/30/2009  | 2,218,479                                    | 2,218,563                                 | (2,666,977)                                  | 85,587                                      |
| 10XDDS   | DYFS10XDDS-RDTC                        | 7/1/2009     | 6/30/2010  | 2,415,494                                    | 2,027,226                                 | 2,415,494                                    | 2,027,226                                   |
| 07XDDS   | DYFS 2007 07XDDS                       | 7/1/2006     | 6/30/2007  | 2,174,048                                    | 2,174,048                                 | (31,212)                                     | -   |
| 09-339-SCH-E-3   | Sickle Cell Treatment                  | 7/1/2008     | 6/30/2009  | 74,337                                       | 74,337                                    | (663)  | 5,681                                       |
| 10-232-SCH-E-1   | Sickle Cell Treatment                  | 7/1/2009     | 6/30/2010  | 75,000                                       | 71,358                                    | 75,000                                       | 71,358                                      |
| MOA  | 2009 Abus Negl Child                   | 7/1/2008     | 6/30/2009  | 186,383                                      | 186,383                                   | (11,507)                                     | 4,947                                       |
| Total Division of Youth and Family Services                  |  |              |            | 87,652,584                                   | 81,559,433                                | 35,268,549                                   | 36,872,365                                  |
| Total Department of Children and Family Services             |  |              |            | 107,740,007                                  | 94,938,488                                | 43,015,928                                   | 42,204,214                                  |
| New Jersey Department of Health and Senior Services          |  |              |            |  |   |  |   |
| Regional Medical Program                                     |  |              |            |  |   |  |   |
| 05-307-SCH-E-2   | Pediatric HIV Project                  | 8/1/2004     | 7/31/2005  | 522,303                                      | 522,303                                   | 7,042  | (75,273)                                    |
| Total Regional Medical Program                               |  |              |            | 522,303                                      | 522,303                                   | 7,042  | (75,273)                                    |
| Cooper Health Systems Support                                |  |              |            |  |   |  |   |
| 10-1840-FS-H-0   | Cooper & UMDNJ Capital Program Support | 7/1/2009     | 6/30/2010  | 10,600,000                                   | 10,600,000                                | 10,600,000                                   | 10,600,000                                  |
| 09-1840-FS-H-0   | Cooper Health System Support           | 7/1/2008     | 12/31/2009 | 33,270,000                                   | 33,270,000                                | -  | 9,241,665                                   |
| Total Cooper Health Systems Support                          |  |              |            | 43,870,000                                   | 43,870,000                                | 10,600,000                                   | 19,841,665                                  |
| Special Children's Health Services                           |  |              |            |  |   |  |   |
| 08-377-SCH-E-0   | Clinical Enhancement                   | 1/1/2008     | 6/30/2008  | 440,951                                      | 438,771                                   | (56,546)                                     | -   |
| 09-227-SCH-E-1   | Governor's Council                     | 7/1/2008     | 6/30/2009  | 315,457                                      | 315,457                                   | (184,543)                                    | 14,460                                      |
| 09-343-SCH-E-0   | Clinical Enhancement                   | 7/1/2008     | 6/30/2009  | 332,448                                      | 330,900                                   | (165,552)                                    | 29,010                                      |
| 10-227-SCH-E-2   | Governor's Council                     | 7/1/2009     | 6/30/2010  | 500,000                                      | 281,153                                   | 500,000                                      | 281,153                                     |
| 10-367-SCH-E-0   | Clinical Enhancement                   | 7/1/2009     | 6/30/2010  | 497,500                                      | 304,295                                   | 497,500                                      | 304,295                                     |
| MOA  | Birth Defects                          | 12/15/2003   | 8/31/2004  | 16,681                                       | 16,681                                    | -  | (55)  |
| MOA  | Disaster Response                      | 5/30/2004    | 6/30/2005  | 6,586  | 6,586                                     | (33,414)                                     | -   |
| 06-280-CHS-E-1   | SIDS Center                            | 7/1/2005     | 6/30/2006  | 209,244                                      | 209,244                                   | (10,756)                                     | -   |
| 07-280-CHS-E-2   | SIDS Center                            | 7/1/2006     | 6/30/2007  | 203,536                                      | 203,536                                   | (21,464)                                     | -   |
| 09-791-AID-E-0   | HIV Counsel, Test                      | 7/1/2008     | 6/30/2009  | 94,966                                       | 98,047                                    | -  | 7,157                                       |
| 09-200-SCH-E-3   | HIV Care Network                       | 8/1/2008     | 7/31/2009  | 464,800                                      | 460,632                                   | -  | 24,749                                      |
| 09-172-SCH-E-2   | Tertiary                               | 7/1/2008     | 6/30/2009  | 403,100                                      | 431,101                                   | -  | 45,770                                      |
| 09-255-SCH-E-2   | Newborn Screening                      | 7/1/2008     | 6/30/2009  | 128,000                                      | 117,787                                   | -  | 40,059                                      |
| 09-165-CHS-E-1   | SIDS Center                            | 7/1/2008     | 6/30/2009  | 212,000                                      | 209,088                                   | 5,000  | 10,942                                      |
| 09-263-SCH-E-2   | New Born Screening                     | 7/1/2008     | 6/30/2009  | 79,000                                       | 83,591                                    | 4,000  | 2,463                                       |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number<br>Other programs (continued) | Program Title                      | Grant Period |            | Total<br>Awarded<br>Program<br>Amount and<br>Adjustments | Total<br>Disbursements<br>and<br>Reclassifications | FY 2010<br>Total<br>Awarded<br>Amount and<br>Adjustments | FY 2010<br>Disbursements<br>and<br>Reclassifications |
|--|------------------------------------|--------------|------------|--|--|--|--|
|  |                                    | From         | To         |  |  |  |  |
| Special Children's Health Services (continued)                       |                                    |              |            |  |  |  |  |
| 10-138-SCH-E-1   | HIV Care Network                   | 8/1/2009     | 7/31/2010  | 461,500  | 400,828  | 461,500  | 400,828  |
| 10-793-AID-E-0   | HIV Counsel, Test                  | 7/1/2009     | 6/30/2010  | 94,966   | 79,523   | 94,966   | 79,523   |
| 10-172-SCH-E-3   | Tertiary                           | 7/1/2009     | 6/30/2010  | 308,350  | 261,921  | 308,350  | 261,921  |
| 10-165-CHS-E-2   | SIDS Center                        | 7/1/2009     | 6/30/2010  | 221,000  | 196,693  | 221,000  | 196,693  |
| 10-263-SCH-E-3   | New Born Screening                 | 7/1/2009     | 6/30/2010  | 79,000   | 73,782   | 79,000   | 73,782   |
| 10-255-SCH-E-3   | Newborn Screening                  | 7/1/2009     | 6/30/2010  | 128,000  | 101,769  | 128,000  | 101,769  |
| Total Special Children's Health Services                             |                                    |              |            | 5,197,085  | 4,621,385  | 1,827,041  | 1,874,519  |
| Division of Mental Health Services                                   |                                    |              |            |  |  |  |  |
| 50029-9  | Administration                     | 7/1/2008     | 6/30/2009  | 1,330,029  | 1,157,577  | -  | 28,828   |
| C20101   | Redirect-Middlesex                 | 7/1/2007     | 6/30/2008  | 7,479,206  | 7,479,405  | (232,583)  | 169  |
| C20101-09  | Redirect-Middlesex                 | 7/1/2008     | 6/30/2009  | 8,166,832  | 8,166,832  | (187,140)  | 386,928  |
| C20101-10  | Redirect - Middlesex               | 7/1/2009     | 6/30/2010  | 8,436,062  | 7,398,088  | 8,436,062  | 7,388,388  |
| C20101-7   | E/S adult Child-Expan              | 7/1/2006     | 6/30/2007  | 474,653  | 474,653  | (23,372)   | -  |
| C30215   | ES Adult                           | 7/1/2007     | 6/30/2008  | 2,199,497  | 2,199,497  | 22,614   | -  |
| C30215-10  | ES Adult                           | 7/1/2009     | 6/30/2010  | 2,347,562  | 2,072,635  | 2,347,562  | 2,071,790  |
| C30215-9   | ES ADULT                           | 7/1/2008     | 6/30/2009  | 2,434,222  | 2,131,279  | (12,286)   | 132,115  |
| C50007-08  | TAC Program                        | 7/1/2007     | 6/30/2008  | 1,217,533  | 1,217,533  | (88,228)   | (303)  |
| C50007-10  | TAC-MICA                           | 7/1/2009     | 6/30/2010  | 948,316  | 717,215  | 948,316  | 717,215  |
| C50007-4   | TAC Program                        | 7/1/2003     | 6/30/2004  | 617,428  | 617,428  | (1,000)  | -  |
| C50007-7   | TAC Program                        | 7/1/2006     | 6/30/2007  | 274,410  | 274,410  | (500)  | -  |
| C50007-9   | TAC PROGRAM                        | 7/1/2008     | 6/30/2009  | 1,274,368  | 1,274,368  | (63,011)   | 61,814   |
| C50029-08  | Hospital-RWJMS Dept.               | 7/1/2007     | 6/30/2008  | 6,316  | 6,244  | -  | (72)   |
| C50029-10  | Hospital Affiliation               | 7/1/2009     | 6/30/2010  | 1,059,277  | 860,790  | 1,059,277  | 860,790  |
| M20101   | Multi-Facility maintenance         | 5/1/2007     | 6/30/2008  | 209,290  | 209,290  | (80,210)   | (317)  |
| MOA  | Justice Assistance                 | 12/1/2009    | 11/30/2010 | 150,000  | 20,143   | 150,000  | 20,143   |
| MOA  | Pre-Ajudication Screening          | 7/1/2008     | 6/30/2009  | 630,271  | 8  | 290,707  | 8  |
| 4011   | Integrated Employment              | 7/1/2008     | 6/30/2009  | 1,403,130  | 1,403,130  | (13,377)   | 61,981   |
| 60170  | Transformation Transfer Initiative | 12/1/2008    | 6/30/2010  | 205,387  | 161,705  | -  | 161,705  |
| 40011  | Int. Employment Institute          | 7/1/2009     | 6/30/2010  | 1,433,563  | 1,371,245  | 1,433,563  | 1,371,245  |
| 60171  | Person Centered Planning           | 4/1/2009     | 9/29/2010  | 51,321   | 36,686   | 51,321   | 36,686   |
| 50065  | Using Peer Counselors              | 5/1/2009     | 6/30/2010  | 79,867   | 63,953   | 11,539   | 60,022   |
| Total Division of Mental Health Services                             |                                    |              |            | 42,428,540   | 39,314,114   | 14,049,254   | 13,359,135   |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number             | Program Title                          | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|--|--|--------------|------------|--|---|--|---|
|  |  | From         | To         |  |   |  |   |
| <b>Other programs (continued)</b>                  |  |              |            |  |   |  |   |
| Women and Infant Children                          |  |              |            |  |   |  |   |
| 09-153-WIC-E-2                                     | WOMEN INFANT AND CHILDREN              | 10/1/2008    | 9/30/2009  | 797,322                                      | 797,322                                   | (16,478)                                     | 280,140                                     |
| # 10-153-WIC-E-3                                   | WOMEN INFANT AND CHILDREN              | 10/1/2009    | 9/30/2010  | 1,160,900                                    | 637,036                                   | 1,160,900                                    | 637,036                                     |
| Total Women and Infant Children                    |  |              |            | 1,958,222                                    | 1,434,358                                 | 1,144,422                                    | 917,176                                     |
| Emergency Medical Services                         |  |              |            |  |   |  |   |
| 09-80-EMS-E-3                                      | NORTH STAR FY-09                       | 7/1/2008     | 12/31/2009 | 1,557,899                                    | 1,560,625                                 | (466,586)                                    | 101,765                                     |
| 09-80-EMS-E-3                                      | NORTH STAR FY-10                       | 7/1/2009     | 12/31/2009 | 708,352                                      | 708,352                                   | 708,352                                      | 708,352                                     |
| 10-80-EMS-E-1                                      | NORTH STAR FY 10 NE                    | 1/1/2010     | 6/30/2010  | 674,964                                      | 688,223                                   | 674,964                                      | 688,223                                     |
| Total Emergency Medical Services                   |  |              |            | 2,941,215                                    | 2,957,200                                 | 916,730                                      | 1,498,340                                   |
| Family Planning Services                           |  |              |            |  |   |  |   |
| # 09-326-FP-E-2                                    | FAMILY PLANNING GRANT                  | 1/1/2009     | 12/31/2009 | 261,708                                      | 259,108                                   | 50,090                                       | 180,916                                     |
| 06-334-FP-E-0                                      | Family Planning Services               | 1/1/2006     | 12/31/2006 | 18,070                                       | 18,070                                    | -  | 1,931                                       |
| 08-376-FP-E-0                                      | Family Planning Services               | 1/1/2008     | 12/31/2008 | 36,839                                       | 36,516                                    | -  | 358   |
| 09-214-FP-E-0                                      | Family Planning Services               | 1/1/2009     | 12/31/2009 | 18,070                                       | 25,574                                    | -  | 10,526                                      |
| 10-309-FP-E-0                                      | Family Planning Services               | 1/1/2010     | 12/31/2010 | 18,070                                       | 9,178                                     | 18,070                                       | 9,178                                       |
| 10-326-FP-E-3                                      | FAMILY PLANNING GRANT                  | 1/1/2010     | 12/31/2010 | 211,618                                      | 74,776                                    | 211,618                                      | 74,776                                      |
| #09-508-ADA-0                                      | TREATMENT SERVICES FOR FAMILY PLANNING | 9/1/2008     | 8/31/2009  | 139,361                                      | 139,361                                   | (17,185)                                     | 33,459                                      |
| #10-508-ADA-0                                      | TREATMENT SERVICES FOR FAMILY PLANNING | 9/1/2009     | 8/31/2010  | 156,546                                      | 99,450                                    | 156,546                                      | 99,450                                      |
| Total Family Planning Services                     |  |              |            | 860,282                                      | 662,033                                   | 419,139                                      | 410,594                                     |
| Department of Health Communicable Diseases         |  |              |            |  |   |  |   |
| 09-18-TB-E-2                                       |  |              |            |  |   |  |   |
| 10-18-TB-E-3                                       | FY09 Lattimore State                   | 7/1/2008     | 6/30/2009  | 1,162,824                                    | 1,162,824                                 | -  | 52,570                                      |
| MOA  | FY2010 Lattimore Comp                  | 7/1/2009     | 6/30/2010  | 1,143,085                                    | 1,138,348                                 | 1,143,085                                    | 1,138,348                                   |
| MOA  | Antimicrobial Resistance               | 11/15/2007   | 12/31/2008 | 123,615                                      | 122,927                                   | -  | 19,507                                      |
| MOA  | Antimicrobial Resistance               | 1/1/2009     | 12/31/2010 | 182,626                                      | 113,663                                   | 60,875                                       | 111,481                                     |
| Total Department of Health Communicable Diseases   |  |              |            | 2,612,150                                    | 2,537,762                                 | 1,203,960                                    | 1,321,906                                   |
| Gerontology Program                                |  |              |            |  |   |  |   |
| 10-1425-GER-E-2                                    | COPSA Alzheimers FY2010                | 7/1/2009     | 6/30/2010  | 701,800                                      | 654,626                                   | 701,800                                      | 654,626                                     |
| 09-1425-GER-E-1                                    | COPSA Alzheimers FY2009                | 7/1/2008     | 6/30/2009  | 746,800                                      | 746,800                                   | -  | 51,764                                      |
| Total Gerontology Program                          |  |              |            | 1,448,600                                    | 1,401,426                                 | 701,800                                      | 706,390                                     |
| Division of Epidemiology and Disease Control       |  |              |            |  |   |  |   |
| MOA  | TB Control Education                   | 1/1/2009     | 12/31/2009 | 41,978                                       | 41,978                                    | (6,029)                                      | 24,231                                      |
| MOA  | Repeated Measures                      | 5/1/2009     | 7/30/2010  | 25,000                                       | 30,946                                    | 25,000                                       | 30,946                                      |
| 07-1135-TOB-N-0                                    | Community Partnership                  | 7/1/2006     | 6/30/2007  | 68,204                                       | 68,204                                    | (2,919)                                      | -   |
| 09-1170-TOB-E-0                                    | Community Partnership                  | 7/1/2008     | 6/30/2009  | 75,475                                       | 75,475                                    | (4,525)                                      | 7,553                                       |
| 09-64-TOB-E-0                                      | Trenton Area Quit Center               | 7/1/2008     | 6/30/2009  | 106,542                                      | 106,542                                   | (8,058)                                      | 4,002                                       |
| 09-1170-TOB-E-0                                    | Community Partnership                  | 7/1/2009     | 3/28/2010  | 70,000                                       | 62,122                                    | 70,000                                       | 62,122                                      |
| 10-347-TOB-E-0                                     | Trenton Area Quit Center               | 7/1/2009     | 6/30/2010  | 102,600                                      | 95,627                                    | 102,600                                      | 95,627                                      |
| FHS-2010-TOBACCO-00                                | Community Partnership                  | 3/29/2010    | 3/28/2011  | 90,000                                       | 17,828                                    | 90,000                                       | 17,828                                      |
| 09-1133-HBT-E-0                                    | Emergency Preparednes                  | 12/1/2008    | 8/8/2009   | 10,000                                       | 6,579                                     | -  | 4,906                                       |
| Total Division of Epidemiology and Disease Control |  |              |            | 589,799                                      | 505,301                                   | 266,069                                      | 247,215                                     |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number        | Program Title                 | Grant Period |            | Total Awarded Program Amount and Adjustments | Total Disbursements and Reclassifications | FY 2010 Total Awarded Amount and Adjustments | FY 2010 Disbursements and Reclassifications |
|---|-------------------------------|--------------|------------|--|---|--|---|
|   |                               | From         | To         |  |   |  |   |
| Other programs (continued)                    |                               |              |            |  |   |  |   |
| Division of AIDS Prevention and Control       |                               |              |            |  |   |  |   |
| 05-816-AID-E-0                                | STOP-Mobile Medical Service   | 1/1/2005     | 12/31/2005 | 150,000                                      | 150,000                                   | -  | (52)  |
| 05-858-AID-E-0                                | Ryan White Title II           | 1/1/2005     | 3/31/2006  | 199,766                                      | 199,766                                   | (8,157)                                      | -   |
| 06-804-AID-E-0                                | Comprehensive HIV Service     | 1/1/2006     | 12/31/2006 | 167,845                                      | 167,845                                   | -  | 1,305                                       |
| 06-805-AID-E-0                                | STOP - Counseling, Testing    | 1/1/2006     | 12/31/2006 | 175,235                                      | 173,545                                   | -  | (1,690)                                     |
| 08-826-AID-E-0                                | STOP Medical Mobile Service   | 1/1/2008     | 12/31/2008 | 329,737                                      | 329,737                                   | (2,988)                                      | (4,127)                                     |
| 09-745-AID-E-0                                | Milestone - Modification      | 7/1/2008     | 6/30/2009  | 135,000                                      | 134,998                                   | -  | (1,563)                                     |
| 09-757-AID-E-0                                | Aids Dental Services          | 7/1/2008     | 6/30/2009  | 539,617                                      | 539,617                                   | -  | 20,775                                      |
| 09-830-AID-E-0                                | STOP Medical Mobile Service   | 1/1/2009     | 12/31/2009 | 308,293                                      | 308,656                                   | (18,757)                                     | 179,667                                     |
| 09-838-AID-E-0                                | Comprehensive HIV Service     | 1/1/2009     | 12/31/2009 | 116,778                                      | 116,778                                   | -  | 68,352                                      |
| 10-741-AID-E-0                                | Milestone - HIV Prevention    | 7/1/2009     | 6/30/2010  | 135,000                                      | 140,603                                   | -  | 140,603                                     |
| 10-804-AID-E-0                                | HIV special dental service    | 7/1/2009     | 6/30/2010  | 559,617                                      | 474,914                                   | 559,617                                      | 474,914                                     |
| 10-827-AID-E-0                                | STOP - Medical Mobile         | 1/1/2010     | 12/31/2010 | 327,050                                      | 115,275                                   | 327,050                                      | 115,275                                     |
| 10-835-AID-E-0                                | Comprehensive HIV Service     | 1/1/2010     | 12/31/2010 | 111,307                                      | 51,986                                    | 111,307                                      | 51,986                                      |
| MOA   | DHAS-Pharmacy Research        | 4/1/2008     | 3/31/2009  | 80,712                                       | 80,712                                    | -  | 1,010                                       |
| MOA   | DHAS-HIV Edu.& Training       | 4/1/2008     | 3/31/2009  | 170,834                                      | 170,834                                   | -  | (4,382)                                     |
| MOA   | DHAS-HIV Education & Training | 7/1/2008     | 6/30/2009  | 276,656                                      | 277,173                                   | (69,344)                                     | 48,668                                      |
| MOA   | DHAS-HIV Care& Treatment      | 7/1/2009     | 6/30/2010  | 295,000                                      | 224,283                                   | 295,000                                      | 224,283                                     |
| MOA   | HIV/AIDS QUALITY MANAGEMENT   | 4/1/2010     | 9/30/2010  | 94,566                                       | 25,104                                    | 94,566                                       | 25,104                                      |
| MOA   | Evaluation -Sterile Supply    | 7/1/2007     | 6/30/2008  | 181,765                                      | 181,765                                   | -  | (1,287)                                     |
| MOA-09DHASM06C                                | DHAS-HIV Edu&Training         | 4/1/2009     | 3/31/2010  | 212,423                                      | 152,063                                   | -  | 132,096                                     |
| MOA-09DHASM05C                                | DHAS-Pharmacy FY-10           | 4/1/2009     | 12/31/2009 | 31,461                                       | 32,178                                    | (139,539)                                    | 20,532                                      |
| MOA   | Child and adolescent          | 1/1/2009     | 12/31/2009 | 400  | -   | 400  | -   |
| MOA   | DHAS-prevention & Education   | 1/1/2008     | 12/31/2008 | 82,736                                       | 82,736                                    | -  | (4,042)                                     |
| MOA   | DHAS-prevention & Education   | 1/1/2009     | 12/31/2009 | 111,468                                      | 110,321                                   | (8,932)                                      | 82,429                                      |
| MOA   | DHAS-prevention & Education   | 1/1/2010     | 12/31/2010 | 120,400                                      | 48,267                                    | 120,400                                      | 48,267                                      |
| Total Division of AIDS Prevention and Control |                               |              |            | 4,913,666                                    | 4,289,156                                 | 1,260,623                                    | 1,618,123                                   |
| Family Health Services                        |                               |              |            |  |   |  |   |
| 06-385-SCH-H-3                                | Sickle Cell Services          | 7/1/2005     | 6/30/2006  | 43,605                                       | 43,605                                    | -  | (111)                                       |
| 06-154-SCH-E-2                                | Univ Regional Newborn         | 7/1/2005     | 6/30/2006  | 609,300                                      | 609,300                                   | -  | 5,491                                       |
| 07-154-SCH-E-3                                | Univ Regional Newborn         | 7/1/2006     | 6/30/2007  | 570,000                                      | 570,000                                   | -  | 66  |
| 06-2170-EIP-E-0                               | EIP Program                   | 7/1/2006     | 6/30/2012  | -  | -   | -  | (12,862)                                    |
| 09-257-SCH-E-2                                | Univ Regional Newborn         | 7/1/2008     | 6/30/2009  | 650,000                                      | 650,000                                   | -  | 12,111                                      |
| 10-189-SCH-E-1                                | Child Evaluation Center       | 7/1/2009     | 6/30/2010  | 164,000                                      | 128,544                                   | 164,000                                      | 128,544                                     |
| 10-257-SCH-E-3                                | University regional Newborn   | 7/1/2009     | 6/30/2010  | 650,000                                      | 636,420                                   | 650,000                                      | 636,420                                     |
| 04-2170-EIP-E-0                               | EARLY INTERVENTION PROGRAM    | 7/1/2006     | 6/30/2011  | 5,248,777                                    | 4,921,606                                 | 1,951,618                                    | 1,807,097                                   |
| 09-253-HD-E-3                                 | Huntington's Disease          | 7/1/2008     | 6/30/2009  | 84,883                                       | 84,883                                    | (703)  | 2,810                                       |
| 09-272-SCH-E-2                                | NJ Regional Hemophilia        | 7/1/2008     | 6/30/2009  | 271,975                                      | 271,975                                   | -  | 1,343                                       |
| 10-177-HD-E-0                                 | Huntington's Disease          | 7/1/2009     | 6/30/2010  | 86,000                                       | 79,698                                    | 86,000                                       | 79,698                                      |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number<br>Other programs (continued) | Program Title              | Grant Period |            | Total<br>Awarded<br>Program<br>Amount and<br>Adjustments | Total<br>Disbursements<br>and<br>Reclassifications | FY 2010<br>Total<br>Awarded<br>Amount and<br>Adjustments | FY 2010<br>Disbursements<br>and<br>Reclassifications |
|--|----------------------------|--------------|------------|--|--|--|--|
|  |                            | From         | To         |  |  |  |  |
| Family Health Services (continued)                                   |                            |              |            |  |  |  |  |
| 09-357-CHS-E-O   | Capacity Building Health   | 1/1/2009     | 6/30/2009  | 251,880  | 249,086  | -  | 201,365  |
| 06-253-HD-E-1  | HDSA #06-253-HD-E-1        | 7/1/2005     | 6/30/2006  | 128,405  | 107,622  | -  | 468  |
| 08-177-HD-E-0  | HD for NJISA 08 253        | 7/1/2007     | 6/30/2008  | 44,303   | 60,144   | -  | (147)  |
| 09-208-HD-E-0  | Compr Care for HD 092      | 7/1/2008     | 6/30/2009  | 303,780  | 255,203  | -  | 189,017  |
| 09-208-HD-E-0  | NJISA Huntington Grant     | 7/1/2008     | 6/30/2009  | 70,086   | 69,387   | 70,086   | 1,425  |
| 10177HDE0  | Huntington Disease FY 10   | 7/1/2009     | 6/30/2010  | 233,780  | 139,835  | 233,780  | 139,835  |
| 09177HDE0  | Huntington Disease NJ      | 7/1/2009     | 6/30/2010  | 70,000   | 60,913   | 70,000   | 60,913   |
| Total Family Health Services   |                            |              |            | <u>9,480,774</u>   | <u>8,938,221</u>                                   | <u>3,224,781</u>   | <u>3,253,483</u>                                     |
| Office of Minority Health  |                            |              |            |  |  |  |  |
| MAI 07   | Minority AIDS Initiative   | 7/1/2007     | 8/31/2008  | 31,065   | 12,984   | -  | (8)  |
| 10-1016-OMH-E-0  | Take Control               | 10/1/2009    | 6/30/2010  | 25,000   | 22,686   | 25,000   | 22,686   |
| 10-1017-OMH-E-0  | Chronic Disease            | 10/1/2009    | 6/30/2010  | 25,000   | 12,680   | 25,000   | 12,680   |
| Total Office of Minority Health                                      |                            |              |            | <u>81,065</u>  | <u>48,350</u>                                      | <u>50,000</u>  | <u>35,358</u>  |
| Division of Alcoholism, Drug Abuse and Addiction Services            |                            |              |            |  |  |  |  |
| 07-508-ADA-0   | Alcohol & Drug Abuse       | 9/1/2006     | 8/31/2007  | 167,360  | 167,360  | -  | (1,345)  |
| 06-705-ADA-3   | Physically Disabled        | 6/1/2006     | 3/31/2008  | 47,883   | 47,883   | (18,784)   | 576  |
| 08-498-ADA-0   | Womens Outpat. Service     | 9/1/2007     | 8/31/2008  | 56,005   | 56,005   | (19,635)   | (531)  |
| 08-456-ADA-0   | AIM                        | 4/1/2008     | 6/30/2009  | 94,245   | 94,245   | (49,505)   | 6,953  |
| 09-498-ADA-0   | Women's Outpatient Service | 9/1/2008     | 8/31/2009  | 81,909   | 82,219   | (17,534)   | 7,304  |
| 10-498-ADA-0   | AIM                        | 7/1/2009     | 6/30/2010  | 234,331  | 188,528  | 234,331  | 188,528  |
| Total Division of Alcoholism, Drug Abuse and Addiction Services      |                            |              |            | <u>681,733</u>   | <u>636,240</u>                                     | <u>128,873</u>   | <u>201,485</u>                                       |
| Office of Local Health   |                            |              |            |  |  |  |  |
| 09-776-AID-E-0   | FY09 HIV CTRS              | 7/1/2008     | 6/30/2009  | 432,756  | 432,756  | (10,517)   | 23,708   |
| 10-201-CCS-E-0   | FY2010 SAVE Women          | 7/1/2009     | 6/30/2010  | 518,510  | 492,157  | 518,510  | 492,157  |
| 10-773-AID-E-0   | FY2010 HIV CTRS            | 7/1/2009     | 6/30/2010  | 470,131  | 448,516  | 470,131  | 448,516  |
| DB0105   | Creating Safe & Respectful | 11/1/2008    | 9/30/2009  | 31,694   | 31,694   | (18,306)   | 14,983   |
| GI1010   | Creating Safe & Respectful | 1/1/2010     | 9/30/2010  | 72,000   | 44,500   | 72,000   | 44,500   |
| DB0055   | Prison Rape Act            | 10/1/2007    | 12/31/2009 | 50,000   | 44,621   | -  | 22,643   |
| MOA  | Violent Death Reporting    | 9/1/2008     | 8/31/2009  | 116,930  | 68,363   | (49,454)   | 14,190   |
| MOA  | Violent Death Reporting    | 9/1/2009     | 8/31/2010  | 169,506  | 45,059   | 169,506  | 45,059   |
| Total Office of Local Health   |                            |              |            | <u>1,861,527</u>   | <u>1,607,666</u>                                   | <u>1,151,870</u>   | <u>1,105,756</u>                                     |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number<br>Other programs (continued) | Program Title                          | Grant Period |            | Total<br>Awarded<br>Program<br>Amount and<br>Adjustments | Total<br>Disbursements<br>and<br>Reclassifications | FY 2010<br>Total<br>Awarded<br>Amount and<br>Adjustments | FY 2010<br>Disbursements<br>and<br>Reclassifications |
|--|--|--------------|------------|--|--|--|--|
|  |  | From         | To         |  |  |  |  |
| <b>AIDS Prevention and Control</b>                                   |  |              |            |  |  |  |  |
| 08-848-AID-E-0   | Direct Service Outreach                | 4/1/2008     | 3/31/2009  | 116,769  | 116,769  | -  | 297  |
| 09-813-AID-E-0   | AIDS STD Hotline                       | 1/1/2009     | 12/31/2009 | 439,700  | 428,953  | -  | 236,718  |
| 09-81-EMS-E-2  | New Jersey Poison Information          | 7/1/2008     | 6/30/2009  | 1,660,655  | 1,660,655  | -  | 268,545  |
| 09-845-AID-E-0   | DSOI - Ryan White                      | 4/1/2009     | 3/31/2010  | 115,560  | 135,500  | (4,478)  | 113,389  |
| 10-815-AID-E-0   | NJ Aids STD                            | 1/1/2010     | 12/31/2010 | 439,700  | 198,178  | 439,700  | 198,178  |
| 10-81-EMS-E-3  | NJ Poison Information                  | 7/1/2009     | 6/30/2010  | 1,298,593  | 1,181,844  | 1,298,593  | 1,181,844  |
| AIDS-2010-RYANWHITE  | Direct Service Outreach                | 4/1/2010     | 6/30/2010  | 30,009   | 3,257  | 30,009   | 3,257  |
| 04-2033-AID-E-0  | Care and treatment                     | 4/1/2010     | 3/31/2011  | 450,000  | 315,337  | 450,000  | 315,337  |
| 08-857-AID-E-0   | Ryan White Part B 200                  | 4/1/2008     | 3/31/2009  | 158,776  | 158,776  | 5,349  | -  |
| MOA  | MOA between the NJDHH                  | 1/1/2008     | 12/31/2008 | 63,000   | 64,802   | -  | (141)  |
| MOA  | MOA between the NJDHH                  | 1/1/2009     | 12/31/2009 | 68,000   | 69,062   | -  | 45,202   |
| MOA  | Technical Assistance                   | 1/1/2010     | 12/31/2010 | 68,000   | 30,367   | 68,000   | 30,367   |
| MOA 10DHAS02C  | Evaluation of a Demonstration          | 7/1/2008     | 12/31/2009 | 534,008  | 481,012  | 138,683  | 203,121  |
| Total AIDS Prevention and Control                                    |  |              |            | 5,442,770  | 4,844,512  | 2,425,856  | 2,596,114  |
| <b>Office of Cancer Control and Prevention</b>                       |  |              |            |  |  |  |  |
| 08-50-CCC-E-1  | ECCC Prostate Supplement               | 7/1/2007     | 6/30/2008  | 119,179  | 119,179  | -  | (202)  |
| 10-50-CCC-E-3  | NJCCCP-ECCC FY10                       | 7/1/2009     | 6/30/2010  | 157,040  | 148,659  | 157,040  | 148,659  |
| MOA-OCCP   | Evaluation & Tech Assistance           | 9/1/2007     | 6/30/2008  | 60,261   | 60,261   | -  | 1  |
| MOA  | OCCP County & Comp Cancer              | 8/21/2008    | 6/30/2009  | 169,967  | 168,253  | -  | 58,617   |
| MOA  | Evaluation & Technical                 | 9/15/2009    | 6/30/2012  | 165,505  | 106,889  | 165,505  | 106,889  |
| Total Office of Cancer Control and Prevention                        |  |              |            | 671,952  | 603,241  | 322,545  | 313,964  |
| <b>Division of Family Health Services</b>                            |  |              |            |  |  |  |  |
| #09-1095-HBT-H-0   | HEALTH CARE FACILITY                   | 12/1/2008    | 8/8/2009   | 637,243  | 637,243  | -  | 394,171  |
| # 10-1095-HBT-E-0  | HEALTH CARE FACILITY                   | 8/9/2009     | 6/30/2010  | 442,285  | 297,570  | 442,285  | 297,570  |
| HHSN261200544005C  | Transitory Phase Center of Excellence  | 9/1/2008     | 7/31/2010  | 537,943  | 382,133  | (134,254)  | 382,133  |
| 08-1133-HBT-E-O  | Emergency Preparedness                 | 9/1/2007     | 8/31/2008  | 7,455  | 7,455  | -  | -  |
| 10-476-HTB-E-0   | Emergency Preparedness                 | 8/9/2009     | 6/10/2010  | 10,000   | 9,765  | 10,000   | 9,765  |
| 2009 P3DE  | 2009 Devel Disab P3DE                  | 7/1/2008     | 6/30/2009  | 117,089  | 117,089  | (12,911)   | 8,566  |
| PEDE09RLEAD  | 2009 Lead Poisoning                    | 7/1/2008     | 6/30/2009  | 99,050   | 99,050   | (50,950)   | 14,870   |
| P3DE10R  | Dev Disab P3DE10R                      | 7/1/2009     | 6/30/2010  | 99,000   | 86,515   | 99,000   | 86,515   |
| PEDE10RLEAD  | LEAD POISONING 2010                    | 7/1/2009     | 6/30/2010  | 180,000  | 114,416  | 180,000  | 114,416  |
| Total Division of Family Health Services                             |  |              |            | 2,130,065  | 1,751,236  | 533,170  | 1,308,006  |
| <b>New Jersey Comprehensive Tobacco Control Program</b>              |  |              |            |  |  |  |  |
| MOA  | Overall Evaluation of NJ Comp. Tobacco | 7/1/2008     | 6/30/2009  | 955,000  | 955,002  | -  | 29,495   |
| MOA  | Overall Evaluation of NJ Comp. Tobacco | 7/1/2009     | 6/30/2010  | 907,250  | 730,333  | 907,250  | 730,333  |
| Total New Jersey Comprehensive Tobacco Control Program               |  |              |            | 1,862,250  | 1,685,335  | 907,250  | 759,828  |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

| State Grantor/Program Reference Number<br>Other programs (continued) | Program Title                 | Grant Period |            | Total<br>Awarded<br>Program<br>Amount and<br>Adjustments | Total<br>Disbursements<br>and<br>Reclassifications | FY 2010<br>Total<br>Awarded<br>Amount and<br>Adjustments | FY 2010<br>Disbursements<br>and<br>Reclassifications |
|--|-------------------------------|--------------|------------|--|--|--|--|
|  |                               | From         | To         |  |  |  |  |
| Division of Health Emergency Preparedness                            |                               |              |            |  |  |  |  |
| 10-1190-NBT-E-0  | MEDICAL COORDINATION          | 8/9/2009     | 6/30/2010  | 197,000  | 171,336  | 197,000  | 171,336  |
| 10-1924-BT-N-1   | Pandemic H1N1                 | 10/1/2009    | 7/30/2010  | 29,593   | 19,300   | 29,593   | 19,300   |
| Total Division of Health Emergency Preparedness                      |                               |              |            | 226,593  | 190,636  | 226,593  | 190,636  |
| Division of Developmental Disabilities                               |                               |              |            |  |  |  |  |
| 400810   | 40008-CRISIS                  | 7/1/2009     | 6/30/2010  | 374,690  | 325,978  | 374,690  | 325,978  |
| 05MZ9R-9S2A05  | NJCDD-Unified Grant C         | 10/1/2008    | 9/30/2009  | 97,225   | 97,225   | (1,819)  | 41,494   |
| 07ML08C  | NJ DHS DDD 2008               | 7/1/2007     | 6/30/2008  | 1,483,550  | 1,483,550  | -  | (11)   |
| 07ML09C DDD  | NJ DHHS DDD 2009              | 7/1/2008     | 6/30/2009  | 1,633,664  | 1,633,664  | -  | 95,898   |
| 07ML10C  | NJ DHHS DDD 2010              | 7/1/2009     | 6/30/2010  | 1,714,380  | 1,554,420  | 1,714,380  | 1,554,420  |
| 08ML09C  | Dev Disab Family Support      | 10/1/2008    | 9/30/2009  | 492,247  | 492,422  | (6,670)  | 148,940  |
| 08ML10C  | Dev Disability Family         | 10/1/2009    | 9/30/2010  | 498,917  | 314,072  | 498,917  | 314,072  |
| 50DL10R  | 50DL10R-Institutute           | 7/1/2009     | 6/30/2010  | 301,368  | 285,568  | 301,368  | 285,568  |
| 50DL10RGA  | 50DL10R-G&A                   | 7/1/2009     | 6/30/2010  | 255,450  | 212,777  | 255,450  | 212,777  |
| 50DL10RI   | 50DL10R Community             | 7/1/2009     | 6/30/2010  | 805,330  | 735,397  | 805,330  | 735,397  |
| 50DL5R   | Dually Diagnosed-ITN          | 7/1/2004     | 6/30/2005  | 500,000  | 500,000  | -  | (24,232)   |
| 50DL8R   | FY '08 - Dually Institutional | 7/1/2007     | 6/30/2008  | 727,731  | 691,696  | -  | (19,616)   |
| 50DL9R   | 2009 Dually G A 50DL0         | 7/1/2008     | 6/30/2009  | 1,622,154  | 1,622,077  | (114,684)  | 96,031   |
| DDD 07ML4C   | NJ DHS DDD 2004               | 7/1/2003     | 6/30/2004  | 1,165,378  | 1,165,414  | -  | 37   |
| Total Division of Developmental Disabilities                         |                               |              |            | 11,672,084   | 11,114,260   | 3,826,962  | 3,766,753  |
| New Jersey Commission on Cancer Research                             |                               |              |            |  |  |  |  |
| 08-1093-CCR-E0   | Development of a FRET         | 7/1/2007     | 6/30/2009  | -  | -  | -  | (291)  |
| 09-2404-CCR-EO   | Post-Doc Fellowship-T         | 4/1/2009     | 3/31/2011  | 42,000   | 52,190   | 42,000   | 52,190   |
| MOA  | 2009 Annual Retreat           | 4/1/2009     | 12/31/2009 | 27,500   | 27,500   | -  | 1,399  |
| Total New Jersey Commission on Cancer Research                       |                               |              |            | 69,500   | 79,690   | 42,000   | 53,298   |
| Total New Jersey Department of Health and Senior Services            |                               |              |            | 141,522,175  | 133,614,425  | 45,235,980   | 55,304,471   |
| Governor's Commission on Science and Technology                      |                               |              |            |  |  |  |  |
| 06-2042-014-27   | Intellectual Property         | 1/13/2006    | 6/30/2008  | 340,192  | 340,192  | -  | 643  |
| 07-2042-014-98   | Intellectual property         | 1/1/2007     | 12/31/2008 | 127,500  | 127,500  | -  | 1,212  |
| Total Governor's Commission on Science and Technology                |                               |              |            | 467,692  | 467,692  | -  | 1,855  |
| New Jersey State Parole Board  |                               |              |            |  |  |  |  |
| MOU  | NJ State Parole Board         | 10/1/2006    | 12/31/2010 | 206,381  | 203,124  | 22,023   | 70,566   |
| Total New Jersey State Parole Board                                  |                               |              |            | 206,381  | 203,124  | 22,023   | 70,566   |
| New Jersey Department of Military and Veterans Affairs               |                               |              |            |  |  |  |  |
| VL0927   | NJ Helpline Program           | 7/1/2008     | 6/30/2009  | 217,000  | 217,000  | -  | 8,770  |
| VL09P30  | Post Traumatic Stress         | 4/1/2009     | 3/31/2010  | 19,831   | 6,145  | -  | 6,145  |
| VL1027   | NJ Helpline Program           | 7/1/2009     | 6/30/2010  | 195,000  | 160,006  | 195,000  | 160,006  |
| VL10P50  | NJ Helpline (Field OP         | 7/1/2009     | 6/30/2010  | 112,000  | 98,867   | 112,000  | 98,867   |
| VL10P51  | NJ Helpline (Network)         | 7/1/2009     | 6/30/2010  | 12,000   | 6,775  | 12,000   | 6,775  |
| Total New Jersey Department of Military and Veterans Affairs         |                               |              |            | 555,831  | 488,793  | 319,000  | 280,563  |
| Total Other Programs   |                               |              |            | 280,108,338  | 250,546,812  | 92,007,974   | 100,161,974  |
| Total Expenditures of State Awards                                   |                               |              |            | \$ 322,619,930   | \$ 285,876,632                                     | \$ 103,590,700   | \$ 113,553,796                                       |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2010**

|   | <b>FY 2010<br/>Awarded<br/>Amount and<br/>Adjustments</b> | <b>FY 2010 Total<br/>Disbursements<br/>and<br/>Reclassifications</b> |
|---|---|--|
| <b>State Operating Appropriation</b>      |   |  |
| Department of State                       |   |  |
| Educational and Central Support           | \$ 147,225,000  | \$ 147,225,000   |
| University Hospital                       | 56,891,000  | 56,891,000   |
| UBHC Newark                               | 8,414,000   | 8,414,000  |
| UBHC Piscataway                           | 15,918,000  | 15,918,000   |
| UCHC                                      | 6,899,000   | 6,899,000  |
| Cancer Institute of New Jersey            | 23,133,000  | 23,133,000   |
| Child Health Institute of New Jersey      | 2,700,000   | 2,700,000  |
| University Medical Group                  | 782,000   | 782,000  |
| SOM Faculty Practice Service              | 483,000   | 483,000  |
| Total Direct Appropriation                | <u>262,445,000</u>  | <u>262,445,000</u>   |
| Department of Treasury                    |   |  |
| Fringe Benefits paid by the State         | 192,901,000   | 192,901,000  |
| Total Indirect Appropriation              | <u>192,901,000</u>  | <u>192,901,000</u>   |
| Total Operating Appropriation             | <u>455,346,000</u>  | <u>455,346,000</u>   |
| <b>State Nonoperating Appropriation</b>   |   |  |
| Return of Unexpended State Appropriations | (1,766,669)   | (1,766,669)  |
| State Capital Appropriation               |   |  |
| New Jersey Commission on Higher Education |   |  |
| Capital Improvement Fund                  | -   | -  |
| Equipment Leasing Fund II                 | -   | -  |
| Stem Cell Research                        | -   | -  |
| Technology Infrastructure                 | -   | -  |
| Total Capital Appropriation               | <u>-</u>  | <u>-</u>   |
| Total State of New Jersey Funding 2010    | <u>\$ 557,170,031</u>                                     | <u>\$ 567,133,127</u>  |

The accompanying notes are an integral part of this schedule.

**University of Medicine and Dentistry of New Jersey**  
**Notes to Schedule of Expenditures of State Awards**  
**June 30, 2010**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of state awards (the "Schedule") has been prepared in accordance with the provisions of New Jersey Department of the Treasury Circular Letter 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of the Schedule is to present a summary of those activities of the University for the year ended June 30, 2010 which have been financed by the State of New Jersey. For purposes of the Schedule, state awards include any assistance provided by a state agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct, indirect and state operating capital appropriations, loans and loan guarantees. The appropriations do not represent contracts or grants. Federal awards to the State of New Jersey which the State has passed through to the University have been included in the University's Reports on Federal Awards in Accordance with OMB Circular A-133. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to, and does not, present either the consolidated financial position, or consolidated statement of revenues, expenditures and other changes in net assets of the University.

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

The schedule of expenditures of state awards does not include expenditures of state awards, if any, for New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc. and Affiliates, discretely presented component units of the University. These entities may be required to have their own independent audits in compliance with New Jersey Department of the Treasury Circular Letter 04-04-OMB.

**University of Medicine and Dentistry of New Jersey**  
**Notes to Schedule of Expenditures of State Awards**  
**June 30, 2010**

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**2. Subrecipients**

Of the state expenditures presented in the Schedule, the University provided state awards to subrecipients as follows:

| <b>State Grantor Department</b>                               | <b>Contract Number</b> | <b>Amount<br/>Provided to<br/>Subrecipients</b> |
|---|------------------------|---|
| <b>Research and Development and Research Training Cluster</b> | Various                | \$ 420,008                                      |
| <b>Other Programs</b>   |                        |   |
| New Jersey Department of Children and Family                  |                        |   |
| Division of Child Behavioral Health Services                  |                        |   |
| YCM Shelter Care  | 09DRMR                 | 81,101  |
| Youth Case management-Shelter Care                            | 10DRMR                 | 353,541   |
| New Jersey Department of Health and Senior Services           |                        |   |
| Cooper Health Systems Support                                 |                        |   |
| Cooper & UMDNJ Capital Program Support                        | 10-1840-FS-H-0         | 10,600,000                                      |
| Cooper Health System Support                                  | 09-1840-FS-H-0         | 9,241,665                                       |
| Division of Mental Health Services                            |                        |   |
| Transformation Transfer initiative                            | 60170                  | 38,934  |
| Using Peer Counselors   | 50065                  | 22,224  |
| TAC Program   | C50007-08              | (303)   |
| TAC Program   | C50007-9               | 4,906   |
| TAC Program   | C20101-10              | 35,574  |
| Office of Cancer Control and Prevention                       |                        |   |
| ECCC Prostate Supplement FY10                                 | 10-50-CCC-E3           | 2,000   |
| Family Health Services  |                        |   |
| University Regional Newborn Screening                         | 10-257-SCH-E-3         | 15,000  |
| Office of Local Health  |                        |   |
| FY2010 SAVE Women and Men Program                             | 10-201-CCS-E-0         | 19,046  |
| New Jersey Comprehensive Tobacco Control Program              |                        |   |
| Overall Evaluation of the NJ Comp                             | MOA                    | 99,372  |

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

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

We have audited the consolidated statements of net assets of the University of Medicine and Dentistry of New Jersey, a component unit of the State of New Jersey (the "University"), and the related consolidated statements of revenues, expenses and changes in net assets, and of cash flows of the business-type activities as of and for the year ended June 30, 2010 and the statements of net assets of the aggregate discretely presented component units, and the related statements of revenues, expenses and changes in net assets as of and for the year ended June 30, 2010 which collectively comprise the University's basic financial statements (as listed in the accompanying index) and have issued our report thereon dated October 29, 2010. An unqualified opinion was issued on the consolidated financial statements of the business-type activities and a qualified opinion was issued on the financial statements of the aggregate discretely presented component units due to the fact that the financial statements of University Physician Associates of New Jersey, Inc. and Affiliates, a discretely presented component unit of the University, were prepared on a modified basis of cash receipts and disbursements which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our audit report was also modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of New Jersey Health Foundation, Inc., University Physician Associates of New Jersey, Inc. and Affiliates, and the Cancer Institute of New Jersey Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the New Jersey Health Foundation, Inc. and the Cancer Institute of New Jersey Foundation, Inc. both discrete component units of the University as described in our report on the University's financial statements.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of University of Medicine and Dentistry of New Jersey in a separate letter dated October 29, 2010.

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



October 29, 2010

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

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

**Compliance**

We have audited the compliance of University of Medicine and Dentistry of New Jersey (the "University") with the types of compliance requirements described in the New Jersey Department of the Treasury Circular Letter No.04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010 except as described in the second paragraph of this report. The University's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The schedule of expenditures of state awards and our audit described below do not include expenditures of state awards, if any, for New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc. and Affiliates, discretely presented component units of the University. These entities may be required to have their own independent audits in accordance with New Jersey Department of the Treasury Circular Letter No.04-04-OMB.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey Department of the Treasury Circular Letter No.04-04-OMB. Those standards and New Jersey Department of the Treasury Circular Letter No.04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey Department of the Treasury Circular Letter No.04-04-OMB which are described in the accompanying schedule of findings and questioned costs as items 10-1 through 10-3.

**Internal Control Over Compliance**

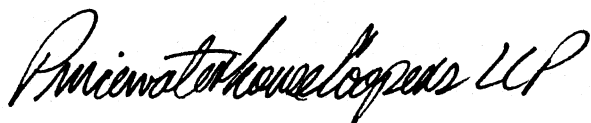
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the University's internal control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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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



February 16, 2011

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part I—Summary of Auditor’s Results**

**Financial Statements**

|  |               |
|--|---------------|
| Type of auditor’s report issued  | Unqualified*  |
| Internal control over financial reporting<br>Material weakness(es) identified?           | No            |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted?                                    | No            |

**State Awards**

**Internal control over major programs**

|   |               |
|---|---------------|
| Material weakness(es) identified?   | No            |
| Significant deficiencies identified that are not considered to be material weakness(es)?  | None reported |
| Type of auditor’s report issued on compliance for major programs  | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with New Jersey Department of the Treasury Circular Letter 04-04-OMB? | Yes           |

**Identification of Major Programs**

| <b>Name of State Program</b>  | <b>Award Number</b> |
|---|---------------------|
| Child Health Program  | 10RNGM              |
| Early Intervention Program  | 04-2170-EIP-E-0     |
| COPSA Institute for Alzheimer’s Disease and Related Disorders           | 10-1425-GER-E-2     |
| Cooper Health System Support  | 09-1840-FS-H-0      |
| Cooper & UMDNJ Capital Program Support                                  | 10-1840-FS-H-0      |
| Dollar threshold used to distinguish between Type A and Type B programs | \$2,811,364         |
| Auditee qualified as low-risk auditee?                                  | Yes                 |

\* As presented on page 1 of this circular letter 04-04-OMB report, an unqualified opinion has been issued on the consolidated financial statements of the business- type activities of the University. A qualified opinion has been issued on the aggregate discretely presented component units since one of the discretely presented component units, University Physician Associates of New Jersey, Inc and Affiliates, prepares its financial statements on a modified basis of cash receipts and disbursements which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As disclosed in the notes to the schedule of expenditures of state awards, the schedule of expenditures of state awards does not include expenditures of state awards for the discretely presented component units including the New Jersey Health Foundation, Inc., Cancer Institute of New Jersey Foundation, Inc. or University Physician Associates of New Jersey, Inc. and Affiliates. These entities may be required to have their own independent audits in compliance with circular letter 04-04-OMB.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part II—Financial Statement Findings**

None noted.

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part III—State Award Findings and Questioned Costs**

**10-1 Cost Transfers and Journal Entries**

The University's policy requires a cost transfer form to be completed when transferring expenses after the initial month in which it was recorded. According to the policy, such transfers are required to be reviewed and approved within 90 days following the month in which the charge was originally incurred.

**10-1425-GER-E-2 COPSA-Institute for Alzheimer's Disease and Related Disorders**

Of the 3 cost transfer and journal entry transactions tested for this program, 2 selections did not have the required cost transfer form created.

| <b>State Agency, Award Title, Number, and Year</b>  | <b>Number of Transactions</b> | <b>Finding Noted</b>   |
|---|-------------------------------|--|
| New Jersey Department of Health and Senior Services, Gerontology Program<br>COPSA Institute for Alzheimer's Disease and Related Disorders,<br>10-1425-GER-E-2<br>7/1/09 - 6/30/10 | 2                             | A correction was made to a clerical error related to the salary allocation. Due to the timing of the correction, a cost transfer form was required but was never created |

The cost transfer findings described were allowable charges to the award and the original correct salary allocation was approved by the appropriate personnel. An approved cost transfer form was subsequently obtained.

**Cause**

The finding noted was due to a misunderstanding of the cost transfer policy.

**Effect**

Transfers that are not finalized timely may result in misrepresentation of expenditures on the financial reports.

**Recommendation**

We recommend that the University ensure all individuals with responsibilities over cost transfers are fully aware of the policy to enhance the timeliness of the review process.

**Management's Views and Corrective Action Plan**

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

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**10-2 Reporting**

OMB Circular A-110 Section 52 requires submission of Financial Reports to the sponsoring agency according to terms set forth on the grant or contract agreement.

OMB Circular A-110 Section 51 requires that the recipients be responsible for managing and monitoring each project, program, sub award, function or activity supported by the award and the awarding agencies shall prescribe the frequency with which the performance reports shall be submitted.

**04-2170-EIP-E-0- Early Intervention Program**

Of the 2 special reports tested for this program, we noted the following for one report:

| <b>State Agency, Award Title, Number, and Year</b>   | <b>Type of Report</b>           | <b>Findings</b>       |
|--|---------------------------------|-----------------------|
| Department of Health and Senior Services, Family Health Services<br>Early Intervention Program<br>04-2170-EIP-E-0<br>1/1/2004-until terminated | Funds from Other Sources Report | Submitted 5 days late |

**10-1425-GER-E-2 COPSA-Institute for Alzheimer's Disease and Related Disorders**

The program award document requires interim quarterly performance and expenditure reports to be submitted within 10 business days following quarter end and a final report to be submitted within 60 days of period end.

Of the 3 financial reports and 2 progress reports tested for the Department of Health and Senior Services, COPSA Institute for Alzheimer's Disease and Related Disorders program, award 10-1425-GER-E-2 for the period 7/1/2009 - 6/30/2010, the following findings were noted:

| <b>Type of Report</b>            | <b>Number of Transactions</b> | <b>Findings</b>   |
|----------------------------------|-------------------------------|---|
| Quarterly Performance Reports    | 2                             | The reports were submitted 12 days after the required submission date.  |
| Quarterly Report of Expenditures | 2                             | One of the quarterly reports selected was not submitted. The expenditure information was reported on the subsequent quarter's report. The other quarterly report selected was submitted 27 days after the required submission date. |
| Final Report of Expenditures     | 1                             | The report reviewed was submitted 67 days after the required submission due date and also included incurred expenditures that was paid two months after the report submission   |

**University of Medicine and Dentistry of New Jersey**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Cause**

The financial and progress report findings were due to untimely review by supervisory personnel and management oversight in preparing the reports.

**Effect**

The University may inaccurately report award expenditures and progress to granting agencies. Late submissions of reports may affect the awarding agencies' ability to monitor progress on the awards in a timely manner.

**Recommendation**

We recommend that the University develop more robust review procedures over reporting and account management.

**Management's Views and Corrective Action Plan**

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

**10-3 Equipment Management (Applies to all awards except Student Financial Aid)**

OMB Circular A-110.C34 (f)(1) requires, "Equipment records shall be maintained accurately," and also includes a list of information to be tracked in their equipment management system including but not limited to a description of the equipment, identification number, source of the equipment, acquisition date, acquisition cost, and location.

UMDNJ's equipment management system incorporates the required information under federal and state regulation. Additionally, UMDNJ has conducted a physical inventory during the current year in accordance with OMB Circular A-110.C34 (f)(3). Of the 50 equipment items selected for testing, we noted that 2 items were not appropriately tagged and 1 tag was replaced by another tag and the original tag should have been recorded as retired in the University's financial records system.

**Cause**

The findings noted are a result of the need for the University to continually improve the controls over the processing of equipment purchases, tags, and disposals/retirements.

**Effect**

Untimely and inaccurate processing of equipment purchases, tags and disposals may result in the inability to track the physical location of equipment or disposing of equipment not in accordance with federal and state regulation.

**Recommendation**

We recommend that the University continue to strengthen their control procedures regarding the equipment management system and ensure that equipment is appropriately tagged and processed timely.

**Management's Views and Corrective Action Plan**

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

**University of Medicine and Dentistry of New Jersey**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2010**

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**09-1 Effort and Payroll Reporting**

**Finding**

**09DRMR - DRMR-UBHC-DCBHS-Transition**

Of the 41 semi-annual faculty effort reports and non-faculty activity certifications, which include 35 direct cost salary selections, one finding was noted where the semi-annual Professorial and Professional Staff Activity report was never created.

**09RNGM - Child Health Nursing**

Of the 55 salary transactions tested, one finding was noted where a salary charge was incorrectly charged to the grant.

**Status**

A report was developed and used by the Grants dept in 2010 to monitor the accuracy of the PI's budgeted effort to actual effort to Payroll Distributions as the effort reports are completed on a semiannual basis.

**09-2 Cost Transfers and Journal Entries**

**Finding**

**09-2(A): Research and Development and Research Training cluster**

Of the 30 cost transfer and journal entry transactions tested, 1 selection which required a cost transfer form did not have a form created and 2 selections were not completely approved within 90 days of the date of discovery in accordance with the University's policy.

**09-2(B): C20101-9 - UMDNJ-UBHC Piscataway**

Of the 30 cost transfer and journal entry transactions tested, 3 selections which required a cost transfer form did not have a form created and 1 selection's cost transfer form was not approved by the institution officer in accordance with the University's policy.

**09-2(C)—09DRMR - UBHC-DCBHS-Transition**

Of the 30 cost transfer and journal entry transactions tested, 2 selections which required a cost transfer form did not have a form created and 2 selections' cost transfer form were not approved by the institution officer in accordance with the University's policy.

**Status**

The Grants dept has conducted training sessions on the cost transfer policy for principal investigators and administrators and has enforced the existing cost transfer policy. Departments will continue to be notified of cost transfers that have been submitted with inadequate documentation and approvals.

Some matters were noted in the current year; see management's views and corrective action plan to current year finding 10-2.

**University of Medicine and Dentistry of New Jersey**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2010**

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**09-3 Cash Management**  
**Finding**

**09-3(A): Reporting**

The majority of the University's awards are funded under the reimbursement method in which the University is reimbursed for expenses incurred. Of the 30 cash receipt selections tested in the research and development and research training cluster, PwC noted that 2 did not agree to the financial records.

**09-3(B): Interest Earned on Advance Payments**

A total of 14 awards with the New Jersey Department of Higher Education - Governor's Commission on Science & Technology were noted to have interest earned on advance payments which was not reported on the Report of Expenditures as required. Total interest earned on all 14 awards was \$24,304.

One award with the New Jersey Department of Higher Education - Governor's Commission on Science & Technology was noted to have earned interest on advance payments in the amount of \$20,202 and was not remitted back to the agency timely.

**Status**

Management reviews all cash advances to ensure the need to invest and to identify the interest earned.

**09-4 Conflict of Interest (applies to 09DRMR and C20101-09)**

The Department of Children and Families Contract Policy Manual, DCF.P8.05-2007 and the Department of Human Services Contract Policy Manual, DHS.P8.05, establishes minimum standards for use by Provider Agencies in the development and implementation of a Conflict of Interest Policy. The policy contains specific requirements with which the Provider Agency's Conflict of Interest Policy must comply. Specific references to the matters outlined in the Contract Policy Manual were not noted to be included in the University's Conflict of Interest policy.

**Status**

Management has reviewed the University's conflict of interest policies, the State's Uniform Ethics Code and the State's disclosure requirements for Board members and has concluded that these documents address the requirements of the Contract Policy Manual.

December 22, 2010

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2010**

**Part III – State Award Findings and Questioned Costs**

10-1 Cost Transfers and Journal Entries

**Responsible Party: Associate Controller for Grants and Contracts**

Management agrees with the recommendation.

Management will continue to conduct training session on cost transfers with the appropriate personnel to reinforce the requirements.

10-2 Reporting and Timeliness of Cost Transfers

A) Progress Reports

**Responsible Party: Principal Investigators (“PI”) and Associate Deans for Office of Research and Sponsored Programs (“ORSP”)**

Management agrees with the recommendation.

There are standard procedures currently in place to ensure that progress reports are submitted on time. Notices are sent to the PIs (with a cc to their administrators) who have progress reports due within the next three months as well as monthly follow up email reminders that reports are due.

In order to eliminate late filings, ORSP will institute a tracking system as the reports are uploaded by the PI and submitted to ORSP and will contact the departmental administrator five working days prior to the deadline.

B) Financial Reporting

**Responsible Party: Associate Controller for Grants and Contracts**

Management agrees with the recommendation:

The filing of late reports may be due to the receipt of awards or contracts after the due date of the initial quarterly report.

In order to submit the required expenditure reports by the due date, the grant analyst will be instructed to prepare estimated reports for those items.

### 10-3 Equipment Management

#### **Responsible Party: Director of Accounting and Financial Reporting**

Management agrees with the recommendation and the Assets Management department will continue to improve its control procedures related to equipment. After completing its quarterly tagging procedures, a follow up notification will be sent to the user department where equipment was not accessible for tagging. The assets management procedures will also be revised to strengthen the responsibilities of asset tagging and to require units submit notifications of changes in the location of equipment.

Sincerely,



Francis X. Colford  
VP for Finance and Treasurer