THE CITY UNIVERSITY OF NEW YORK

Basic Financial Statements, Management's Discussion and Analysis, Required Supplementary Information and Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(With Independent Auditors' Reports Thereon)

THE CITY UNIVERSITY OF NEW YORK

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KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The City University of New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the University), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 27 of the 85 discretely presented component units, which represent approximately 85%, 84%, and 50%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 27 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement. The financial statements of the 27 discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

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Opinions

In our opinion, based on our report and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The City University of New York as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(b) to the financial statements, in fiscal 2016, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 21 and the schedules of employer contributions and proportionate share of the net pension liability as of June 30, 2016 on pages 73 and 74, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

November 29, 2016

Introduction

The objective of Management's Discussion and Analysis (MD&A) is to provide readers with an overview of The City University of New York's (CUNY) financial condition as of and for the years ended June 30, 2016 and 2015, the results of its operations for the years then ended, and significant changes from the previous year. Prior year balances have been reclassified or restated to conform to the current year presentation. This discussion has been prepared by management and should be read in conjunction with the accompanying audited financial statements and the notes to the financial statements.

The University's financial report communicates financial information for 24 colleges and schools: twelve (12) senior colleges, seven (7) community colleges, The Macaulay Honors College, and four (4) graduate and professional schools. The University's financial statements include the financial activity of the following related organizations: the Research Foundation of the City University of New York (RF-CUNY), and its subsidiary, 230 West 41st Street LLC; and the City University Construction Fund (CUCF). The University also includes twenty-six (26) college foundations, twenty-five (25) auxiliary enterprise corporations and other component units, twenty-one (21) student association organizations and thirteen (13) child care centers of the individual colleges as discretely presented component units. The financial activities of these organizations are not included in the discussion presented below. The basis for determining which University related organizations are considered to be part of the University's reporting entity is included in note 1 of the financial statements.

City University of New York

The City University of New York provides high-quality, accessible education to undergraduate and graduate students at 24 schools across New York City, and its facilities include 300 buildings comprised of approximately 28 million square feet of classrooms computer centers, science and language labs, theaters, gymnasiums, greenhouses, astronomy observatories and spaces for many other purposes. From certificate courses to PhD programs, CUNY offers post-secondary education to students of all backgrounds. It provides New York City with graduates trained for high-demand positions in the sciences, technology, mathematics, teaching, nursing and other fields. As CUNY has grown, the University also has strengthened its mission as a premier research institution.

CUNY's size makes it one of the largest urban higher education institutions in the United States. CUNY granted 50,022 degrees in fiscal year 2016 compared to 48,125 in fiscal year 2015.

Highlights

In June 2016, CUNY announced that tentative agreements were reached with the Professional Staff Congress (PSC) CUNY's largest union representing approximately 25,000 faculty and instructional staff and with District Council 37 ("DC 37") representing approximately 12,000 employees and all other unions including Service Employees International Union ("SEIU") Local 300; International Alliance of Theatrical Stage Employees ("IATSE"), Local 306; and the New York State Nurses Association that represent many non-instructional CUNY staff. The tentative agreements were approved by the University's Board at the June 28, 2016 meeting and were ratified by the various unions in July and August 2016. The contracts span approximately seven years starting in 2010 and expire on various dates; Oct. 31, 2016 for SEIU Local 300 and tentatively on Oct. 31, 2016 for IATSE, Local 301; Jan. 31, 2017 for DC37; Nov. 30, 2017 for the PSC, and Dec. 15, 2017 for the New York State Nurses Association, and provide 10.41% in compound wage increases including retroactive pay, in addition to a signing bonus and other benefits.

New Board Appointments

Governor Andrew Cuomo appointed William C. Thompson, Jr. as chairperson of the Board of Trustees, replacing Benno Schmidt, who served for 16 years including 13 as Chairperson. Governor Cuomo's other trustee appointees include Fernando Ferrer, Mayra Linares-Garcia, Robert F. Mujica, Ken Sunshine, and Sandra Wilkin. Mayor Bill de Blasio appointed Lorraine Cortés-Vázquez as a trustee in June of 2016.

Program Highlights

The CUNY Board of Trustees approved the CUNY Master Plan for 2016 – 2020 – "The Connected University." The Plan takes on the stubborn challenges of retention and graduation rates, and was developed on a foundation that emphasizes accessibility, affordability and exceptional quality. Major goals are to create a truly integrated university; connecting the colleges and programs and people with each other as well as with people and institutions outside the university, increasing graduation rates, continuing to provide a highly accessible, affordable high quality education for all students. This includes students requiring remedial work as well as honors students. The goals are to improve student retention and attainment and to serve more adult learners.

As a result of its success rate in fiscal year 2015, ASAP (Accelerated Study in Associate Programs) was expanded from the community colleges to the three comprehensive colleges, with plans to enroll 25,000 students by 2018 from approximately 7,000 students in fiscal year 2016. The success rate in three-year graduation rates for CUNY's ASAP students is 57% for the most recent cohort compared to 17% for a comparable group of full-time community college students. Additional funding has been provided by New York City to support the increase in students. CUNY is expanding the program to encompass all full-time students at Bronx Community College. A pilot project at John Jay, a senior college, was begun in 2016.

The CUNY School of Medicine launched its inaugural class in the fall of 2016 in partnership with St. Barnabas Health System in the South Bronx. The School of Medicine was established with the goal of providing increased access to intensive medical education and training more physicians for underserved communities across New York State.

The CUNY Board of Trustees authorized all CUNY colleges offering associate degrees to evaluate transcripts of students who transferred into baccalaureate programs to identify students who have earned an associate degree starting with the spring 2016 commencements. To date, 500 additional associate degrees have been granted to such students.

The University's Financial Position

This discussion and analysis is intended to serve as an introduction to the University's financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these four reported as net position. An institution's net position over time may serve as a useful indicator of its financial position. The University's net position is classified into three categories: 1) Net investment in capital assets, 2) Restricted, and 3) Unrestricted.

Changes from one year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position which is the University's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating, nonoperating, or other, which include capital and endowment items.

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year and is prepared using the direct method.

In fiscal year 2016, the University adopted five new accounting standards as follows: GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72); the impact on the University's financial statements did not change the fair value measurements, however, enhanced the fair value and related disclosure information of investments, restricted deposits held by bond trustees and interest rate swaps , see footnote 3; GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76); GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77); GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78) and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). There was no impact on the University's financial statements as a result of the adoption of the last four standards.

(Continued)

THE CITY UNIVERSITY OF NEW YORK

Management's Discussion and Analysis

June 30, 2016

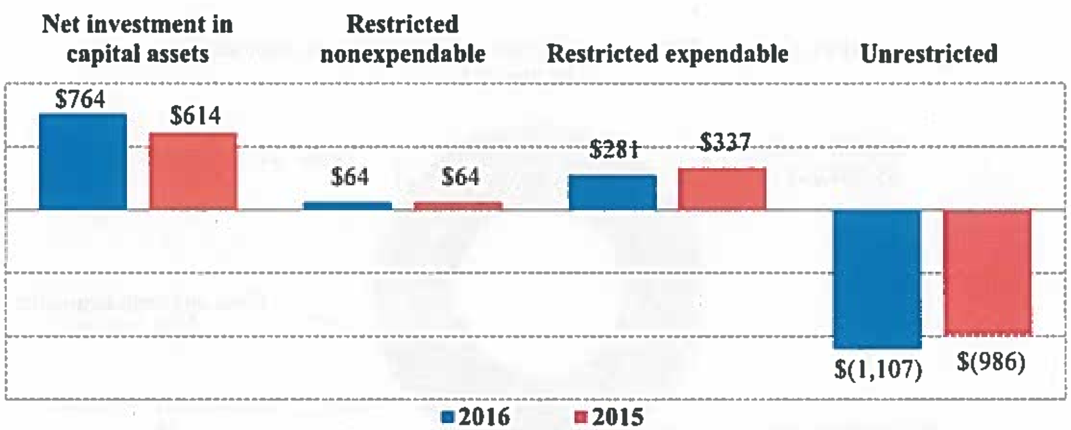
(Unaudited)

The major components of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016 and 2015:

		2016	2015
		(in thousands)	
Current assets	$	2,110,208	1,720,039
Other noncurrent assets		572,330	667,922
Capital assets		5,704,248	5,453,296
Total assets		**8,386,786**	**7,841,257**
Deferred outflows of resources		414,537	223,007
Current liabilities		1,723,470	1,335,831
Noncurrent liabilities		6,945,032	6,521,522
Total liabilities		**8,668,502**	**7,857,353**
Deferred inflows of resources		131,332	178,048
Net investment in capital assets		764,119	613,726
Restricted			
Nonexpendable		64,216	64,221
Expendable		280,594	336,598
Unrestricted		(1,107,440)	(985,682)
Total net position	$	**1,489**	**28,863**

Net Position

(in millions)



CUNY's total net position decreased by $27.4 million, or 94.8%, between June 30, 2015 and June 30, 2016. The change is primarily attributable to a $150.4 million capital program increase for new facilities, building improvements and the capitalization of CUNYfirst software. This increase was offset by a decrease in restricted expendable net position of $56.0 million, primarily comprised of a $53.0 million decrease in debt service, a $13.0 million decrease in scholarships and general education support, a $3.3 million decrease in loans, and a $13.3 million increase in other and a $121.8 million decrease in unrestricted net position.

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt related to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position includes permanent endowment gifts from donors. Restricted expendable includes the net position restricted for operations, facilities and student loan programs.

THE CITY UNIVERSITY OF NEW YORK

Management's Discussion and Analysis

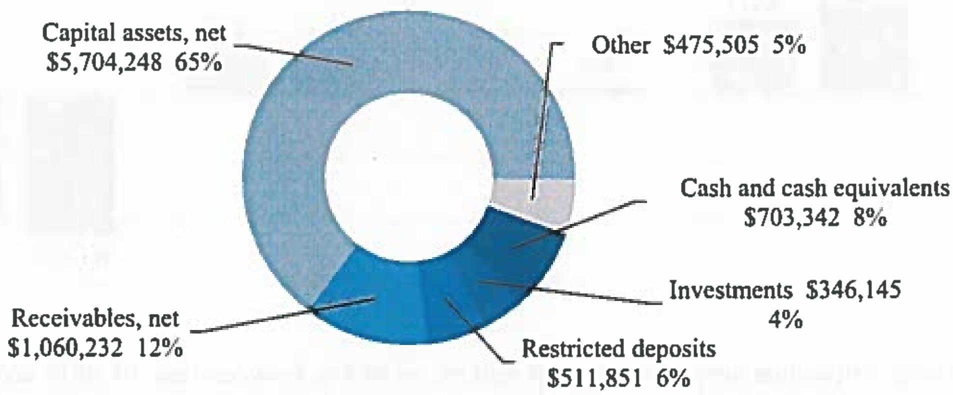
June 30, 2016

(Unaudited)

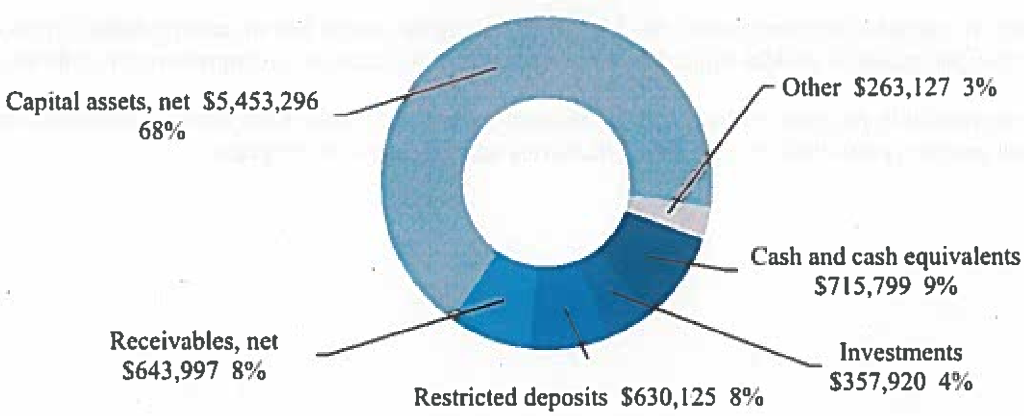
Assets and Deferred Outflows of Resources

At June 30, 2016, the University's total assets and deferred outflows of resources increased by $737.1 million, 9.1% as compared to the June 30, 2015 balance. The variance is primarily attributable to increases in receivables, $416.2 million; capital assets, net, $250.9 million; and pension related deferred outflows, $189.8 million offset by a $118.3 million decline in restricted deposits.

2016 Assets and Deferred Outflows of Resources (in thousands)
$8,801,323



2015 Assets and Deferred Outflows of Resources (in thousands)
$8,064,264



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The most significant fluctuations are discussed below:

Receivables, net increased by $416.2 million which is primarily attributable to a $352.8 million increase in appropriations receivable from New York City and New York State related to the collective bargaining settlements.

Capital Assets, net includes land, land improvements, buildings, building improvements, leasehold improvements, construction in progress, infrastructure, infrastructure improvements, intangible assets, artwork and historical treasures, and equipment, reduced by related depreciation. Capital assets, net increased by $250.9 million primarily due to capital asset additions of $505.6 million offset by depreciation expense of $250.8 million. Significant additions in fiscal year 2016 are the New York City College of Technology Academic Building, $71.8 million; City College's Advanced Science Research Center, $59.3 million; the Lehman College utility upgrade, $21.1 million; LaGuardia Community College's façade replacement, $20.6 million; Brooklyn College's Performing Arts Center, $20.1 million and the Hunter-Kennedy building acquisition, $18.1 million.

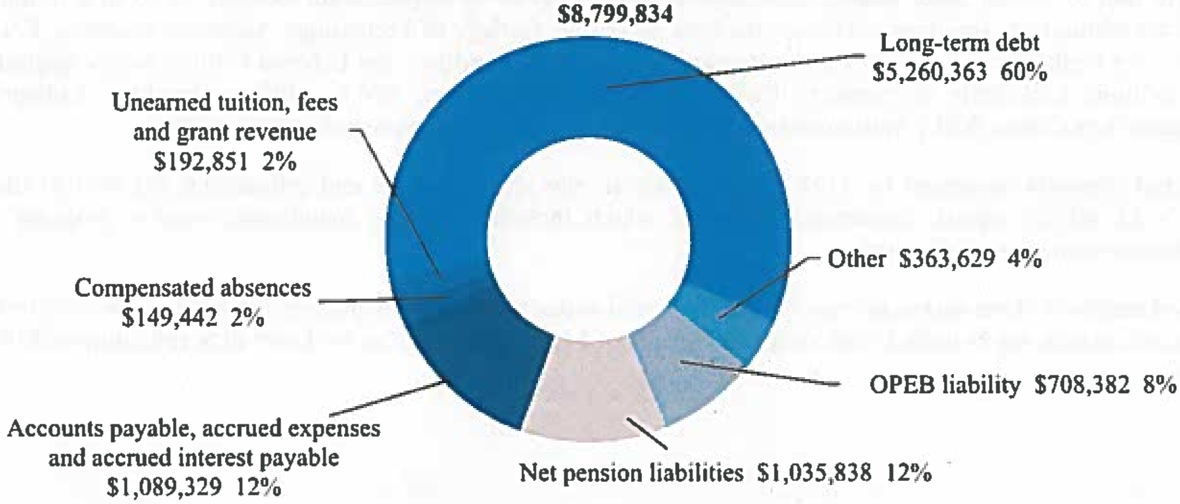
Restricted deposits decreased by $118.3 million due to new debt issuance and refinancing old debt to fund CUNY's $3 billion capital construction program which includes ongoing maintenance and a program of rehabilitation on nearly every campus.

Deferred outflows of resources increased by $191.5 million due to increases in pension related outflows of $189.8 million and an increase in interest rate swap agreements of $15.6 million; offset by lower debt refunding of $13.9 million.

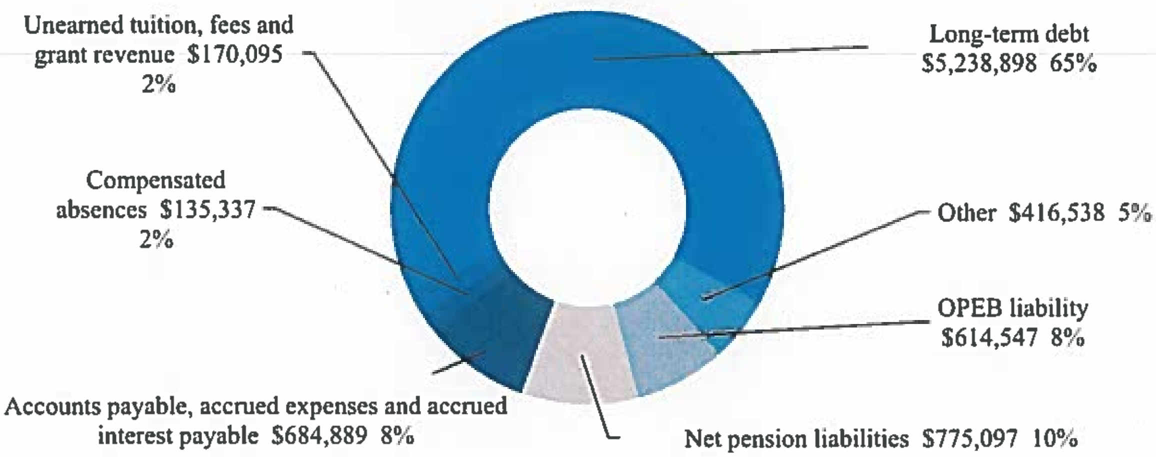
Liabilities and Deferred Inflows of Resources

At June 30, 2016, the University's total liabilities and deferred inflows increased by $764.4 million, or 9.5%, from the June 30, 2015 balance. The variance was primarily attributable to a $404.4 million increase in accounts payable and accrued expenses primarily related to collective bargaining, a $260.7 million increase in net pension liabilities and a $93.8 million increase in OPEB liability.

2016 Liabilities and Deferred Inflows of Resources (in thousands)
$8,799,834



2015 Liabilities and Deferred Inflows of Resources (in thousands)
$8,035,401



The most significant fluctuations are discussed below:

Accounts payable, accrued expenses and accrued interest payable increased by $404.4 million, primarily due to the collective bargaining settlement wages and fringe benefit accrual, $360.2 million and the timing and payment of capital and vendor expenses, $30.3 million offset by a $7.3 million decrease in the payable due to the State of New York and the City of New York, ($10.7 million decrease in the payable due to the State of New York offset by a $3.4 million increase in the payable due to the City of New York).

Total long-term debt increased by $21.5 million between fiscal years 2016 and 2015. The 2016 variance is primarily due to $393.2 million in new debt issued through DASNY, offset by debt retirement of $347 million and $21.5 million in debt service payments amortization.

Net pension liabilities increased by $260.7 million due to an update in the assumptions for post-retirement mortality tables based on the experience of each System and the application of the Mortality Improvement Scale MP-2015 applied on a generational basis (published by the Society of Actuaries in October 2015) which replaced Mortality Improvement Scale AA applied on a static projection basis.

OPEB liability increased by $93.8 million due to per capita claims cost adjustments to reflect experience changes, announced rate increases for the pre-Medicare trend rate for Health Insurance Plan (HIP) and other health maintenance organization (HMO) arrangements, including an age adjustment applied to the cost of other HMO's previously assumed to be community rated, and an adjustment to the Welfare Fund contribution rates resulting from the recent contract settlement negotiations.

The University's Results of Operations

Statement of Revenues, Expenses, and Changes in Net Position

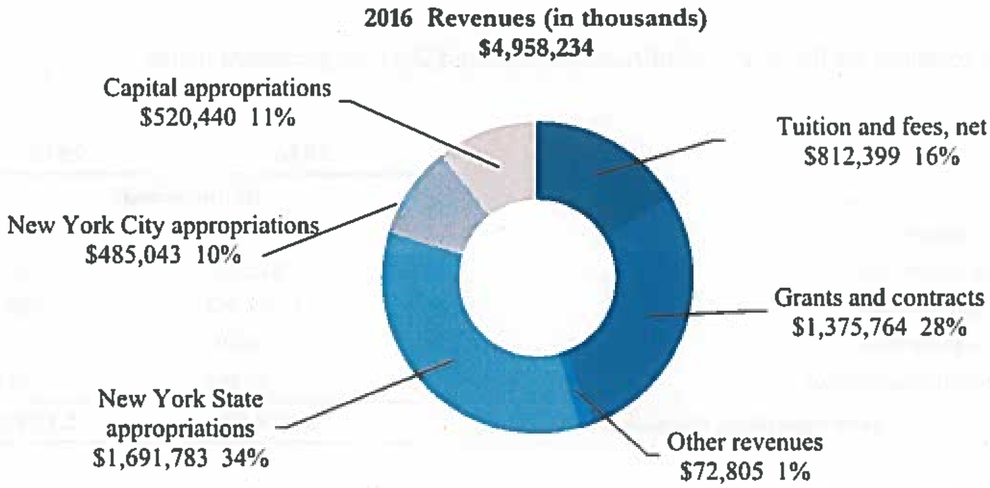
The Statement of Revenues, Expenses, and Changes in Net Position is a presentation of the University's results. It indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the results for the years ended June 30, 2016 and 2015 present the operating results of the University, as well as nonoperating revenues and expenses. New York State and City appropriations, while budgeted for in operating activities, are presented as nonoperating revenues as prescribed by GASB. The major components of revenues, expenses and changes in net position are presented below:

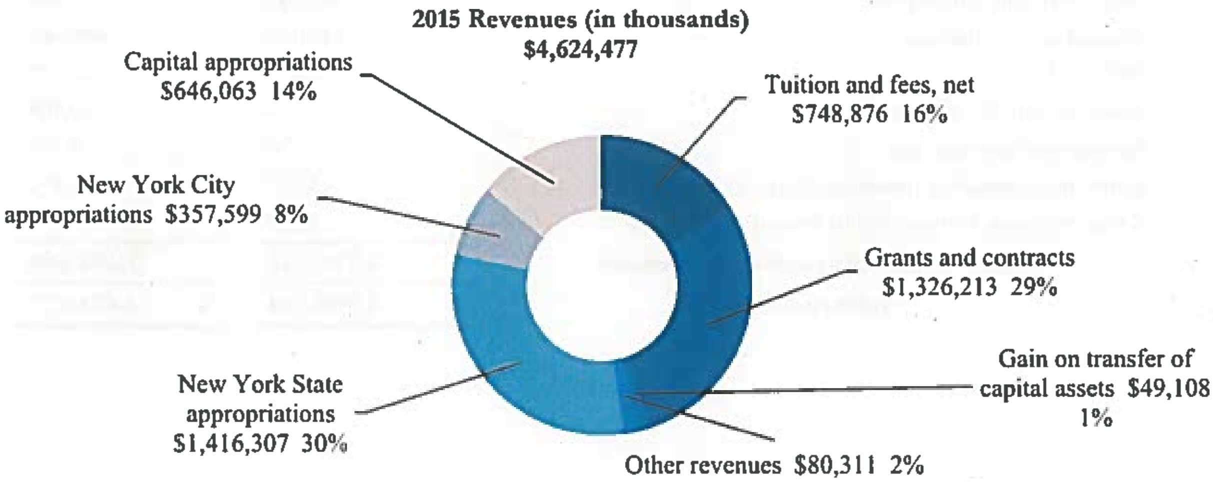
	2016	2015
	(in thousands)	
Revenues		
Total operating revenues	$ 2,239,811	$ 2,129,797
Total nonoperating and other revenues	2,718,423	2,494,680
Total revenues	**4,958,234**	**4,624,477**
Expenses		
Total operating expenses	4,800,753	4,276,813
Total nonoperating expenses	184,855	190,239
Total expenses	**4,985,608**	**4,467,052**
(Decrease) increase in net position	**(27,374)**	**157,425**
Net position at beginning of year	28,863	759,296
Effect of adoption of GASB 68	—	(887,858)
Net position at beginning of year, as restated	**28,863**	**(128,562)**
Net position at end of year	**$ 1,489**	**$ 28,863**

Revenues

The University's revenues for the years ended June 30, 2016 and 2015 are presented below

	2016	2015
Revenues	**(in thousands)**	
Operating revenues		
Tuition and fees, net	$ 812,399	$ 748,876
Grants and contracts	1,375,764	1,326,213
Auxiliary enterprises	4,841	5,656
Other operating revenues	46,807	49,052
Total operating revenues	**2,239,811**	**2,129,797**
Nonoperating and other revenues		
New York State appropriations	1,691,783	1,416,307
New York City appropriations	485,043	357,599
Capital appropriations	520,440	646,063
Gifts and grants	8,018	18,170
Gain on transfer of capital assets	-	49,108
Investment income, net	5,550	4,561
Other nonoperating (revenues) expenses, net	3,737	2,872
Transfer (from University) to Foundation	3,852	—
Total nonoperating and other revenues	**2,718,423**	**2,494,680**
Total revenues	**$ 4,958,234**	**$ 4,624,477**





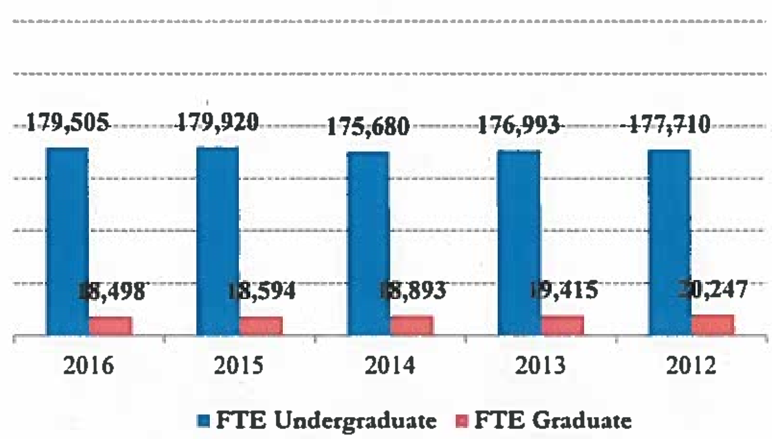
The University total revenues of approximately $4.9 billion for the year ended June 30, 2016 increased by $333.8 million, or 7.2% over the University's total revenues for the year ended June 30, 2015.

Operating revenues accounted for 45.1% of total revenues for the year ended June 30, 2016 as compared to 46.1% for the year ended June 30, 2015. Nonoperating revenues accounted for 54.8% of total revenues as compared to 54.0% in the prior year.

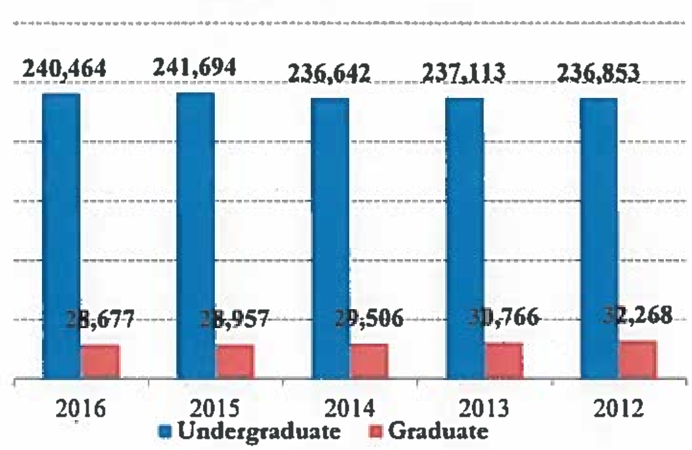
Tuition and Fees, net, increased by $63.5 million. This increase is primarily due to $75.6 million of revenue generated by increases in the undergraduate and graduate tuition rates, $65.3 million and $10.3 million, respectively; along with $7.4 million generated by an increase in the average annual undergraduate FTE enrollment and a $13.9 million tuition and fee increase from various non-degree programs. These revenue increases were offset by an increase in the scholarship allowance of $34.3 million, New York State Tuition Assistance Program awards, scholarships and waivers.

The following graphs depict the University's enrollment trends for the past five years:

2012 - 2016 Annual Average Full Time Equivalent (FTE)



2012 - 2016 Annual Average Undergraduate and Graduate Headcount



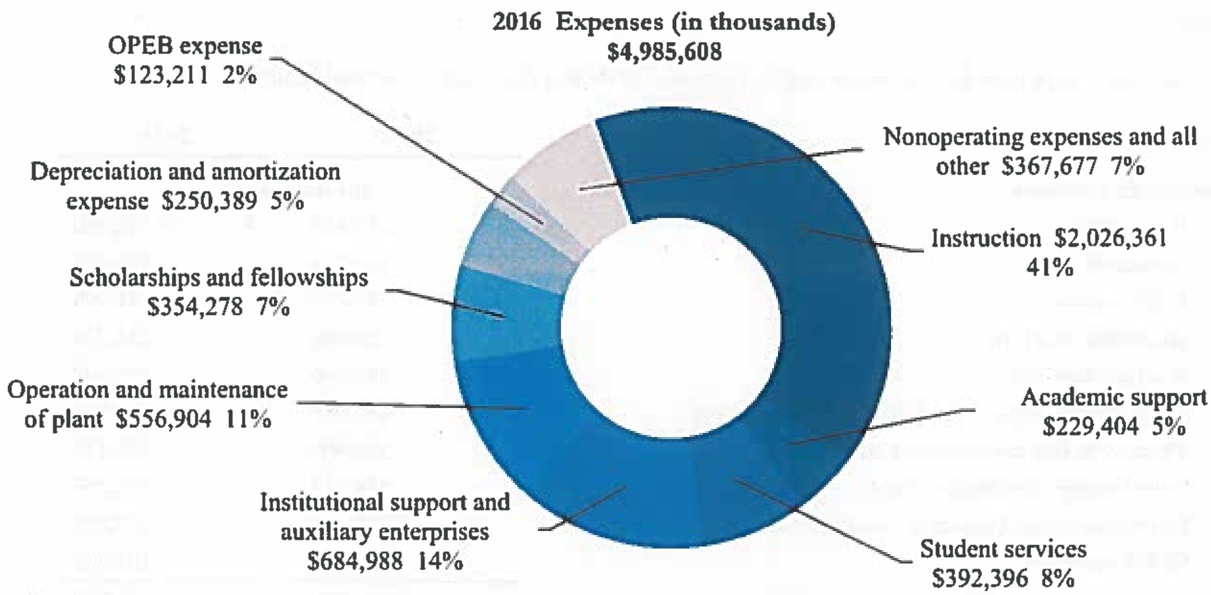
Grants and Contracts increased by $49.6 million, of which $28.2 million is attributable to the Research Foundation, composed of a $36.0 million increase in New York City municipal sponsored activities and a $6.9 million increase in Private Grants offset by a $14.7 million decrease in Federal and New York State grants. The remaining $21.4 million variance is due to a $14.5 million increase in NY State Tuition Assistance Program awards at community colleges and a $6.9 million increase in teaching grants.

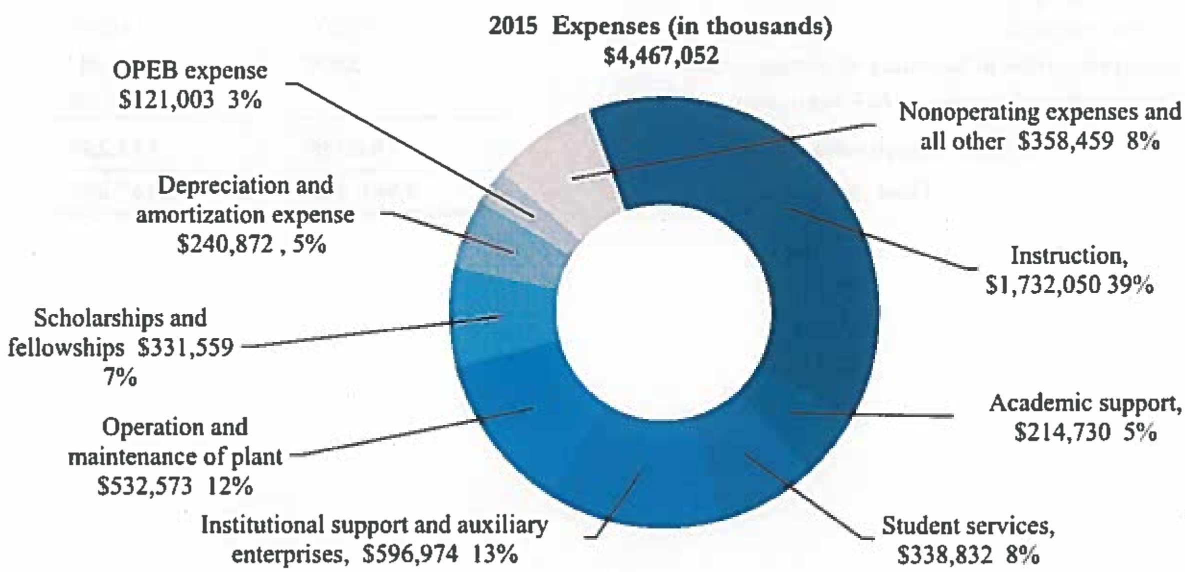
Capital appropriations decreased by $125.6 million, or 19.4%, primarily due to a reduction in debt service fees of $50.9 million related to a partial refunding of a 2005 Series A New York State Personal Income Tax Revenue (PIT) bond, a decrease of $40.5 million relating to accrued interest on PIT bonds, and a $22.3 million decline in appropriations related to the Hunter College Science transaction that occurred in fiscal year 2015.

Expenses

The University's expenses for the years ended June 30, 2016 and 2015 are presented below:

Expenses:		2016		2015
		(in thousands)		
Operating expenses:				
Instruction	$	2,026,361	$	1,732,050
Research		139,723		126,420
Public service		43,099		41,799
Academic support		229,404		214,730
Student services		392,396		338,832
Institutional support and auxiliary enterprises		684,988		596,974
Operation and maintenance of plant		556,904		532,573
Scholarships and fellowships		354,278		331,559
Depreciation and amortization expense		250,389		240,872
OPEB expense		123,211		121,003
Total operating expenses		**4,800,753**		**4,276,813**
Nonoperating expenses:				
Interest expense		179,005		181,980
Net depreciation in fair value of investments		5,850		5,427
Transfer (from University) to Foundation		—		2,832
Total nonoperating expenses		**184,855**		**190,239**
Total expenses	**$**	**4,985,608**	**$**	**4,467,052**

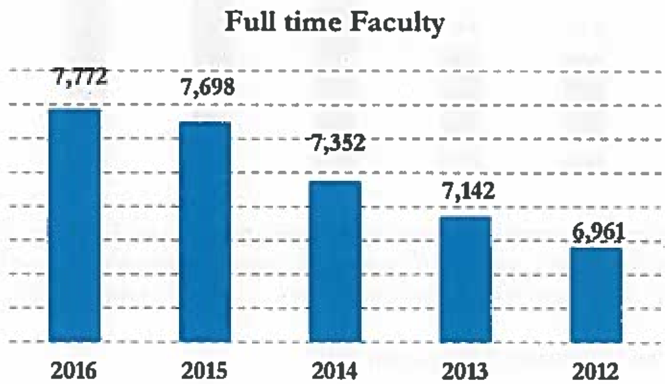




Total expenses for the period ended June 30, 2016 were approximately $5.0 billion, which reflected an increase of $518.6 million or 11.6%, over the prior year.

The $489.5 million increase in Instruction, Research, Public Service, Academic Support, Institutional Support, Student Services, and Operation and Maintenance of Plant is primarily attributable to a $360.2 million collective bargaining settlement.

This chart depicts the increase in the number of full-time faculty over the past five years



Capital Assets

At June 30, 2016, the University had approximately $5.7 billion in capital assets which is net of accumulated depreciation of $4.1 billion. Annual depreciation expense totaled $250.8 million for the year ended June 30, 2016.

The University's capital program addresses the major new construction, rehabilitation, and capital equipment needs of its colleges and is developed in accordance with the University's established priority system as articulated in its Master Plan. Funding is based upon a five year capital plan, which is subject to final approval by the State of New York. A complete list of project and construction costs is included in the Master Plan. Most of CUNY's capital program is conducted through the Dormitory Authority of the State of New York (DASNY) on behalf of CUNY.

The following depicts disbursements made by DASNY for the University's capital construction projects since 2012.

DASNY Capital Construction Disbursements (in millions)

Capital construction disbursements remained consistent from prior year. Funding for capital construction and rehabilitation of educational facilities is provided principally through the issuance of bonds authorized by CUCF and funded through DASNY. Some rehabilitation projects are also funded through City and State appropriations.

The following summarizes the University's long-term debt:

Debt increased by $21.5 million, or 0.4%, between fiscal years ended June 30, 2016 and 2015. The variance is primarily attributable to $393.2 million in new debt issued through DASNY offset by debt retirement of $347 million and $21.5 million in debt service payments amortization.

CUNY Long-term Debt (in Millions)

 (Continued)

Economic Factors That Will Affect the Future

A crucial element to the University's future continues to be a strong relationship with the State of New York and the City of New York.

Fiscal year 2016 was the final year of a five-year funding model authorized by State legislation in 2011 to provide for predictable annual tuition increases of $300. The fiscal year 2017 state enacted budget for the senior colleges totals $2.36 billion, an increase of $21.3 million, or 0.9%, over fiscal year 2016. The enacted budget provided $16.6 million for increased fringe benefit costs but did not fully fund the fringe benefit increase or provide for any other mandatory cost increases, including those associated with contractual salary increments, energy and building rental costs. CUNY is taking a number of steps to manage a reallocation of resources in an effort to minimize the impact on core academic and student services. The fiscal year 2017 budget for the community colleges coming from New York City as well as base aid from New York State is projected to increase $53.1 million including a $100 per student FTE increase in state aid.

The level of State and City appropriations will continue to be a risk for the foreseeable future. Continued appropriations from New York State and New York City are vital as there are mandatory needs increases due to salary increases, including Union Settlements, lease increases, as well as benefits and other expenses.

Several nonfinancial factors are also relevant to the University's financial health. These include changes in the number of its applicants, size of the first-year class, number of full-time faculty, student retention, and graduation rates, building conditions, and campus safety.

Risks

The City University of New York is influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial conditions.

In higher education, risk drivers include fierce competition for faculty, students, staff and financial resources; pressure for increased productivity, responsiveness and accountability, while reducing cost; increased scrutiny from government, the public and governing boards; and technological innovation which continues to transform education delivery systems.

THE CITY UNIVERSITY OF NEW YORK

Statement of Net Position

June 30, 2016

(In thousands)

	Business-type activities University	Discretely presented component units Supporting organizations	Total
Assets:			
Current assets:			
Cash and cash equivalents (note 3)	$ 703,342	95,052	798,394
Short-term investments (note 3)	73,762	76,454	150,216
Restricted deposits held by bond trustees (note 8)	179,484	—	179,484
Restricted amounts held by the Dormitory Authority of the State of New York (note 8)	80,419	—	80,419
Receivables, net (note 4)	1,036,374	56,429	1,092,803
Prepaid expenses and other current assets	36,827	14,045	50,872
Total current assets	2,110,208	241,980	2,352,188
Noncurrent assets:			
Restricted cash (note 3)	22,223	—	22,223
Long-term investments, unrestricted (note 3)	106,265	54,881	161,146
Long-term investments, restricted (note 3)	166,118	580,914	747,032
Restricted deposits held by bond trustees (note 8)	251,948	9,221	261,169
Long-term receivables, net (note 4)	23,858	67,420	91,278
Capital assets, net (note 5)	5,704,248	162,586	5,866,834
Other noncurrent assets	1,918	502	2,420
Total noncurrent assets	6,276,578	875,524	7,152,102
Total assets	8,386,786	1,117,504	9,504,290
Deferred outflows of resources:			
Pension related (note 9)	290,468	—	290,468
Interest rate swap agreements (note 7)	87,000	—	87,000
Deferred amount on debt refundings	37,069	4,701	41,770
Total deferred outflows of resources	414,537	4,701	419,238
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses (note 6)	1,005,262	19,402	1,024,664
Compensated absences (note 7)	103,980	362	104,342
Unearned tuition and fees revenue	83,666	2,552	86,218
Accrued interest payable	84,067	1,273	85,340
Current portion of long-term debt (note 7)	255,858	1,577	257,435
Unearned grant revenue	109,185	156	109,341
Other current liabilities	42,777	3,461	46,238
Deposits held in custody for others	38,675	2,189	40,864
Total current liabilities	1,723,470	30,972	1,754,442
Noncurrent liabilities (note 7):			
Compensated absences	45,462	—	45,462
OPEB liability (note 10)	708,382	—	708,382
Long-term debt	5,004,505	158,143	5,162,648
Federal refundable loans	18,346	—	18,346
Net pension liabilities (note 9)	1,035,838	—	1,035,838
Interest rate swap agreements	87,000	—	87,000
Other noncurrent liabilities	45,499	905	46,404
Total noncurrent liabilities	6,945,032	159,048	7,104,080
Total liabilities	8,668,502	190,020	8,858,522
Deferred inflows of resources:			
Pension related (note 9)	131,332	—	131,332
Total deferred inflows of resources	131,332	—	131,332
Net position (deficit):			
Net investment in capital assets	764,119	15,141	779,260
Restricted:			
Nonexpendable	64,216	406,095	470,311
Expendable:			
Debt service	88,773	—	88,773
Scholarships and general educational support	107,096	258,079	365,175
Loans	11,280	15	11,295
Other	73,445	97,541	170,986
Unrestricted	(1,107,440)	155,314	(952,126)
Total net position	$ 1,489	932,185	933,674

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

(In thousands)

	Business-type activities University	Discretely presented component units Supporting organizations	Eliminations	Total
Revenues:				
Operating revenues:				
Tuition and fees (net of scholarship allowance of $870,510)	$ 812,399	33,314	(161)	845,552
Grants and contracts:				
Federal	738,944	2,941	(216)	741,669
New York State	396,055	3,031	—	399,086
New York City	123,486	2,425	—	125,911
Private	117,279	319	—	117,598
Total grants and contracts	1,375,764	8,716	(216)	1,384,264
Sales and services of auxiliary enterprises	4,841	31,718	(15)	36,544
Other operating revenues	46,807	59,810	(16,926)	89,691
Total operating revenues	2,239,811	133,558	(17,318)	2,356,051
Expenses:				
Operating expenses:				
Instruction	2,026,361	2,701	—	2,029,062
Research	139,723	—	—	139,723
Public service	43,099	107	—	43,206
Academic support	229,404	64,303	—	293,707
Student services	392,396	40,387	(9,858)	422,925
Institutional support	682,812	31,054	(79)	713,787
Operation and maintenance of plant	556,904	136	—	557,040
Scholarships and fellowships	354,278	21,064	—	375,342
Auxiliary enterprises	2,176	55,996	(7,429)	50,743
Depreciation and amortization expense	250,389	7,464	—	257,853
OPEB expense (note 10)	123,211	—	—	123,211
Total operating expenses	4,800,753	223,212	(17,366)	5,006,599
Operating loss	(2,560,942)	(89,654)	48	(2,650,548)
Nonoperating revenues (expenses):				
Government appropriations/transfers:				
New York State	1,691,783	—	—	1,691,783
New York City	485,043	10	—	485,053
Gifts and grants	7,933	85,858	(48)	93,743
Investment income, net	5,550	5,392	—	10,942
Interest expense	(179,005)	(2,821)	—	(181,826)
Net depreciation in fair value of investments	(5,850)	(17,013)	—	(22,863)
Other nonoperating revenues (expenses), net	3,737	5,858	—	9,595
Total nonoperating revenues, net	2,009,191	77,284	(48)	2,086,427
Loss before other revenues	(551,751)	(12,370)	—	(564,121)
Capital appropriations	520,440	—	—	520,440
Additions to permanent endowments	85	13,858	—	13,943
Transfer (from University) to Foundation	3,852	(3,852)	—	—
Total other revenues	524,377	10,006	—	534,383
Decrease in net position	(27,374)	(2,364)	—	(29,738)
Net position at beginning of year	28,863	934,549	—	963,412
Net position at end of year	$ 1,489	932,185	—	933,674

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Statement of Cash Flows

Year ended June 30, 2016

(In thousands)

	Business-type activities University
Cash flows from operating activities:	
Collection of tuition and fees	$ 811,582
Collection of grants and contracts	1,373,471
Collection of loans from students	7,010
Sales and services of auxiliary enterprises	4,841
Collection of other operating revenues	34,637
Payments to suppliers	(135,762)
Payments for utilities	(104,724)
Payments to employees	(2,294,953)
Payments for benefits	(849,347)
Payments for pensions	(302,169)
Payments for scholarships and fellowships	(354,278)
Payments for OPEB	(29,375)
Loans issued to students	(16,948)
Net cash flows used by operating activities	(1,856,015)
Cash flows from noncapital financing activities:	
New York State and New York City appropriations/transfers	1,798,625
Gifts and grants for other than capital purposes	7,932
Private gifts for endowment purposes	85
Decrease in deposits held in custody for others	6,382
Receipt from third parties	11,673
Net cash flows provided by noncapital financing activities	1,824,697
Cash flows from capital and related financing activities:	
Proceeds from capital debt	397,684
Capital appropriations	520,440
Purchases of capital assets	(489,326)
Principal paid on capital debt	(244,804)
Principal amount refunded	(109,865)
Interest paid on capital debt	(187,056)
Amounts paid for bond issuance costs	(3,852)
Decrease in restricted deposits held by bond trustees	125,396
Increase in restricted amounts held by the Dormitory Authority of the State of New York	(7,122)
Net cash flows provided by capital and related financing activities	1,495
Cash flows from investing activities:	
Investment income	5,550
Proceeds from sales and maturities of investments	193,984
Purchases of investments	(188,056)
Increase in restricted cash	5,888
Net cash flows provided by investing activities	17,366
Decrease in cash and cash equivalents	(12,457)
Cash and cash equivalents at beginning of year	715,799
Cash and cash equivalents at end of year	$ 703,342

THE CITY UNIVERSITY OF NEW YORK

Statement of Cash Flows

Year ended June 30, 2016

(In thousands)

		Business-type activities University
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	$	(2,560,942)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation and amortization expense		250,389
Bad debt expense		1,541
Change in operating assets and liabilities:		
Receivables		(52,469)
Prepaid expenses and other assets		(26,968)
Accounts payable and accrued expenses		392,826
Unearned tuition and fees revenue		11,293
Compensated absences		14,105
OPEB liability		93,835
Net pension liabilities		24,193
Unearned grant revenue		11,463
Other liabilities		(15,281)
Net cash flows used by operating activities	$	(1,856,015)
Noncash transactions:		
Net depreciation in fair value of investments	$	(5,850)
Change in accounts payable attributable to capital assets		12,015

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

The City University of New York (the University or CUNY) is a public urban university located in the City of New York and founded in 1847 as the Free Academy. On April 11, 1961, Governor Nelson A. Rockefeller signed the legislation to formally establish CUNY, uniting seven public urban colleges into a formally integrated system. The Senior Colleges of the University are comprised of: Senior Colleges, Graduate and Professional Schools and Other Schools. The following colleges comprise the University:

Senior Colleges

Bernard M. Baruch College
Brooklyn College
The City College
The College of Staten Island
Hunter College
John Jay College of Criminal Justice
Herbert H. Lehman College
Medgar Evers College
New York City College of Technology
Queens College
The CUNY School of Professional Studies
York College

Graduate and Professional Schools

The Graduate School and University Center
CUNY School of Law
The CUNY Graduate School of Journalism
CUNY School of Public Health and Public Policy
CUNY School of Medicine at the City College (effective 7/1/2016)

Other Schools

The William E. Macaulay Honors College

Community Colleges

Borough of Manhattan Community College
Bronx Community College
Eugenio María de Hostos Community College
Kingsborough Community College
Fiorello H. LaGuardia Community College
Queensborough Community College
Stella and Charles Guttman Community College

In addition to the colleges and schools listed above, two other related organizations, the Research Foundation of The City University of New York (RF-CUNY) and the City University Construction Fund (CUCF), are included in the University's financial reporting entity as blended component units. The key elements for inclusion in the reporting entity as blended component units are based primarily on fiscal dependency and a relationship of financial benefit/burden. The University may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the University are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity.

The State of New York presents the senior colleges as part of the primary government of the State of New York, in its financial statements. Similarly, the City of New York presents CUCF and RF-CUNY as component units in its financial statements. In addition, the community colleges are reported as part of the primary government of the City of New York.

Separate legal entities meeting the criteria for inclusion in the blended totals of the University reporting entity are described below:

(a) RF-CUNY

RF-CUNY is a separate not-for-profit educational corporation and legal entity, which operates as the fiscal administrator for the majority of University-sponsored programs financed by grants and contracts. These programs are for the exclusive benefit of the University and programs include research, training, and public service activities.

230 West 41st Street LLC (41st Street LLC) was established on May 7, 2004 as a Delaware limited liability company. 41st Street LLC was organized pursuant to the Limited Liability Operating Agreement (the Agreement) dated July 14, 2004 by RF-CUNY with a 100% interest in 41st Street LLC. 41st Street LLC was formed to acquire, own, and operate an approximately 300,000 square foot office building located at 230 West 41st Street in New York, New York. 41st Street LLC will continue indefinitely, unless terminated sooner pursuant to the Agreement.

The University has a financial benefit/burden relationship with RF-CUNY which is fiscally dependent on the University. Accordingly, financial activity related to RF-CUNY is included in the accompanying basic financial statements.

(b) CUCF

CUCF is a public benefit corporation, which has the authority to design, construct, reconstruct, and rehabilitate facilities of the University pursuant to an approved master plan. CUCF carries out operations, which are integrally related and for the exclusive benefit to the University. The University has a financial benefit/burden relationship with CUCF which is fiscally dependent on the University, and therefore, the financial activity related to CUCF is included in the accompanying basic financial statements.

(c) Discretely Presented Component Units

The majority of the University's colleges maintain auxiliary services, association organizations and child care centers. These entities are campus-based, not-for-profit corporations, which operate, manage, and promote educationally related services for the benefit of the campus community. Separate financial statements are issued for each of these organizations and may be obtained from the individual colleges or The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

Almost all of the University's colleges also maintain foundations, which are legally separate, nonprofit, affiliated organizations that receive and hold economic resources that are significant to, and that are entirely for the benefit, of the colleges. Foundations carry out a variety of campus related activities such as soliciting and accepting donations, gifts, and bequests for University-related use and in some instances administering grants from governmental and private foundations for research and scholarships. Copies of the audit reports can be obtained from the individual college foundation or The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

As a result, the combined totals of the campus related auxiliary services corporations, associations, child care centers and foundations are separately presented as discretely presented component units in the University's financial statements in accordance with presentation requirements prescribed by GASB.

Each of the 26 foundations, 20 Auxiliary Enterprise Corporations, 21 Student Association Organizations, 13 Child Care Centers, and 5 Other Component Units listed below met these criteria, and are, therefore, discretely presented in the University's basic financial statements. All of the discretely presented component units (which are collectively called Supporting Organizations) listed below are June 30th year-ends.

Foundations

Senior College Foundations:

- The Baruch College Fund
- The Brooklyn College Foundation, Inc.
- The City College 21st Century Foundation, Inc.
- The City College Fund
- The City University School of Law Foundation, Inc.
- The College of Staten Island Foundation, Inc.
- CUNY Graduate School of Journalism Foundation, Inc.
- CUNY TV Foundation
- Friends of the John D. Calandra Italian American Institute Foundation
- The Graduate Center Foundation, Inc.
- The Hunter College Foundation, Inc.
- John Jay College Foundation, Inc.
- Herbert H. Lehman College Foundation, Inc.
- Macaulay Honors College Foundation
- Medgar Evers Educational Foundation, Inc.
- New York City College of Technology Foundation, Inc.
- Queens College Foundation, Inc.
- School of Professional Studies Foundation, Inc.
- York College Foundation

Community College Foundations:

- Borough of Manhattan Community College Foundation, Inc.
- Bronx Community College Foundation, Inc.
- Eugenio María de Hostos Community College Foundation
- Kingsborough Community College Foundation, Inc.
- Fiorello H. LaGuardia Community College Foundation, Inc.
- Queensborough Community College Fund, Inc.
- Stella and Charles Guttman Community College Foundation, Inc.

Auxiliary Enterprise Corporations

Senior College Auxiliary Corporations:

- Bernard M. Baruch College Auxiliary Enterprises Corporation
- Brooklyn College Auxiliary Enterprise Corporation
- The City College Auxiliary Enterprises Corporation
- Auxiliary Enterprises of the City University of New York – Graduate School and University Fiduciary Accounts
- Hunter College Auxiliary Enterprises Corporation
- John Jay College of Criminal Justice Auxiliary Services Corporation, Inc.
- CUNY School of Law Justice & Auxiliary Services Corporation
- Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc.
- Medgar Evers College Auxiliary Enterprises Corporation
- Auxiliary Enterprise Board of New York City College of Technology, Inc.
- Queens College Auxiliary Enterprises Association
- The College of Staten Island Auxiliary Services Corporation, Inc. and Subsidiary
- York College Auxiliary Enterprises Corporation

Community College Auxiliary Corporations:

- Borough of Manhattan Community College Auxiliary Enterprise Corporation
- Bronx Community College Auxiliary Enterprises Corporation
- Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation
- Kingsborough Community College Auxiliary Enterprises Corporation
- Fiorello H. LaGuardia Community College Auxiliary Enterprises Corporation
- Queensborough Community College Auxiliary Enterprise Association, Inc.
- Stella and Charles Guttman Community College Auxiliary Enterprise Corporation

Student Association Organizations

Senior College Association Organizations:

- Bernard M. Baruch College Association, Inc.

(Continued)

- Brooklyn College Student Services Corporation
- Brooklyn College Association, Inc.
- College of Staten Island Association, Inc.
- The City College Student Services Corporation
- John Jay College of Criminal Justice Student Activities Association, Inc.
- Herbert H. Lehman College Association for Campus Activities, Inc.
- Medgar Evers College Student Faculty Association, Inc.
- College Association of the New York City College of Technology, Inc.
- Queens College Association
- Queens College Student Services Corporation
- Queens College Special Projects Fund
- Q Student Residences, LLC
- York College Association, Inc.

Community College Association Organizations:

- Borough of Manhattan Community College Association, Inc.
- Bronx Community College Association, Inc.
- Eugenio Maria De Hostos Community College Association, Inc.
- Kingsborough Community College Association, Inc.
- Fiorello H. LaGuardia Community College Association, Inc.
- Queensborough Community College Student Activity Association
- Stella and Charles Guttman Community College Association, Inc.

Child Care Centers

Senior College Child Care Centers:

- Baruch College Early Learning Center, Inc.
- Brooklyn College Child Care Services, Inc.
- City College Child Development Center, Inc.
- GSUC Child Development and Learning Center, Inc.
- The Children's Learning Center at Hunter College, Inc.
- Children's Center of John Jay College of Criminal Justice, Inc.
- The Lehman College Student Child Care Center, Inc.
- Ella Baker/Charles Romain Child Development Center of Medgar Evers College
- Child Development Center at Queens College, Inc.
- York College Child and Family Center, Inc.

Community College Child Care Centers:

- Borough of Manhattan Community College Early Childhood Center, Inc.
- Hostos Community College Children's Center, Inc.

- Fiorello H. LaGuardia Community College Early Childhood Learning Center Programs, Inc.

Other Component Units

Senior College Other Component Units:

- City College Research Foundation
- The City College Center for the Arts, Inc.
- Lehman College Art Gallery, Inc.
- Lehman College Center for the Performing Arts, Inc.

Community College Other Component Units:

- LaGuardia Education Fund, Inc.

The above organizations are discretely presented to allow the financial statement users to distinguish between the University and the supporting organizations. None of the supporting organizations are considered individually significant compared to the University and the aggregate discretely presented component units. All significant inter-entity transactions have been eliminated.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board ("GASB"). Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized when incurred, if measurable.

(b) New Accounting Standards Adopted

In fiscal year 2016, the University adopted the following new accounting standards:

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The impact on the University's financial statements did not change the fair value measurements, however, enhanced the fair value and related disclosure information of investments, restricted deposits held by bond trustees and interest rate swaps.

GASB Statement No. 76, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76) is to identify the context of the current governmental financial reporting environment, and the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. There was no impact on the University's financial statements as a result of the adoption of GASB 76.

GASB Statement No. 77, Tax Abatement Disclosures (GASB 77) requires governments that enter into tax abatement agreements to disclose information including brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. There was no impact on the University's financial statements as a result of the adoption of GASB 77.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78) amends the scope of applicability of GASB 68 to exclude pensions provided employees of state or local governmental employers through a cost-sharing multi-employer defined benefit pension plan that is not a state or local government pension plan, is used to provide defined benefit pensions to employees of state or local governments and to employees of employers that are not state or local governments and has no predominant state or local government employer. There was no impact on the University's financial statements as a result of the adoption of GASB 78.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79) addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments and amortized cost for financial reporting purposes. There was no impact on the University's financial statements as a result of the adoption of GASB 79.

(c) Use of Estimates

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

(d) Cash Equivalents

Cash equivalents are composed of highly liquid assets with original maturities of 90 days or less, and include overnight repurchase agreements, commercial paper, and money market accounts.

(e) Investments and Restricted Deposits Held by Bond Trustees

Debt and equity securities and certain other investments with readily determinable fair values are required to be reported at fair value. Accordingly, the University's investments and restricted deposits held by bond trustees are reported at fair value, which is based upon values provided by the University's custodian or current market quotations and assessed by the University for reasonableness, in the accompanying statement of net position. Nonmarketable investments such as hedge funds or other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers. All investment income, including changes in the fair value of investments, is recognized as gain (loss) in the accompanying statement of revenues, expenses, and changes in net position.

If a derivative's hedge is effective in significantly reducing an identified risk of rising or falling cash flows or fair values, then its fair value changes are deferred on the statement of net position until the hedged transaction occurs or the derivative ceases to be effective. If a derivative hedge is not effective in reducing an identified risk of rising or falling cash flows or fair values, then the change in the fair value is reported as investment income or loss on the statement of revenues, expenses, and changes in net position.

(f) Noncurrent Assets

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more); (2) restricted assets, which should be reported when restrictions on assets change the nature or normal understanding of the availability of the asset; and (3) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs. Investments that are an endowment or externally restricted are reported as restricted long-term investment and noncurrent assets.

Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statement of net position.

(g) Capital Assets

Land, land improvements, buildings, building improvements, leasehold improvements, intangible assets, infrastructure, and infrastructure improvements are stated at cost or cost based appraisal values based upon an independent appraisal performed in 2002, with subsequent additions at cost at date of acquisition or fair value at date of donation in the case of gifts. Intangible assets, equipment, and works of art and historical treasures are recorded at cost at date of acquisition or appraised fair value at date of donation.

In accordance with the University's capitalization policy, only those items with unit costs of more than $5,000 (excluding computer hardware, which has a threshold of $1,000) and useful lives of two years or more are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful lives of the structures are capitalized. Net interest costs on debt related to construction in progress are capitalized. University capital assets, with the exception of land, construction in progress, and works of art and historical treasures, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The University reports the effects of capital asset impairment in its financial statements.

The University is required to report pollution (including contamination) remediation obligations in its financial statements, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

(h) ***Unearned Revenue***

Unearned revenue primarily consists of tuition and fees paid for future terms and grant and contracts that have not yet been earned.

(i) ***Noncurrent Liabilities***

Noncurrent liabilities include: (1) principal and interest amounts of debt obligations with contractual maturities greater than one year; (2) federal refundable loans; (3) estimated amounts of compensated absences and other liabilities that are not expected to be paid within the next fiscal year; (4) other postemployment benefits (OPEB) liability; (5) net pension liabilities; and (6) interest rate swap agreements with contractual periods in excess of one year.

(j) ***Other Postemployment Benefits***

Postemployment benefits other than pensions are recognized on an actuarially determined basis as employees earn benefits that are expected to be used in the future. The amounts earned include employee sick leave credits expected to be used to pay for a share of post-retirement health insurance.

(k) ***Net Position***

The University classifies its net position into the following three categories:

Net investment in capital assets

This represents the University's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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

Expendable restricted net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represent resources derived primarily from student tuition and fees, State and City appropriations/transfers (appropriations), grants and contracts, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

(l) Revenue Recognition

Student tuition and fee revenues are recognized in the period earned. Included in revenues are appropriations from New York State and City, which are used for the reimbursement of operating expenses. Appropriations are recognized as the related expenses are incurred.

New York State and City appropriations remain in effect provided the expense has been incurred at June 30, 2016 and a liability established at September 30, 2016. Accordingly, an appropriation receivable is recorded for accounts payable and accrued expenses to be paid from these appropriations.

(m) Classification of Revenues

The University's policy for defining operating activities in the accompanying statement of revenues, expenses, and changes in net position is those that serve the University's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Examples include: (1) tuition and fees, net of scholarship allowances and bad debt; (2) sales and services of auxiliary enterprises; and (3) most Federal, State, local, private grants, and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as contributions, operating and capital appropriations from the State and the City of New York, and investment income.

(n) Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances and bad debt in the accompanying statement of revenues, expenses, and changes in net position. Scholarship allowances are the differences 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 behalf of students. To the extent that these revenues are used to satisfy tuition and fees, the University has recorded a scholarship allowance.

(o) ***Income Tax Status***

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

(p) ***Summary of Significant Accounting Policies Related to Blended Component Units***

Purchase Accounting for Acquisition of Real Estate

The fair value of 41st Street LLC's acquired rental property is allocated to the acquired tangible assets, consisting of land, building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases, other value of in place leases, and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets of an acquired property (which includes land and building) is determined by valuing the property as if it were vacant, and the "as if vacant" value is then allocated to land and building based on the 41st Street LLC's determination of relative fair values of these assets. Factors considered by the 41st Street LLC in performing these analyses include an estimate of carrying costs during the expected lease up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance, and other operating expenses, and estimates of lost rental revenue during the expected lease up periods based on current market demand. The 41st Street LLC also estimates costs to execute similar leases, including leasing commissions.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above market and below market in place lease values are recorded based on the difference between the current in place lease rent and the 41st Street LLC's estimate of current market rents. Below market lease intangibles are recorded as part of liabilities, and amortized into rental revenues over the noncancelable period of the respective leases. Above market lease intangibles are recorded as part of assets and are amortized as a direct charge against rental revenues over the noncancelable periods of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in place leases and tenant relationships, is measured by the excess of (i) the purchase price paid for the property over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in place lease values and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease. The value of in place leases is amortized to expense over the remaining noncancelable periods of the respective leases.

The weighted average amortization period for value of in place leases, above-market leases, and below-market leases is approximately five years. Cash, Cash Equivalents, and Investments

(3) Cash, Cash Equivalents, and Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes disclosure requirements related to the following investment and deposit risks:

(a) *Custodial Credit Risk – Deposits*

At June 30, 2016, cash and cash equivalents and restricted cash were held by depositories and, amounted to $736,526,856 of which $166,031,489 was insured and $570,495,367 was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the University's name. The carrying value of such funds amounted to $725,564,717 at June 30, 2016. The University's cash management policy does not address custodial credit risk for deposits.

(b) *Investments*

At June 30, 2016, the University had the following investments (in thousands):

Investment type	Amount
Cash and cash equivalents	$ 53,950
Certificates of deposits	4,577
Commingled funds:	
U.S. Fixed income	20,432
U.S. Equity funds	63,823
U.S. Money market fund	4,785
U.S. Treasury bills	35,782
U.S. Treasury notes	98
Equities	622
Mutual funds:	
Equity fund	59,412
Fixed income	3,291
U.S. Corporate bonds	12,697
U.S. Government bonds	2,653
Investment measured at net asset value:	
Event driven hedge funds	10,783
Global equity	15,408
Global equity long/short hedge funds	4,234
Limited partnership	4,447
Multi-strategy funds	26,201
Private investments	635
Privately offered partnership	9,944
Variable annuity	12,371
Total investments	346,145
Less short-term investments	73,762
Long-term investments	272,383
Long-term investments, unrestricted	106,265
Long-term investments, restricted	$ 166,118

The University invests in various types of investments, each having their own unique exposure to risks, such as interest rate, market, and credit risks. The University's Investment Policy for the CUNY Investment Pool, stipulates that the investments shall be diversified by investment manager, by asset class and within asset classes. Alternative investments are primarily invested in marketable equity and debt securities.

(c) Investment Pool

Certain assets included within investments in the accompanying financial statements are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined on a quarterly basis. At June 30, 2016, the investment pool had a fair value of $282,467,979. The investment pool includes certain gifts and bequests received by the University, the use of which is restricted by donor-imposed limitations. During fiscal year 2016, the University recorded approximately $4.4 million, of net realized and unrealized depreciation related to these investments.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The University has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted nonexpendable endowments as is prudent for the uses, benefits, purposes, and duration for which the nonexpendable endowment funds are established.

(d) *Custodial Credit Risk – Investments*

The University's Investment Policy for the CUNY Investment Pool, which is comprised of long-term investments has a zero percent target allocation to cash and does not participate in programs that would have uninsured investments held by counterparties.

(e) *Credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University is diversified and is not currently exposed to this risk.

At June 30, 2016, the University's investments in debt securities were rated as follows (in thousands):

Type of debt security		Fair value	S&P credit rating
U.S. Corporate bonds	$	504	AA+
U.S. Corporate bonds		997	AA-
U.S. Corporate bonds		1,732	A+
U.S. Corporate bonds		1,171	A
U.S. Corporate bonds		442	AA-
U.S. Corporate bonds		3,028	A-
U.S. Corporate bonds		3,235	BBB+
U.S. Corporate bonds		1,588	BBB
Total U.S. corporate bonds		12,697	
U.S. Government bonds		2,108	AA+
U.S. Government bonds		545	BBB-
Total U.S. government bonds		2,653	
Total	$	15,350	

The University's Investment Policy for the CUNY Investment Pool includes a target allocation to fixed income of 10%, as well as reference to specific guidelines for each investment manager. All of the Pool's fixed income is invested in commingled funds as follows: 1) 30% in U.S. Government/Credit bond index, 2) 38% in 1-3 year U.S. Credit bond index, and 3) 32% is in global sovereign bonds. The average quality ranges from AA2 to A1.

(f) *Interest rate risk*

At June 30, 2016, the University's investments in certificates of deposits and fixed income securities had the following maturities (in thousands):

Investment type		Fair value	Less than 1 year	1 – 5 years	6 – 10 years	More than 10 years
Certificates of deposits	$	4,577	3,185	1,392	—	—
U.S. Corporate bonds		12,697	8,118	4,579	—	—
U.S. Government bonds		2,653	2,653	—	—	—
U.S. Treasury bills		35,782	35,410	372	—	—
U.S. Treasury notes		98	11	71	16	
	$	55,807	49,377	6,414	16	—

The University's Investment Policy for the CUNY Investment Pool does specify that the primary purpose of the fixed income portfolio shall be to provide a hedge against the effects of a prolonged economic contraction and in order to achieve its primary purpose, its fixed income investments should be made primarily in long-duration, non-callable, or call-protected high quality bonds.

(g) ***Foreign currency risk*** is the risk that changes in exchange rates will adversely affect the value of the investment or deposit. The University's exposure to this risk is not significant.

(h) Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The availability of market data is monitored to assess the appropriate classification of financial Instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

As a practical expedient to estimate the fair value of the University's interests, certain investments in hedge funds, private equity, and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by the University, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investment existed, and such differences could be material. As of June 30, 2016, the University had no plans or intentions to sell such investments at amounts different from NAV.

At June 30, 2016, the University's investments were valued as follows (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)	Fair Value
Certificates of deposits	$ 4,577	—	—	$ 4,577
Commingled funds:				
U.S. Fixed Income	20,432	—	—	20,432
U.S. Equity funds	63,823	—	—	63,823
U.S. Money market fund	4,785	—	—	4,785
U.S. Treasury bills	35,782	—	—	35,782
U.S. Treasury notes	98	—	—	98
Equities	622	—	—	622
Mutual funds:				
Equity securities	59,412	—	—	59,412
Fixed income	3,291	—	—	3,291
U.S. Corporate bonds	—	12,697	—	12,697
U.S. Government bonds	2,653	—	—	2,653
Total investments in the fair value hierarchy	195,475	12,697	—	208,172
Investments measured at net asset value	—	—	—	84,023
Investments at fair value	$ 195,475	12,697	—	$ 292,195

Investments measured at NAV (in thousands):

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Event driven hedge funds	$ 10,783	—	Quarterly, Annually	45-65 days
Global equity	15,408	—	Quarterly	90 days, N/A
Global equity long/short hedge funds	4,234	—	Quarterly	45 days
Limited partnership	4,447	5,024	Illiquid	N/A
Multi-strategy funds	26,201	—	Monthly, Quarterly	T-10, 60-90 days
Private investments	635	2,340	Illiquid	N/A
Privately offered partnership	9,944	—	Daily	T-10 business days
Variable annuity	12,371	—	Monthly	30 days
Investment measured at net asset value	$ 84,023	7,364		

1) Event driven hedge funds – This type includes investments in three hedge fund limited partnerships that focus on event-driven situations that attempt to extract value by using multiple strategies, including distressed and other credit investing, merger arbitrage, long/short equity investments and convertible securities globally. Investments can be redeemed on a quarterly basis with 65 and 45-day notice.

2) Global equity – This type includes two global equity funds which invest in non-U.S. emerging and frontier markets and in global developed markets. These funds use a bottom-up stock selection strategy with macro overlays. Investments can be redeemed quarterly with 90-day notice or twice per month on appointed days with no notice required.

3) Global equity long/short hedge funds – This type includes one hedge fund which invests using both long and short strategies. While the Fund will invest primarily in equities and related securities or financial instruments, the Fund has broad and flexible investment authority. Investments can be redeemed quarterly with 45-day notice.

4) Limited partnership – private real assets funds – This type includes private limited partnership investments. The funds invest in metal and mining companies with a focus in the post-discovery phases of the life cycle of 4 commodities (gold, copper, potash and coking coal) and upstream oil and gas operating companies of varying stages primarily in North America. These investments can never be redeemed. Instead, the Fund's commitment period, the time new investments are made, is 5 years. When realizations are made and divested, they are distributed to investors. Therefore, the actual term of the investment can be up to 15 years.

5) Multi-strategy funds – This type includes investments in: (1) Hedge funds that invest in a diversified group of investment strategies utilizing both long and short positions in an unlimited range of financial instruments throughout the world. Investments in these funds can be redeemed on a quarterly basis with 60 and 90-day notice; (2) Hedge funds that invest in providing consistent long-term appreciation of assets through active investment in a diversified portfolio of underlying Funds. Investments will be redeemed by early 2017; and (3) A multiple common trust fund which is a master fund of multiple strategically weighted global portfolios, which are tied to different underlying asset classes including global equities, commodities, inflation-linked and other types of fixed income securities. The weights, however, may vary on a tactical basis according to top-down views by utilizing cash or derivatives in an overlay portfolio. Investments may be redeemed monthly with notification on the 22nd calendar day of a month, prior to trade date, which is the first business day of the following month.

6) Private investments – This type includes two private investments: (1) A fund that invests primarily in a portfolio of venture capital firms that are diversified by geography, sector (information technology, communications, healthcare and life sciences), and stage (from early to late stage companies) as both direct investments and investments managed by other firms. These investments can never be redeemed. Instead, the fund's commitment period, the time new investments are made, is 5 years. During this period, the investor's contractual commitment is drawn down as opportunities are identified. When realizations are made and divested, they are distributed to investors. Therefore, the actual term of the investment can be up to 15 years, and (2) Floating rate residential mortgage-backed securities rated CA by Moody's and CCC by Standard & Poor's with maturity in 2036.

7) Privately offered partnership – This type includes a global fixed income fund which invests primarily in the global debt instruments in a private partnership. Investments can be redeemed daily with 10 business day notice prior to the requested trade date.

8) Variable annuity – This type includes investments via a life insurance contract/group variable annuity invested in a public limited partnership that invests in Master Limited Partnerships (MLP). The returns on the variable annuity match the returns on the underlying investment less the annuity expenses. Investments can be redeemed monthly with 30-day notice.

(4) Receivables, Net

Receivables consist of the following at June 30, 2016 (in thousands):

Current:		
Appropriations receivable	$	767,763
Students and financial aid receivable		207,387
Grants and contracts receivable		122,655
Student loans receivable and accrued interest receivable		31,035
Other receivables		55,747
Total receivables		1,184,587
Less allowance for doubtful accounts		(148,213)
Total receivables, net	$	1,036,374
Noncurrent:		
Student loans receivable and accrued interest receivable	$	25,738
Other receivables		420
Total long-term receivables		26,158
Less allowance for doubtful accounts		(2,300)
Total long-term receivables, net	$	23,858

(5) Capital Assets, Net

Capital assets consist of the following at June 30, 2016 (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016
Buildings	$ 3,498,313	38,695	—	3,537,008
Building improvements	2,802,603	133,889	—	2,936,492
Construction in progress	1,789,872	386,731	339,337	1,837,266
Equipment and software	543,194	278,819	30,105	791,908
Infrastructure and infrastructure improvements	160,149	6,512	—	166,661
Land	410,897	—	—	410,897
Land improvements	82,433	—	—	82,433
Leasehold improvements	46,658	217	—	46,875
Copyrights	11,813	117	—	11,930
Works of art and historical treasures	14,060	—	—	14,060
Total capital assets	9,359,992	844,980	369,442	9,835,530
Less accumulated depreciation:				
Building	1,601,086	78,840	—	1,679,926
Building improvements	1,700,386	93,370	—	1,793,756
Equipment and software	452,375	66,492	26,188	492,679
Infrastructure and infrastructure improvements	67,841	8,174	—	76,015
Land improvements	69,512	1,928	—	71,440
Leasehold improvements	14,044	1,812	—	15,856
Copyrights	1,452	158	—	1,610
Total accumulated depreciation	3,906,696	250,774	26,188	4,131,282
Total capital assets, net	$ 5,453,296	594,206	343,254	5,704,248

Added to construction in progress is capitalized interest of $55,369,798 for the year ended June 30, 2016.

(Continued)

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2016 (in thousands):

Accounts payable and accrued expenses		Amount
Personnel services	$	536,306
Fringe benefits		113,202
Capital projects		87,683
Due to City of New York		38,522
Due to State of New York		9,617
Vendors and other		219,932
Total accounts payable and accrued expenses	$	1,005,262

(7) Noncurrent Liabilities

Noncurrent liabilities at June 30, 2016 consist of the following (in thousands):

Noncurrent liabilities		June 30, 2015	Additions	Reductions	June 30, 2016	Current portion
Long-term debt:						
Mortgage loan payable	$	68,920	—	2,347	66,573	1,188
Capital lease agreements with DASNY		5,114,698	393,165	368,532	5,139,331	252,354
Capital lease obligation for Condo		39,398	4,519	—	43,917	61
Certificate of Participation (PIT)		15,882	—	5,340	10,542	2,255
Total long-term debt		5,238,898	397,684	376,219	5,260,363	255,858
Other liabilities:						
Compensated absences		135,337	14,105	—	149,442	103,980
Federal refundable loans		31,240	—	12,894	18,346	—
Other noncurrent liabilities		43,956	4,949	3,406	45,499	—
Net pension liabilities		775,097	260,741	—	1,035,838	—
OPEB liability		614,547	93,835	—	708,382	—
Interest rate swap agreements		71,401	15,599	—	87,000	—
Total other liabilities		1,671,578	389,229	16,300	2,044,507	103,980
Total noncurrent liabilities	$	6,910,476	786,913	392,519	7,304,870	359,838

(Continued)

(a) Mortgage Loan Payable

On May 12, 2014, 41st Street LLC, a blended component unit of the University, entered into a new mortgage loan (the Loan) on the existing property with a principal amount of $70 million, which matures on May 12, 2044. The loan was used to repay an existing mortgage that was to mature on August 11, 2014 with an outstanding amount of $56.4 million.

The loan bears interest at a rate of 4.75%. The monthly principal and interest payments of $365,153 begin on July 1, 2014. The mortgage is amortized over 30 years with options to be called by the bank in 10 years and then every 5 years thereafter until the mortgage matures. The new loan is collateralized by the property and assignment of rents and other payments from the tenants and is guaranteed by the University. The LLC incurred $1,307,121 of financing costs in connection with obtaining the new loan, which are being amortized over the life of the loan. The unamortized balance at June 30, 2016 was $1,214,006.

At June 30, 2016, future minimum principal payments are approximated as follows:

Fiscal Year		Amount Due
2017	$	1,187,576
2018		1,245,230
2019		1,305,684
2020		1,369,072
2021		1,435,538
Thereafter		61,244,157
	$	67,787,257
Less unamortized balance of financing costs		(1,214,006)
Total mortgage loan payable	$	66,573,251

(b) Capital Lease Agreements with the Dormitory Authority of the State of New York

The University has entered into capital lease agreements for much of its capital assets with the Dormitory Authority of the State of New York (DASNY). In addition, the University has entered into various agreements for construction of other capital assets and the purchase of other equipment through the issuance of certificates of participation. The University has also entered into certain leases for leasehold improvements, which have been treated as capital leases.

Under the University's capital lease agreements with DASNY, construction costs are initially paid with the proceeds of bonds issued by DASNY. The bonds, with a maximum 30-year life, are repaid by DASNY via appropriations received from both New York State and New York City. Annual bond payments are secured by instructional and non-instructional fees, State appropriations for University operating expenditures, per capita State aid to New York City, or New York State personal income tax receipts. Upon repayment of the bonds and the satisfaction of all other obligations under the agreements, all rights, title, and interest in the projects are conveyed to the State of New York (for senior colleges) or the City of New York (for community colleges).

The following is a schedule by year of future minimum lease payments under these capital leases, together with the net swap amount, assuming current interest rates remain the same, and the present value of the minimum lease payments at June 30, 2016 (in thousands):

Capital lease agreements with DASNY	Principal	Interest	Swap, net	Total
Fiscal year:				
2017	$ 230,805	232,329	14,159	477,293
2018	183,770	222,452	13,620	419,842
2019	201,195	213,821	12,745	427,761
2020	227,060	204,366	11,967	443,393
2021	273,810	191,460	10,403	475,673
2022 – 2026	903,335	826,517	37,834	1,767,686
2027 – 2031	924,605	595,711	9,895	1,530,211
2032 – 2036	940,420	374,088	82	1,314,590
2037 – 2041	707,340	151,473	—	858,813
2042 – 2045	203,592	19,498	—	223,090
Total minimum lease payment	$ 4,795,932	3,031,715	110,705	7,938,352
Less amount representing interest				(3,031,715)
Less swap, net				(110,705)
Present value of net minimum lease payments				4,795,932
Plus unamortized original issue premium, net				343,399
Carrying amount of obligation				$ 5,139,331

Interest rates on DASNY obligations range from 2% to 6.1%.

During fiscal year 2016, DASNY issued bonds for new construction with a par value of $236,880,000 and original issued premium of $40,675,302. In addition, DASNY issued refunding bonds with a par value of $103,965,000 and original issued premium of $11,644,584. Bond proceeds of $114,312,424 were used to defease $109,865,000 of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is defeased. The economic gain related to the defeased bonds amounted to $12,533,835. The excess of the bond proceeds over the amount of debt defeased, $4,447,424, and remaining unamortized premium and discount of $4,562,045 are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

As of June 30, 2016, a total of $250,090,000 was defeased.

Interest Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY issued certain variable interest rate bonds, and concurrently entered into 21 separate pay-fixed, receive-variable interest swaps with three counterparties. The swaps are undertaken as a part of the State's overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swaps were entered into at the same time the bonds were issued. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bond payable" category. The terms, including the fair values and credit ratings of the outstanding swaps at June 30, 2016, were as follows (in thousands):

Pay-fixed, receive-variable swaps								
Counterparty	Notional amount	Termination date	Swap fixed rate paid	Variable swap rate received[a]	Swap fair value	Counterparty credit rating[b]	Swap insured	Change in fair value
City University System Consolidated Revenue Bonds, Series 2008C and 2008D:								
Hedging derivatives:								
Citibank	$ 214,309	1/1/25 to 7/1/31	3.00%	65% of LIBOR	$ (40,262)	A2/A/A	Yes	$ (7,215)
Merrill Lynch	124,422	1/1/25 to 7/1/31	3.00	65% of LIBOR	(23,369)	Aa3/A+/NR	Yes	(4,192)
UBS	124,422	1/1/25 to 7/1/31	3.00	65% of LIBOR	(23,369)	A2/A/A	Yes	(4,192)
Total pay-fixed swap	$ 463,153				$ (87,000)			$ (15,599)

a London Interbank Offered Rate
b Moody's/S&P/Fitch, respectively

At June 30, 2016, the swaps had a fair value of $(87,000,000) and are included in interest rate swap agreements in the statement of net position. These swaps had a change in fair value during fiscal year 2016 of $(15,599,000). Interest rates have changed since the swaps were entered into; the pay-fixed, receive-variable swaps have a fair value of $(87,000,000) (the fixed swap payment rate is higher than current comparable fixed rates). The fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps. These swaps are recorded net of a credit valuation adjustment that reflect the credit risk of the parties to the agreements. These swaps are classified in Level 2 of the fair value hierarchy.

Market Access Risk. The swap agreements are exposed to market access risk. There is risk that DASNY will not be able to enter the credit markets or that credit will become more costly. If that occurs, expected cost savings from the swap may not be realized.

Credit Risk. At June 30, 2016, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rates change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps' fair value.

The guidelines set forth by DASNY require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings that are obtained from any other nationally recognized statistical rating agency for such counterparty shall be within the three highest investment grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings.

Interest Rate Risk. The pay-variable, receive-fixed interest rate swaps increase the exposure to interest rate risk. The variable interest rate to the counterparties is based on the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). As SIFMA increases, the net payment on the swaps increases.

Basis Risk. The pay-fixed, receive-variable swap agreements are exposed to basis risk. DASNY is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate representing 65% of the one-month LIBOR. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk. The swap contracts use the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds, and bankruptcy. The schedule to the Master Agreement includes additional termination events, providing that the swap may be terminated if either the downgrade of the applicable state supported bonds or the debt of the counterparty falls below certain levels. DASNY or the counterparty may terminate any of the swaps if the other party fails to perform under the term of the contract. If the counterparty to the swap defaults or if the swap is terminated, the related variable rate bonds would no longer be hedged and DASNY would no longer effectively be paying a synthetic fixed rate with respect to those bonds. A termination of the swap agreement may also result in DASNY making or receiving a termination payment. If, at the time of termination, the swap has a negative fair value, DASNY would incur a loss and would be required to settle with the other party at the swap's fair value. If the swap has a positive value at the time of termination, DASNY would realize a gain that the other party would be required to pay.

Rollover Risk. Since the terms of the individual swaps correlate to match the final maturity of the associated debt, the authority is not exposed to rollover risk.

(c) Capital Lease Obligation for Condominium

The University entered into a condominium agreement in a building located at 205 East 42nd Street to relocate CUNY's central headquarters, previously located at 535 East 80th Street. The University entered into a 30-year "leasehold condominium" ownership structure with the Durst Organization for several floors in the building – approximately 165,000 rentable square feet of space, including a storefront. The leasehold condominium ownership structure provides the University with an ownership interest in its floors for the 30-year term of the transaction.

The following is a summary of future minimum payments required under this agreement at June 30, 2016 (in thousands):

	Principal	Interest	Total
Fiscal year:			
2017	$ 61	662	723
2018	65	853	918
2019	70	1,323	1,393
2020	75	1,318	1,393
2021	80	1,313	1,393
2022 – 2026	497	9,207	9,704
2027 – 2031	2,320	11,810	14,130
2032 – 2036	12,142	6,817	18,959
2037 – 2041	20,167	3,755	23,922
2042– 2043	8,440	298	8,738
Total minimum lease payment	$ 43,917	37,357	81,274
Less amount representing interest			(37,357)
Carrying amount of obligation			$ 43,917

(d) *Certificate of Participation Agreements*

The University has entered into various arrangements for the acquisition/rehabilitation of capital assets through the issuance of personal income tax bonds (PIT) also known as certificates of participation. The bonds are issued through a trustee and the University is responsible for payment to the trustee in an amount equal to the interest and principal payment made by the trustee to the certificate bond holders. There is no collateral associated with the bonds. The following is a summary of future minimum payments required under this agreement at June 30, 2016 (in thousands):

	Principal	Interest	Total
Fiscal year:			
2017	$ 2,255	269	2,524
2018	2,319	204	2,523
2019	1,933	144	2,077
2020	1,989	87	2,076
2021	2,046	29	2,075
Total minimum loan payment	$ 10,542	733	11,275
Less amount representing interest			(733)
Carrying amount of obligation			$ 10,542

Interest rates on Certificate of Participation obligations range from 2.18% to 2.87%.

(e) ***Compensated Absences***

Employees accrue vacation leave based upon time employed, with the maximum accumulation generally ranging from 45 to 50 days. The recorded liability for accrued vacation leave, including the University's share of fringe benefits, is approximately $108.9 million at June 30, 2016. Employees also earn sick leave credits, which are considered termination payments and may be accumulated up to a maximum of 160 days. Accumulated sick leave credits are payable up to 50% of the accumulated amount as of the date of retirement. The recorded liability for sick leave credits is approximately $40.5 million at June 30, 2016.

(8) Restricted Deposits Held by Bond Trustees and Restricted Amounts Held by the Dormitory Authority of the State of New York

Restricted deposits held by bond trustees include bond proceeds not yet expended for construction projects and related accumulated investment income. Bond proceeds and interest income in excess of construction costs are restricted for future projects or debt service. In addition, restricted deposits held by bond trustees include reserves required for debt service and replacement under lease agreements, together with earnings on such funds.

Restricted amounts held by DASNY represent funds that have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes.

In accordance with GASB 40, restricted deposits held by bond trustee and restricted amounts held by DASNY by type at June 30, 2016 are as follows (in thousands):

Deposits held by trustee and amounts held by DASNY		Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Rating
Type:					
Cash and cash equivalents	$	226,413	—	—	No rating
U.S. Treasury notes and bonds		27,038	27,038	—	No rating
U.S. Treasury bills		93,749	93,749	—	No rating
U.S. Treasury strips		5,214	—	5,214	No rating
U.S. Federal agency obligations		159,437	—	159,438	AA/Aaa/AAA *
Total	$	511,851	120,787	164,652	

* S&P, Moody's, and Fitch, respectively

Restricted deposits held by bond trustee and restricted amounts held by DASNY are subject to the following risks:

(a) Custodial Credit Risk

Custodial credit risk for restricted deposits held by bond trustee and restricted amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the University will not be able to recover the value of its cash and investments in the possession of an outside party. At June 30, 2016, all of the $511,850,440 are held by DASNY or the bond trustee, not in the University's name.

(b) Credit Risk

For an investment security, credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Under investment agreements, restricted deposits held by bond trustee and restricted amounts held by DASNY are invested with financial institutions at a fixed contract rate of interest. Because the security is essentially a written contract, there is no rating available for such an instrument; however, at the time the agreements are entered into, the underlying providers are generally rated in at least the second highest rating category by at least one of the nationally recognized rating organizations in accordance with established investment policy and guidelines.

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. During fiscal year 2016, restricted deposits held by bond trustee and restricted amounts held by DASNY were not exposed to concentration of credit risk.

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy for restricted deposits held by bond trustee or restricted amounts held by DASNY that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments primarily consist of obligations of the U.S. government and are reported at fair value with maturities of one year or less.

(9) Pension Plans

Defined Benefit Plans – NYCERS and NYCTRS

The University participates in both the New York City Employees Retirement System (NYCERS) and the Teachers Retirement System of the City of New York (NYCTRS), which are cost-sharing, multiple-employer public employees' retirement system. NYCERS provides defined pension benefits to 184,800 active municipal employees and 142,100 pensioners through $63 billion in assets. Employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCERS, and all other employees are eligible to participate in NYCERS. NYCERS provides pay-related retirement benefits, as well as death and disability benefits. The total amount of the University's employees' covered payroll related to NYCERS for the year ended June 30, 2016 is approximately $217.1 million. NYCTRS provides defined pension benefits to 111,700 active teachers and 80,400 pensioners through $68.52 billion in assets. Employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCTRS, and all other employees are eligible to participate in NYCTRS. NYCTRS provides pay-related retirement benefits, as well as death and disability benefits. Total amounts of the University's employees' covered payroll related to NYCTRS for the year ended June 30, 2016 is approximately $189.8 million. Both NYCERS and NYCTRS issue a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS at 335 Adams Street, Brooklyn, New York 11201 and NYCTRS at TRS at 55 Water Street, New York, New York 10041.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS and NYCTRS Board. Employees' contributions are determined by their Tier and number of years of service. They may range between 0.00% and 9.10% of their annual pay.

Statutorily-required contributions (Statutory Contributions) to NYCERS and NYCTRS, determined by the New York City Office of the Actuary in accordance with State statutes and City laws, are funded by the employer within the appropriate fiscal year. The University made its contractually required contributions to both NYCERS and NYCTRS in fiscal year 2016 of approximately $42.0 million and $102.9 million, respectively.

(Continued)

NYCERS and NYCTRS provide three main types of retirement benefits: service retirements, ordinary disability retirements (non-job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different "Tiers." The members' Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 years of service. Annual pension benefits can be calculated as a percentage of final average salary multiplied by the number of years of service and changes with the number of years of membership within the plan. Benefits for members can be amended under the State Retirement and Social Security Law.

The University's respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense related to the Senior Colleges for NYCERS and NYCTRS are calculated by the Office of the Actuary, City of New York. At June 30, 2016, the University reported a liability of $303.0 million and $732.9 million for NYCERS and NYCTRS, respectively, for its proportionate share of the respective NYCERS and NYCTRS net pension liabilities. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to the University's measurement date of June 30, 2016 for both NYCERS and NYCTRS. The University's proportionate share of the respective net pension liabilities for the fiscal year was based on the University's actual contributions to NYCERS and NYCTRS relative to the total contributions of participating employers for each plan for fiscal 2016, which was 1.247% and 2.779% for NYCERS and NYCTRS, respectively. The proportionate share of the NYCTRS net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense for the University's community colleges is included in the financial statements of the City of New York.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the NYCERS and NYCTRS and additions to/deductions from NYCERS' and NYCTRS' respective fiduciary net position have been determined on the same basis as they are reported by NYCERS and NYCTRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about NYCERS and NYCTRS, please refer to the respective plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nycers.org and www.trsnyc.org, respectively.

(a) Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation for both NYCERS and NYCTRS was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	In general, merit and promotion increases plus assumed general wage increase of 3.0% per annum.
Investment rate of return	7.0% net of pension plan investment expense. Actual return for variable funds.
Cost of living adjustment	1.5% and 2.5% for various Tiers

Mortality rates and methods used in determination of the total pension liability for both NYCERS and NYCTRS were adopted by the New York City Retirement System (NYCRS) Boards of Trustees during fiscal year 2016. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded New York City Retirement Systems (NYCRS) are conducted every two years.

Mortality tables for service and disability pensioners were developed from an experience study of the Plan. The mortality tables for beneficiaries were developed from an experience review. For more details, see the reports entitled "Proposed Changes in Actuarial Assumptions and Methods for Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2011", also known as "Silver Books". Electronic versions of the Silver Books are available on the Office of the Actuary Web site (www.nyc.gov/actuary) under Pension information.

(b) *Expected Rate of Return on Investments*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both NYCERS and NYCTRS are summarized in the following tables:

NYCERS

Asset class	Target asset allocation	Real return arithmetic basis	Expected real rate of return
U.S. public market equities	32.60 %	6.60 %	2.15 %
International public market equities	10.00	7.00	0.70
Emerging public market equities	6.90	7.90	0.55
Private market equities	7.00	9.90	0.69
U.S. fixed income	33.50	2.70	0.90
Alternatives	10.00	4.00	0.40
Total	100.00 %		5.39 %

NYCTRS

Asset class	Target asset allocation	Real return arithmetic basis	Expected real rate of return
U.S. public market equities	34.00 %	6.60 %	2.24 %
International public market equities	9.00	7.00	0.63
Emerging public market equities	8.00	7.90	0.63
Private market equities	6.00	9.90	0.59
U.S. fixed income	37.00	2.70	1.00
Alternatives	6.00	4.00	0.24
Total	100.00 %		5.33 %

(c) *Discount Rate*

The discount rate used to measure the total pension liability as of June 30, 2016 for both NYCERS and NYCTRS was 7.00%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS and NYCTRS respective fiduciary net positions was projected to be available to make all projected future benefit payments of current active and non-active NYCERS and NYCTRS members. Therefore, the long-term expected rate of return on NYCERS and NYCTRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liabilities calculated using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (in millions):

		1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability:				
NYCERS	$	415.4	303.0	208.8
NYCTRS		936.6	732.9	562.6

(d) *Deferred Outflows of Resources and Deferred Inflows of Resources*

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2016 (in thousands):

		NYCERS	NYCTRS	Total
Deferred Outflows of Resources:				
Difference between projected and actual earnings on pension plan investments	$	46,165	65,039	111,204
Differences between actual and expected experience		—	45,575	45,575
Changes in proportionate share		11,007	50,315	61,322
Changes in assumptions		22,364	50,003	72,367
Total	$	79,536	210,932	290,468
Deferred Inflows of Resources:				
Differences between actual and expected experience	$	8,600	—	8,600
Difference between projected and actual earnings on pension plan investments		29,775	88,637	118,412
Changes in proportionate share		382	3,938	4,320
Total	$	38,757	92,575	131,332

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

		NYCERS	NYCTRS	Total
Fiscal years ending June 30:				
2016	$	7,817	19,698	27,515
2017		10,425	35,360	45,785
2018		15,904	52,814	68,719
2019		6,632	10,485	17,117
	$	40,779	118,357	159,136

(e) *Annual Pension Expense*

The University's annual pension expense for NYCERS and NYCTRS for the fiscal year ended June 30, 2016 was approximately $45.4 million and $125.2 million for NYCERS and NYCTRS, respectively.

Defined Contribution Plan – TIAA-CREF

The University also provides pension plans for its employees in Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a privately operated, multi-employer defined contribution retirement plan. TIAA-CREF obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

TIAA-CREF provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

Funding Policy

Employer and employee contribution requirements to TIAA-CREF are determined by the New York State Retirement and Social Security Law. Participating University employees contribute 1.5% for tiers one through four and 3.0% for tier five of salary on an after-tax basis. Employer contributions range from 10.5% to 13.5% for tiers one through four, depending upon the employee's compensation, and 8.0% to 10.0% of salary for tier five, depending upon the employee's years of service. Employee contributions for fiscal year 2016 amounted to approximately $72 million.

The required University contributions recognized as pension expense for the current year and the two preceding years were (in thousands):

Fiscal year:		
2016	$	105,499
2015		103,774
2014		100,995

The University's contributions made to the systems were equal to 100% of the contributions required for each year.

(10) Postemployment Benefits

Plan Description. CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program (Plan), which is a single-employer defined benefit healthcare plan. The program covers former CUNY employees who were originally employed by CUNY senior colleges or by CUNY community colleges. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS):

- NYCERS
- NYCTRS
- New York City Board of Education Retirement System (BERS)

In addition, the program covers individuals under alternate retirement arrangements. The most significant alternate retirement arrangement is coverage under the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA) rather than through the NYCRS. In addition to the participants of NYCRS and TIAA, the valuation also includes 28 CUNY employees covered under the Cultural Institutions Retirement System (CIRS), who are being treated the same as employees in TIAA.

The City of New York is assumed to pay for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS and TIAA who retired from community colleges. The City of New York also pays for the Welfare Fund costs for non-pedagogical CUNY Senior College retirees of the NYCRS. In addition, the City reimburses CUNY employees the Part B premium for Medicare-eligible retirees and covered spouses for all covered CUNY employees, whether retired under NYCRS or TIAA, and whether retired from a senior or community college. The obligation for the coverage is considered an obligation of the City and not included in CUNY's valuation.

CUNY currently reimburses the City for Basic Coverage and Welfare Fund coverage for NYCRS senior college retirees except for those who retired from one of the NYCRS in non-pedagogical positions. CUNY is also currently billed for Basic Coverage and Welfare Fund coverage for all TIAA retirees, whether retired from a senior or community college.

The City issues a publicly available financial report, which is available at Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, New York 10007.

Funding Policy. Postemployment Benefits other than Pensions (OPEB) includes Health Insurance and Medicare Part B Reimbursements; Welfare Benefits stem from the University's collective bargaining agreements. The University is not required by law or contractual agreement to provide funding for postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2016, the University paid $38.7 million, of which $29.2 million was for senior colleges and $9.5 million was for community colleges, which were paid to the New York City Health Retirement Trust Fund.

Annual OPEB Cost and Net OPEB Obligation. For the June 30, 2015 valuation, the Entry Age Actuarial Cost Method was used to determine the annual required contribution (ARC) and the Unfunded Actuarial Accrued Liability (UAAL). The method is changed from the Frozen Entry Age Actuarial Cost Method used in the previous retiree healthcare actuarial valuation. Under this method, the Actuarial Present Value of

Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of Future Normal Costs is called the Actuarial Accrued Liability. The calculation of the ARC reflects a 30-year amortization as a level percentage of payroll of the UAAL on an open basis.

The following table shows the elements of the University's annual OPEB cost for the year, the amount paid, and changes in the University's net OPEB obligation for the year ended June 30, 2016 (in thousands):

		Amount
Annual required contribution*	$	122,954
Interest on net OPEB obligation		24,557
Adjustment to annual required contribution		(24,398)
Annual OPEB cost		123,113
Payments made		(29,375)
Increase in net OPEB obligation		93,738
Net OPEB obligation – beginning of year		613,920
Net OPEB obligation – end of year	$	707,659

* This amount reflects a 30-year amortization as a level percentage of payrolls of the Unfunded Actuarial Accrued Liability on an open basis.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2016 and 2015 were as follows (in thousands):

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost paid		Net OPEB obligation
June 30, 2016	$	123,113	24.0%	$	707,659
June 30, 2015		119,959	25.0%		613,920

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $1,186 million (which represents the total present value $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,186 million). The covered payroll (annual payroll of active employees by the Plan) was $1,026 million, and the ratio of the UAAL to the covered payroll was 115.7%.

The schedule of funding progress, shown below as required supplementation information, presents the results of OPEB valuations as of June 30, 2016 and 2015 and looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of funding progress
(In thousands)

Actuarial valuation date		Actuarial value assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)		Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/c
June 30, 2015	$	—	1,186,415	1,186,415	—%	$	1,025,685	115.7%

Actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The recently approved health care reform law could have significant accounting consequences for entities in diverse industries. Specifically, there are several provisions in the new law that might affect CUNY's measurement of its postretirement healthcare benefits obligation. There are certain provisions (if applicable) that are generally expected to either increase or reduce employer's obligations. It is very difficult at this stage to measure the impact of some of these provisions on CUNY's obligations. CUNY will continue to monitor developments, interpretations, and guidance relating to the law and incorporate the latest thinking in future measurements.

Additionally, beginning in 2018, NHCR will impose an excise tax on providers of certain "high cost plans" with total health care benefit values above certain thresholds. In considering the impact of the excise tax, projected potential tax amounts are estimated based on a reasonable set of assumptions, and concludes that the impact of the high cost plan excise tax on the CUNY OPEB valuation would be de minimis. Thus, any explicit liability for this potential additional future administrative cost is not included. Alternative assumptions and interpretations of the law could result in a greater financial impact.

Actuarial Cost Methods and Assumptions: CUNY employees and retirees are eligible for the same health benefits (both in active service and in retirement, if eligible) as employees and retirees of the City of New York. The health benefits are administered by the Office of Labor Relations (OLR). The City of New York is responsible for the cost of all OPEB benefits for Community College retirees, Welfare Fund costs for non-pedagogical CUNY Senior College retirees of NYCERS, and Medicare Part B premiums for all Senior College retirees.

The actuarial assumptions used for CUNY members of the NYCRS are the same as those used for City of New York members of the applicable retirement systems. According to the data provided by the New York City Office of the Actuary (OA), there are CUNY employees covered by NYCERS, NYCTRS, and BERS.

Except as noted below, all other assumptions for TIAA employees and retirees (e.g., mortality, disability, rate of salary increase, discount rate, per capita claims costs, healthcare trend rates, and age-related morbidity) are the same as those used for members of NYCTRS.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical patterns of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: June 30, 2015

Actuarial Cost Method: For the June 30, 2015 valuation, the Entry Age Actuarial Cost Method was used. Under this method, the Actuarial Present Value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of Future Normal Costs is called the Actuarial Accrued Liability. For the June 30, 2013 valuation, the Frozen Entry Age Actuarial Cost Method was used. Under this method, the excess of the Actuarial Present Value of Projected Benefits over the sum of the Actuarial Value of Assets and the Unfunded Frozen Actuarial Accrued Liability is allocated on a level basis over the future salaries of the group included in the valuation from the valuation date to assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability (AAL) is determined using the Entry Age Actuarial Cost Method, with the initial portion of the AAL frozen as of June 30, 2006, and subsequent portions frozen as of June 30, 2007, June 30, 2008, June 30, 2009 and June 30, 2010. The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under the Frozen Entry Age Cost Method, Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Amortization: For purposes of these calculations, the Frozen Actuarial Accrued Liability is amortized as a level percentage of payroll over an open 30-year period.

Discount Rate: 4.0% per annum, compounded annually.

Healthcare Cost Trend Rate: Covered healthcare expenses were assumed to increase by the following percentages each year:

	Pre-Medicare Plans	Medical (Post-Medicate)	Welfare Fund contributions
Fiscal year ending:			
2017	8.0	5.0	5.0
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023+	5.0	5.0	5.0

Inflation Rate: The assumed increase in premium rates.

Medical:	
Initial rate	9.5%
Ultimate rate	5.0
Fiscal year ultimate rate reached	2023

Wage Inflation: 3.0% per annum, compounded annually.

Miscellaneous: The valuation was prepared on a going-plan basis. This assumption does not necessarily imply that an obligation to continue the Plan exists.

Blended Component Unit

RF-CUNY provides postemployment benefits, including salary continuance, to certain employees. The cost of these benefits is accrued over the employees' years of service. RF-CUNY also provides certain healthcare benefits to retired employees (including eligible dependents) who have a combination of age and years of service equal to 70 with a minimum age of 55 and at least 10 years of continuous service. RF-CUNY accounts for postretirement benefits provided to retirees on an accrual basis during the period of their employment.

The following table sets forth RF-CUNY's information with respect to the postretirement plan at June 30, 2016 (in thousands):

Benefit obligation	$	(136,823)
Fair value of plan assets		136,100
Funded status	$	(723)

(11) Commitments

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2016, these outstanding contractual commitments were approximately $359.1 million.

The University is also committed under various operating leases covering real property and equipment. The following is a summary of the future minimum rental commitments under non-cancelable real property (in thousands):

Contractual commitments		Principal amount
Fiscal year:		
2017	$	79,451
2018		81,320
2019		80,924
2020		82,406
2021		76,716
2022-2026		351,392
2027-2031		313,873
2032-2036		152,567
2037-2061		152,755
	$	1,371,404

For the year ended June 30, 2016, rent expense, including escalations of $16.1 million, was approximately $92.0 million.

(12) Litigation and Risk Financing

The University is involved with claims and other legal actions arising in the normal course of its activities, including several currently in litigation. Pursuant to the New York State Education Law, the State or City of New York (as applicable) shall save harmless and indemnify the University, members of its Board, and any duly appointed staff member against any claim, demand, suit, or judgment arising from such person performing his or her duties on behalf of the University. Further, any judgments rendered against such individuals will be paid from funds appropriated by the Legislature, which are separate and apart from the University's operating funds. While the final outcome of the matters referred to above cannot be determined at this time, management is of the opinion that the ultimate liability, if any, will not have a material effect on the financial position of the University.

Liabilities for claims are accrued when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

CUNY is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. CUNY's residence hall facilities are covered by insurance. However, in general, CUNY does not insure its educational buildings, contents or related risks and does not insure its equipment for

(Continued)

claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by CUNY are covered by the State or City on a self-insured basis. The State and City do have fidelity insurance on State/City employees.

(13) Financial Dependency

Appropriations from the State of New York and the City of New York are significant sources of revenue to the University. Accordingly, the University is economically dependent on these appropriations to carry on its operations.

(14) Support Agreements

CUNY has entered into support agreements for the repayment of debt obligations with four entities which include City College Dormitory, Graduate Center Foundation Housing Corporation, LLC, Q Student Residences, LLC and College of Staten Island ("CSI") Student Housing, LLC. CUNY has not recorded a liability for these guarantees since the criteria included in GASB 70 have not been met.

City College Dormitory

During 2005, the University entered into a support agreement with DASNY in connection with the issuance of CUNY Student Housing Project Insured Revenue Bonds, Series 2005 (Series 2005 Bonds). The Series 2005 Bonds have a par value of $63,050,000 and were issued to fund a nonrecourse loan from DASNY to Educational Housing Services, Inc. to finance construction of a student residence building on the campus of City College. Under the terms of the support agreement, the University has agreed to unconditionally guarantee the loan and transfer to the trustee amounts required to replenish deficiencies related to debt service payments and debt service reserve funds. The obligations of CUNY shall terminate upon the payment or legal defeasance of all of the Series 2005 bonds.

Graduate Center Foundation Housing Corporation, LLC

During 2010, the University entered into a support agreement with New York City Housing Development Corporation and Manufacturers and Traders Trust Company in connection with the issuance of $14,370,000 Multi-Family Housing Revenue Bonds, 2010 Series C. The bonds were issued to finance a housing facility for students, faculty, staff and employees at the Graduate Center. Under the terms of the support agreement, the University has agreed to unconditionally guarantee the loan payments due from the Graduate Center Foundation Housing Corporation to New York City Housing Development Corporation.

For further information on the support agreements with Q Student Residences, LLC and CSI Student Housing, LLC see note 17(e).

(15) Subsequent Events

On September 16, 2016, DASNY issued bonds for new construction with par value of $210,730,000 and original issued premium of $47,323,766 on behalf of the University. On October 20, 2016, DASNY issued refunding bonds with par value of $6,530,000 and original issued premium of $786,156 on behalf of the University.

(16) Condensed Combining Financial Statement Information

The condensed combining statements of net position, revenues, expenses and changes in net position, and cash flows for the University and blended component units as of and for the year ended June 30, 2016 are as follows:

Condensed statement of net position (in thousands):

	University	RF - CUNY	CUCF	Eliminations	Total
Current assets	$ 1,830,242	236,256	43,710	—	2,110,208
Other noncurrent assets	498,232	53,130	20,968	—	572,330
Capital assets	5,659,570	44,678	—	—	5,704,248
Total assets	7,988,044	334,064	64,678	—	8,386,786
Deferred outflows of resources	414,537	—	—	—	414,537
Current liabilities	1,514,400	236,192	51,411	(78,533)	1,723,470
Noncurrent liabilities	6,878,923	66,109	—	—	6,945,032
Total liabilities	8,393,323	302,301	51,411	(78,533)	8,668,502
Deferred inflows of resources	131,332	—	—	—	131,332
Net investment in capital assets	784,249	(21,896)	1,766	—	764,119
Restricted:					
Nonexpendable	64,216	—	—	—	64,216
Expendable	280,594	—	—	—	280,594
Unrestricted	(1,251,133)	53,659	11,501	78,533	(1,107,440)
Total net (deficit) position	$ (122,074)	31,763	13,267	78,533	1,489

Condensed statement of revenues, expenses and changes in net position (in thousands):

Description		University	RF-CUNY	CUCF	Eliminations	Total
Operating revenues:						
Tuition and fees, net	$	812,399	—	—	—	812,399
Grants and contracts		981,710	412,130	37	(18,113)	1,375,764
Other operating revenues		44,394	43,494	14,614	(50,854)	51,648
Total operating revenues		1,838,503	455,624	14,651	(68,967)	2,239,811
Operating expenses:						
Other operating expenses		4,171,416	448,008	14,680	(83,740)	4,550,364
Depreciation and amortization		247,359	3,030	—	—	250,389
Total operating expenses		4,418,775	451,038	14,680	(83,740)	4,800,753
Operating loss		(2,580,272)	4,586	(29)	14,773	(2,560,942)
Nonoperating revenues (expenses):						
Government appropriations		2,176,826	—	—	—	2,176,826
Gifts and grants		7,933	—	6	(6)	7,933
Investment income, net		5,378	141	31	—	5,550
Interest expense		(175,717)	(3,288)	(6)	6	(179,005)
Net depreciation in fair value of investments		(6,013)	163	—	—	(5,850)
Other nonoperating revenues (expenses), net		14,397	—	(229,112)	218,452	3,737
Total nonoperating revenues (expenses), net		2,022,804	(2,984)	(229,081)	218,452	2,009,191
Loss before other revenues		(557,468)	1,602	(229,110)	233,225	(551,751)
Capital appropriations		523,440	—	227,770	(230,770)	520,440
Additions to permanent endowments		85	—	—	—	85
Transfer (from University) to Foundation		3,852	—	—	—	3,852
Total other revenues		527,377	—	227,770	(230,770)	524,377
(Decrease) increase in net position		(30,091)	1,602	(1,340)	2,455	(27,374)
Net (deficit) position, beginning of year		(91,983)	30,161	14,607	76,078	28,863
Net (deficit) position, end of year	$	(122,074)	31,763	13,267	78,533	1,489

Condensed statement of cash flows (in thousands):

Description	University	RF-CUNY	CUCF	Eliminations	Total
Net cash provided (used) by:					
Operating activities	$ (1,858,106)	12,784	(10,693)	—	(1,856,015)
Noncapital financing activities	1,824,697	—	—	—	1,824,697
Capital and related financing activities	3,970	(1,133)	(1,342)	—	1,495
Investing activities	19,270	(1,904)	—	—	17,366
Net (decrease) increase in cash and cash equivalents	(10,169)	9,747	(12,035)	—	(12,457)
Cash and cash equivalents at beginning of year	542,615	137,510	35,674	—	715,799
Cash and cash equivalents at end of year	$ 532,446	147,257	23,639	—	703,342

(17) Discretely Presented Component Units

The University's discretely presented component units consist of college foundations, related-recognized auxiliary service corporations, student association organizations and child care centers. These supporting organizations are legally separate entities that provide services which support both academic and general needs of the colleges and their students. Their activities are funded through donor contributions, student activity fees, fees for services provided, special fund raising events, and earnings on investments.

The accounting policies of the discretely presented units conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. All of the discretely presented component units follows GASB accounting pronouncements except the foundations, which follow applicable Financial Accounting Standards Board (FASB) standards. The financial statements of the discretely presented component units are presented using the GASB presentation in the accompanying financial statements. Separately issued financial statements of the component unit entities may be obtained by writing to: The City University of New York, Office of the University Controller, 230 West 41st Street, 5th Floor, New York, NY 10036.

(a) *Summary of Significant Accounting Policies*

Contribution Revenue

Contributions received, including unconditional promises to give, are recognized at fair value in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Contributions are considered available for unrestricted use unless specifically restricted by the donors.

Split Interest Agreements

Several of the foundations have received contributions from donors in exchange for a promise by the foundations to pay a fixed amount to the donor or other individuals over a specified period of time (normally the donor's or other beneficiary's life) and are recognized at fair value when received. The annuity payment liability is recognized at the present value of future cash payments expected to be paid. The net of these two amounts is recorded as contribution income.

Charitable Remainder Trusts

Several of the foundations have received charitable remainder trusts of various types, which are received by the college during the lifetime of the grantor, and carry with them the obligation to pay the grantor an annuity during his or her lifetime. Upon the death of the grantor, the trust is terminated, and the remaining value becomes the property of the foundation.

(b) Investments

Investments of the discretely presented component units are carried at fair value and are presented by investment type below.

Investment type		Amount
Cash and cash equivalents	$	20,064
Certificates of deposits		5,819
Equities		47,868
International Bonds		25
Mutual funds:		
Debt securities		1,609
Equity securities		374,749
Fixed income		33,272
U.S. corporate bonds		29,822
U.S. government bonds		3,021
U.S. Treasury bills		742
U.S. Treasury notes		546
CUNY investment pool		39,262
Other investments		28,228
Investments measured at NAV:		
Event driven hedge funds		5,760
Global equity		16,310
Global equity long/short hedge funds		32,947
Limited partnership/liability company		24,394
Multi-strategy funds		16,844
Global macro hedge funds		1,543
Private investment		4,360
Multiple common trust fund		18,273
U.S. equity funds		3,184
U.S. fixed income		3,607
Total investments	$	712,249

The separately issued financial statements of the discretely presented component units provide the fair value hierarchy disclosure information. The summarized categories include investments in Level 1 totaling $491.8 million, Level 2 totaling $53.4 million and Level 3 totaling $39.9 million. Total investments measured at NAV are $127.2 million and are redeemable ranging from monthly to 3 years with redemption notice periods of 10 to 95 days.

(c) Contributions Receivable

Unconditional promises to give are recorded as contributions receivable, and in most cases are discounted over the payment period using the applicable discount rate in effect at the time of the contribution. Contributions receivable due in fiscal year 2017 amount to $43,742 thousand and are recorded in current receivables. Contributions receivable that are due in fiscal year 2018 and later amount to $65,490 thousand and are recorded in long-term receivables. At June 30, 2016, contributions receivable consisted of (in thousands):

		Amount
Contributions receivable	$	128,495
Less allowance for doubtful accounts		8,200
Less discount to present value		11,063
Contributions receivable, net	$	109,232

(d) *Capital Assets*

Capital assets consist of the following at June 30, 2016 (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016
Building and building improvements	$ 158,268	1,138	1,996	157,410
Equipment	17,882	2,977	1,870	18,989
Land	36	22,606	—	22,642
Land improvements	3,444	272	—	3,716
Works of art and historical treasures	3,589	240	—	3,829
Total capital assets	183,219	27,233	3,866	206,586
Less accumulated depreciation:				
Building and building improvements	21,195	5,403	1,479	25,119
Equipment	16,886	1,870	1,689	17,067
Land improvements	1,482	332	—	1,814
Total accumulated depreciation	39,563	7,605	3,168	44,000
Total capital assets, net	$ 143,656	19,628	698	162,586

(e) *Long Term Debt*

Three of the discretely presented component units have long term debt which the University, through separate support agreements, guarantees the repayment of this debt (see note 14).

1) Q Student Residences, LLC – Original issue $65.2 million Revenue Refunding Bonds through Build NYC Revenue Corporation with interest rates ranging from 0.55% to 5.0%.

2) College of Staten Island Housing, LLC – Original issue $67.8 million issued through New York City Housing Development Corporation with an interest rate of 4.171%.

3) The Graduate Center Foundation:

   a) The Graduate Center Foundation Housing Corporation has a $14.4 million loan from New York City Housing Development Corporation for the construction of a building which is secured by the building. Interest is charged at 5.65% on the outstanding balance.

b) The Graduate Center Foundation Housing Corporation LIC obtained a two year loan from Amalgamated bank totaling $8.4 million to purchase land. The loan is secured by the land.

The following is a summary of future minimum payments under these agreements at June 30, 2016.

Loans and Bonds	Principal	Interest	Total
Fiscal year:			
2017	$ 1,578	6,758	8,336
2018	1,714	6,726	8,440
2019	10,219	6,372	16,591
2020	2,025	6,322	8,347
2021	2,502	6,258	8,760
Thereafter	134,316	90,471	224,787
Total minimum loan payment	$ 152,354	122,907	275,261
Less amount representing interest			(122,907)
			$ 152,354
Plus unamortized bond premium			7,366
Carrying amount of obligations			$ 159,720

THE CITY UNIVERSITY OF NEW YORK

Schedule of Employer Contributions

(Unaudited)

June 30, 2016

(in thousands)

New York City Employees' Retirement System

		2016	2015
Contractually required contribution	$	41,980	38,587
Contributions in relation to the contractually required contribution		41,980	38,587
Contribution deficiency (excess)	$	—	—
University employee covered-payroll	$	217,088	214,226
Contributions as a percentage of employee covered payroll		19.34%	18.01%

Teachers' Retirement System of The City of New York

		2016	2015
Contractually required contribution	$	102,884	84,468
Contributions in relation to the contractually required contribution		102,884	84,468
Contribution deficiency (excess)	$	—	—
University employee covered-payroll	$	189,767	174,983
Contributions as a percentage of employee covered payroll		54.22%	48.27%

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

June 30, 2016

(In thousands)

New York City Employees' Retirement System

		2016	2015
University proportion share of the net pension liability		1.247%	1.221%
University proportionate share of the net pension liability	$	302,981	247,140
University employee covered-payroll		217,088	214,226
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		139.6%	115.4%
Plan fiduciary net position as a percentage of the total pension liability		69.57%	73.13%

Teachers' Retirement System of The City of New York

		2016	2015
University proportion of the net pension liability		2.779%	2.540%
University proportionate share of the net pension liability	$	732,857	527,957
University employee covered-payroll		189,767	174,983
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		386.2%	301.7%
Plan fiduciary net position as a percentage of the total pension liability		62.33%	68.04%

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Pell Grant Program (including administrative cost allowance of $705,525)	84.063	$ 592,387,260
Federal Direct Student Loans (note 4)	84.268	287,417,568
Federal Perkins Loans (including administrative cost allowance of $1,454,611) (note 4)	84.038	51,090,004
Federal Supplemental Educational Opportunity Grants (note 3)	84.007	7,771,505
Federal Work-Study Program (note 3)	84.033	10,648,749
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	93,529
U.S. Department of Health and Human Services:		
Nursing Student Loans (including interest subsidy of $8,926) (note 4)	93.364	255,671
Total Student Financial Assistance Cluster		949,664,286
U.S. Department of Homeland Security:		
Passed through New York State, Department of Homeland Security and Emergency Services:		
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (pass-through grant numbers PA-02NY-4085-PW-04687(0), PA-02NY-4085-PW-01677(1), PA-02NY-4085-PW-04612(0), and PA-02NY-4085-PW-04624(0))	97.036	674,208
U.S. Department of Housing and Urban Development:		
Passed through City College 21st Century Foundation:		
Economic Development Initiative-Special Project Grant (pass-through grant numbers B-08-SP-NY-0073 and B-06-SP-NY-0726)	14.251	50,470
Total expenditures of federal awards		$ 950,388,964

See accompanying notes to supplementary schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The City University of New York (the University), except as noted below, and has been prepared on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal awards received by the University but administered by the Research Foundation of The City University of New York (RF-CUNY) are not included in the accompanying Schedule because RF-CUNY files a separate report for the federal awards it administers on behalf of the University.

(2) Summary of Significant Accounting Policies for Federal Program Expenditures

(a) *Student Financial Assistance Cluster*

The student financial assistance cluster includes those awards that provide general student financial assistance. They include the Federal Pell Grant (Pell), Teacher Education Assistance for College and Higher Education Grants (TEACH), Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study (FWS) Programs. The University also receives awards to make loans to eligible students under the Federal Perkins Loan Program. In addition, federally guaranteed loans are issued to students of the University under the Federal Direct Student Loan Program.

(b) *Other Grant Expenditures*

Expenditures for other federal awards are determined using the cost principles and procedures set forth in OMB Uniform Guidance, *Cost Principles*. Under these principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures consist of direct and indirect costs. Direct costs are those that can be specifically identified with a particular sponsored project. Indirect costs are the costs of services and resources that benefit sponsored projects as well as nonsponsored projects and activities.

The University and federal agencies use an indirect cost rate to charge facility and administrative costs to particular sponsored projects. The rate is the result of a number of cost allocation procedures that the University uses to allocate its facility and administrative costs to both sponsored and nonsponsored activities. The rate that the University uses to charge indirect costs to federally sponsored projects is subject to review and approval by the U.S. Department of Health and Human Services. The University did not elect to use the 10% deminimus indirect cost rate for the year ended June 30, 2016, as permitted by Uniform Guidance.

(3) Institutional Share – FSEOG and FWS

Under the terms of the FSEOG program, the University is required to match 25% of the costs of grants to students. Similarly, under the terms of the FWS program, the University is required to match 25% of the costs of student wages earned. For the year ended June 30, 2016, the University met its matching requirements for FSEOG and FWS with unrestricted expenditures of $2,590,502 and $3,473,189.

(4) Federal Student Loan Programs

The University is responsible for certain aspects of the Federal Perkins Loan and Nursing Student Loan programs. During the year ended June 30, 2016, the University made new loans of $4,799,987 under the Federal Perkins Loan program. During the year ended June 30, 2016, the University did not make any loans under the Nursing Student Loan program. The University's basic financial statements include the programs' net position and transactions. The ending balances of loans outstanding under these programs at June 30, 2016 are presented below:

Student Loan Programs:	
Federal Perkins Loan Program (CFDA # 84.038)	$ 42,640,430
Nursing Student Loan Program (CFDA # 93.364)	255,671
	$ 42,896,101

The beginning balances of loans outstanding under these programs at July 1, 2015 were $44,835,406 and $246,745 for the Federal Perkins Loan and Nursing Student Loan programs, respectively.

With respect to the Federal Direct Student Loan Program, the University is only responsible for the performance of certain administrative duties; therefore, the net position and transactions for this program are not included in the University's basic financial statements, and it is not practicable to determine the balance of loans outstanding to students of the University under this program at June 30, 2016.

(5) Disaster Grants – Public Assistance

In 2016, 2015, 2014 and 2013, the University incurred expenditures as a result of the October 2012 Hurricane Sandy. In 2016, the University received approval of disaster relief assistance of $934,468 from the Federal Emergency Management Agency (FEMA). The amount reported on the Schedule for the year ended June 30, 2016 represents costs incurred for projects approved in 2016. The amount does not include expenditures incurred that have been covered by insurance proceeds. During 2016, the University received $660,441 of the amounts incurred.

(6) Passed-through to Subrecipients

The University did not pass any amounts through to subrecipients for the year ended June 30, 2016.

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report 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*

The Board of Trustees
The City University of New York:

We have audited, in accordance with the 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 the business-type activities and the aggregate discretely presented component units of The City University of New York (the University) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 29, 2016, which contained unmodified opinions on those financial statements with an emphasis of matter paragraph regarding the University's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our report also includes a reference to other auditors who audited the financial statements of 27 of the 85 discretely presented component units. The financial statements of those 27 discretely presented component units were not audited in accordance with *Government Auditing Standards*.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the Research Foundation of The City University of New York, a blended component unit of The City University of New York. We have issued a separate report on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for this entity. The findings, if any, included in that report are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 29, 2016

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Compliance for Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
The City University of New York:

Report on Compliance for Major Federal Program

We have audited The City University of New York's (the University's) compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2016. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's financial statements include the operations of the Research Foundation of The City University of New York (the Foundation), a blended component unit of the University, which received federal awards that are not included in the University's supplementary schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the Foundation because we have separately reported on the Foundation in accordance with the Uniform Guidance. The findings, if any, included in that report are not included herein.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

KPMG

Opinion on Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG

Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The City University of New York's basic financial statements. We issued our report thereon dated November 29, 2016, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

March 29, 2017

THE CITY UNIVERSITY OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major program disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for major program: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **None**

(g) Major program:

- Student Financial Assistance Cluster (CFDA numbers 84.063, 84.268, 84.038, 84.007, 84.033, 84.379 and 93.364)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No findings are required to be reported.

(3) Findings and Questioned Costs Relating to Federal Awards

None