

New York University
Consolidated Financial Statements
August 31, 2016 and 2015

New York University
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August 31, 2016 and 2015

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Report of Independent Auditors

To the Board of Trustees of
New York University

We have audited the accompanying consolidated financial statements of New York University ("NYU"), which comprise the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to NYU's preparation and fair presentation of the consolidated 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 NYU'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NYU as of August 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 47 through 57 in Appendix A – Supplemental Schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, changes in net assets and cash flows of the individual companies.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

December 15, 2016

New York University
Consolidated Balance Sheets
August 31, 2016 and 2015

(in thousands of dollars)

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,033,266	\$ 1,060,122
Short-term investments (Note 4)	2,302	119,247
Accounts and loans receivable, net (Note 5)	479,496	490,765
Patient accounts receivable, net (Note 3)	589,946	475,763
Contributions receivable, net (Note 6)	509,842	530,722
Other assets (Note 7)	352,453	339,217
Assets limited as to use - disaster recovery (Note 19)	126,807	16,278
Disaster-related receivable (Note 19)	257,127	393,264
Deposits with trustees (Note 2)	414,927	70,878
Long-term investments (Note 4)	4,432,746	4,265,321
Assets held by insurance captive (CCC550) (Note 11)	400,476	320,426
Land, buildings, and equipment, net (Note 8)	8,276,486	7,310,180
Total assets	<u>\$ 16,875,874</u>	<u>\$ 15,392,183</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,350,784	\$ 1,132,009
Disaster-related accounts payable and accrued expenses (Note 19)	11,296	13,108
Deferred revenue	844,987	849,938
Deferred revenue - disaster related	126,807	16,278
Professional liabilities (Note 11)	459,397	374,262
Bonds and notes payable (Notes 9)	5,291,765	4,509,943
Other leasing obligations (Note 10)	-	146,603
Federal grants refundable (Note 5)	79,470	80,030
Accrued benefit obligation (Note 12)	561,203	392,912
Accrued postretirement obligation (Note 13)	630,999	559,271
Asset retirement obligation	225,347	201,466
Total liabilities	<u>9,582,055</u>	<u>8,275,820</u>
Net assets		
Unrestricted	3,829,838	3,582,263
Temporarily restricted (Note 17)	1,534,785	1,746,123
Permanently restricted (Note 17)	1,929,196	1,787,977
Total net assets	<u>7,293,819</u>	<u>7,116,363</u>
Total liabilities and net assets	<u>\$ 16,875,874</u>	<u>\$ 15,392,183</u>

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

New York University
Consolidated Statements of Activities
Years Ended August 31, 2016 and 2015

(in thousands of dollars)

	2016	2015
Changes in unrestricted net assets		
Operating revenues		
Tuition and fees (net of financial aid awards of \$613,962 and \$552,445)	\$ 1,662,920	\$ 1,599,870
Grants and contracts (Note 14)	802,333	762,386
Patient care (net of provision for bad debt \$91,799 and \$48,566) (Note 3)	4,406,721	3,479,113
Hospital affiliations (Note 15)	321,146	305,458
Insurance premiums earned	65,864	47,203
Contributions	157,128	142,593
Endowment distribution (Note 4)	155,397	146,905
Return on short-term investments (Note 4)	6,284	21,440
Auxiliary enterprises	470,001	434,404
Program fees and other	287,847	257,797
Disaster recovery reimbursement (Note 19)	39,432	15,711
Net assets released from restrictions	125,140	91,987
	<u>8,500,213</u>	<u>7,304,867</u>
Total operating revenues		
Expenses (Note 16)		
Instruction and other academic programs	1,509,379	1,492,235
Research and other sponsored programs	984,702	931,003
Patient care	3,780,268	2,879,440
Hospital affiliations (Note 15)	292,418	282,083
Libraries	79,729	75,635
Student services	129,320	122,042
Auxiliary enterprises	515,901	476,662
Institutional services	994,887	947,893
Disaster-related expenses (Note 19)	29,004	9,973
	<u>8,315,608</u>	<u>7,216,966</u>
Total expenses		
Excess of operating revenues over expenses		
	184,605	87,901
Nonoperating activities		
Investment return (Note 4)	104,910	3,124
Appropriation of endowment distribution (Note 4)	(57,785)	(57,467)
Disaster recovery reimbursement for capital (Note 19)	81,173	76,215
Changes in pension and postretirement obligations (Notes 12 and 13)	(199,661)	(75,795)
Net assets released from restrictions for capital purposes	17,715	32,013
Net assets released from restrictions for hazard mitigation (Note 19)	142,120	92,258
Other	10	14,904
Reclassification related to cy-pres (Note 17)	-	(48,247)
Loss on bond defeasance (Note 9)	(25,512)	(104,872)
Acquisition of Lutheran Medical Center (Note 1)	-	305,237
	<u>247,575</u>	<u>325,271</u>
Increase in unrestricted net assets		
Changes in temporarily restricted net assets		
Contributions	146,830	188,242
Investment return (Note 4)	76,099	17,603
Appropriation of endowment distribution (Note 4)	(97,612)	(89,438)
Other	(51,680)	(19,877)
Net assets released from restrictions for hazard mitigation (Note 19)	(142,120)	(92,258)
Net assets released from restrictions	(142,855)	(124,000)
	<u>(211,338)</u>	<u>(119,728)</u>
Decrease in temporarily restricted net assets		
Changes in permanently restricted net assets		
Contributions	124,505	104,348
Reclassification related to cy-pres (Note 17)	-	48,247
Other	16,714	(49,075)
	<u>141,219</u>	<u>103,520</u>
Increase in permanently restricted net assets		
Increase in net assets		
	<u>\$ 177,456</u>	<u>\$ 309,063</u>

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

New York University

Consolidated Statements of Cash Flows

Years Ended August 31, 2016 and 2015

(in thousands of dollars)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 177,456	\$ 309,063
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	455,773	394,836
Loss (gain) on sale or disposal of land, buildings and equipment and other adjustments	24,851	(5,706)
Loss on extinguishment of debt	4,793	-
Net (gain) loss on investments and deposits with trustees	(137,817)	28,193
Bad debt expense	135,105	124,830
Loss on bond defeasance	-	1,534
Pension and postretirement obligation change	199,661	75,795
Contributions received for permanent investment and capital	(133,727)	(124,776)
Proceeds from disaster recovery award for future mitigation	(114,566)	(28,736)
Acquisition of Lutheran Medical Center	-	(305,237)
Changes in operating assets and liabilities		
Increase in accounts and loans receivable, net	(7,899)	(41,151)
Decrease in disaster recovery receivable	136,137	87,119
Increase in patient accounts receivable	(205,982)	(77,929)
Increase in nonendowment and noncapital contributions receivable	(16,404)	(28,898)
(Increase) decrease in other assets	(3,605)	30,053
Decrease in asset retirement obligation	(3,040)	(3,722)
Increase (decrease) in accounts payable and accrued expenses	178,519	(63,121)
Decrease in disaster-related accounts payable and accrued expenses	(382)	(26,306)
Increase in professional liabilities	85,135	45,230
Decrease in deferred revenue	(221,022)	(45,115)
Increase in accrued pension obligation	14,508	2,458
Increase in accrued postretirement obligation	25,850	34,864
Net cash provided by operating activities	<u>593,344</u>	<u>383,278</u>
Cash flows from investing activities		
Purchases of investments	(2,820,728)	(2,248,549)
Sales and maturities of investments	2,891,095	2,009,759
Proceeds from sale of real estate	-	5,891
Increase in deposits held with captive	(61,886)	(42,930)
Drawdowns of unexpended bond proceeds	382,626	52,120
Additions to land, buildings, and equipment, net of disposals	(1,456,482)	(1,121,866)
Proceeds from commercial insurance or disaster recovery for capital	216,071	53,220
Cash acquired from acquisition of Lutheran Medical Center	-	26,074
Net cash used in investing activities	<u>(849,304)</u>	<u>(1,266,281)</u>
Cash flows from financing activities		
Contributions restricted for permanent investment and capital	133,727	124,776
Proceeds from disaster recovery award for future mitigation	114,566	28,736
Proceeds from short-term borrowings	404,772	276,415
Proceeds from long-term borrowings	-	1,634,468
Principal payments on short-term borrowings	(317,654)	(285,987)
Principal payments on bonds and notes payable	(113,831)	(1,079,862)
Payments of deferred financing costs	(5,623)	(7,919)
Decrease in federal grants refundable	(560)	(87)
Decrease in deposits with bond trustees	13,707	9,895
Net cash provided by financing activities	<u>229,104</u>	<u>700,435</u>
Net decrease in cash	<u>(26,856)</u>	<u>(182,568)</u>
Cash		
Beginning of year	<u>1,060,122</u>	<u>1,242,690</u>
End of year	<u>\$ 1,033,266</u>	<u>\$ 1,060,122</u>
Supplemental disclosure of cash flow information		
Bond proceeds	\$ 1,114,910	\$ -
Other leasing obligations	(146,603)	-
Interest paid	217,452	200,373
Acquisitions of land, buildings, and equipment in accounts payable	78,634	45,847
Assets acquired under capital leases	75,630	45,663
Non-cash acquisition of Lutheran Medical Center net assets	-	279,163

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

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Notes to Consolidated Financial Statements

August 31, 2016 and 2015

(in thousands of dollars)

1. Description of New York University

Founded in 1831, New York University (NYU) is a private institution of higher education, research, and patient care located primarily in New York City. NYU is recognized both nationally and internationally as a leader in scholarship and is a member of the distinguished Association of American Universities.

The consolidated reporting entities for NYU consist of the University and NYU Health Operations (Health Operations), which represents the operations of NYU Langone Health System (Health System), and NYU School of Medicine (NYUSoM).

The University

The University includes nineteen colleges and divisions each with its own traditions, programs and faculty. The schools, in order of founding date, are the College of Arts and Science, School of Law, NYU School of Medicine (reported as a part of NYU Health Operations), College of Dentistry, Graduate School of Arts and Science, Steinhardt School of Culture, Education and Human Development, Leonard N. Stern School of Business, Courant Institute of Mathematical Sciences, School of Continuing and Professional Studies, Institute of Fine Arts, Robert F. Wagner Graduate School of Public Service, Post-Graduate Medical School, Silver School of Social Work, Tisch School of the Arts, Gallatin School of Individualized Study, College of Nursing, the Institute for the Study of the Ancient World, NYU Abu Dhabi, and NYU Tandon School of Engineering (formerly Polytechnic University founded in 1854). The University also operates academic program sites and research programs in other parts of the United States and abroad.

In addition to the colleges and divisions, NYU began operating NYU Shanghai in fall 2013, which grants NYU degrees, as a joint venture with East China Normal University. The NY-based activities of NYU Shanghai are reported in the University's balance sheets and statement of activities.

NYU's balance sheets and statements of activities also include balances for NYU's affiliates such as the Institute for Fine Arts Foundation, NYU School of Business Foundation and NYU School of Law Foundation.

NYU Health Operations

The Health System is the sole corporate member of NYU Hospitals Center (Hospitals Center). The Hospitals Center operates the Tisch Hospital, a 705-bed acute care facility and a major center for specialized procedures in cardiovascular services, neurosurgery, cancer treatment, reconstructive surgery and transplantation; NYU Hospital for Joint Diseases, a 190-bed acute care facility specializing in orthopedic, neurologic, and rheumatologic services; NYU Lutheran Medical Center, a 450-bed acute care hospital in Brooklyn, New York; and several ambulatory facilities, including the Laura and Isaac Perlmutter Cancer Center, the Ambulatory Care Center, the Center for Musculoskeletal Care and Hassenfeld Children's Center.

The NYU School of Medicine is reported as part of NYU Health Operations.

In addition to the Hospitals Center, the Health System's wholly owned subsidiaries consist of Lutheran Augustana Center for Extended Care and Rehabilitation, a 240-bed skilled nursing facility; Lutheran CHHA, Inc., a certified home health agency; Community Care Organization, Inc., a licensed home care agency; Shore Hill Housing, Sunset Gardens Housing and Harbor Hill Housing, which provides senior housing and rent subsidies for people meeting requirements

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defined by the US Department of Housing and Urban Development; and Sunset Bay Community Services, Inc., which provides senior services and day care services.

CCC550 is solely owned by the Hospitals Center and provides professional liability insurance to the Hospitals Center and to physicians employed by the NYUSoM. CCC550 is subject to taxation in accordance with section 29 of the Exempt Insurance Act in Barbados.

On April 1, 2015, the Hospitals Center completed an affiliation agreement (Affiliation) with Lutheran Medical Center and its subsidiary entities (Lutheran) which is included in the NYU Langone Health System. Prior to the Affiliation, the University was the sole corporate member of the Hospitals Center. With the closing of the Affiliation, the University became the sole corporate member of the Health System but did not assume any responsibility or liability for the financial obligations of the Health System. The NYU Board of Trustees appoints the members of the Health System Board, who are the same individuals who serve on the Hospitals Center Board and the NYUSoM Advisory Board.

In December 2015, the Hospitals Center and Lutheran Medical Center received a Certificate of Need approval from the New York State Department of Health for a full asset merger, with the Hospitals Center as the successor entity. The merger became effective on January 1, 2016, upon receipt of regulatory approvals.

The change in control of Lutheran was accounted for as a business combination in accordance with Accounting Standards Codification (ASC), Topic 805, *Business Combinations*, and ASC 958-805-05, *Acquisition by a Not-for-Profit Entity*. NYU recorded \$305,237 of unrestricted non-operating income in the 2015 consolidated statement of activities which represents Lutheran's net assets at March 31, 2015 and the excess of the fair value of assets acquired over the fair value of liabilities assumed. No consideration was exchanged for the acquisition.

In 2015, Lutheran changed its fiscal year end from December 31 to August 31 to conform to NYU's year end. As a result of this change, obtaining revenues and changes in net assets as though the acquisition occurred at the beginning of fiscal year 2015 was impracticable.

The following is a summary of the Lutheran activity included in the 2015 consolidated statements of activities:

	2015
Operating revenues	\$ 235,508
Operating expenses	248,030
	<u>(12,522)</u>
Non-operating activities	12,512
Net assets as of March 31, 2015	118,138
Excess of the fair value of assets acquired over liabilities	187,099
Change in unrestricted net assets	<u>305,227</u>
Change in temporarily restricted net assets	4,240
Change in permanently restricted net assets	509
Total change in net assets as a result of the acquisition	<u>\$ 309,976</u>

New York University

Notes to Consolidated Financial Statements

August 31, 2016 and 2015

(in thousands of dollars)

The following is a summary of the Lutheran amounts included in the consolidated balance sheet as of August 31, 2015:

	August 31, 2015
Assets	\$ 731,742
Liabilities	421,766
Unrestricted net assets	305,227
Temporarily restricted net assets	4,240
Permanently restricted net assets	509

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of NYU have, in all material respects, been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of NYU, as well as its separately incorporated affiliates. NYU and, generally, all of its affiliates are exempt from federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code.

NYU prepares its consolidated financial statements in accordance with the provisions of ASC Topic 958, *Not for Profit Entities*. This standard focuses on the entity as a whole and requires classification of net assets as unrestricted, temporarily restricted or permanently restricted, as determined by the existence or absence of restrictions placed on the assets' uses by donors or by provision of law. A description of the net assets classifications follows:

Permanently Restricted net assets include gifts, pledges, trusts, and gains explicitly required by donors to be retained in perpetuity, while allowing the use of the investment return for general or specific purposes, in accordance with donor provisions.

Temporarily Restricted net assets include contributions and investment return that can be expended when donor or legal restrictions have been met. Contributions receivable that do not carry a purpose restriction are deemed to be time restricted. Temporary restrictions are removed either through the passage of time or because certain actions are taken by NYU that fulfill the restrictions or both.

Unrestricted net assets are the remaining net assets of NYU that are used to carry out its missions of education, research and patient care which are not subject to donor restrictions.

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Operations

Tuition and fees are derived from degree programs as well as executive and continuing education programs. Tuition and fee revenue is recognized as operating income in the period in which it is earned. Tuition and fee receipts received in advance are recorded as deferred revenue. Net tuition and fees are computed after deducting certain scholarships and fellowships awarded to students. Revenues and expenses related to conducting programmatic activities and provision of services by NYU are classified as operating in the consolidated statement of activities. Investment return relating to management-designated endowment funds and the related endowment appropriation, as well as changes in pension and postretirement obligations and unusual or nonrecurring activity, are classified as nonoperating in the consolidated statement of activities.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received at their fair value. Contributions receivable are reported at their discounted present value, using an estimated interest rate for the year in which the promise was received and considering market and credit risk as applicable (2.4% in 2016 and 2.3% in 2015). Amortization of the discount is recorded as additional contribution revenue. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Allowances are recorded for estimated uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with original maturities of three months or less when purchased. This does not include pooled investments with less than three months to maturity held within the long-term investment portfolio. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of the instruments.

Deposits with Trustees

Deposits with trustees consist of unexpended bond proceeds (to fund various construction projects) held by the trustee, the Dormitory Authority of the State of New York (DASNY), of \$355,408 and \$9,563 as well as debt service reserve funds held by NYU of \$59,519 and \$61,315 at August 31, 2016 and 2015, respectively.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at their acquisition or construction cost. If donated, these assets are recorded at their fair value on the date of the gift. Buildings and equipment are depreciated over their estimated useful lives (buildings and building improvements 10-55 years, equipment 3-10 years) using the straight-line method.

Collections

The University does not assign a value to collection items. Collection items are generally held for educational purposes and are not disposed of for financial gain or otherwise encumbered in any manner.

Asset Retirement Obligation

NYU recognizes asset retirement obligations on future events, such as the abatement of asbestos and removal of lead-based paint and petroleum bulk storage tanks from buildings. The fair value of the liability for a conditional asset retirement obligation is recognized in the period in which it

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(in thousands of dollars)

occurred, provided that it can be reasonably estimated. Corresponding asset retirement costs (net of accumulated depreciation) have been included in land, buildings, and equipment.

Accounting Estimates

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

Reclassifications

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the current year's presentation.

New Authoritative Pronouncements

In April 2015, the FASB issued Accounting Standard Update ("ASU") 2015-3, *Simplifying the Presentation of Debt Issuance Costs*. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. In fiscal year 2015, NYU early adopted this standard, and this presentation is reflected on the consolidated balance sheet as of August 31, 2016 and 2015.

In January 2016, the FASB issued ASU 2016-1, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Certain financial institutions and companies with large equity investment portfolios that are not currently being measured at fair value through the income statement are most affected by the new standard. The new standard also allows entities that are not public business entities and do not carry financial instruments at fair value in the statement of financial position to no longer be required to disclose the fair value and significant assumptions used to estimate the fair value of such financial instruments. The standard is effective for fiscal years beginning after December 15, 2018 for non-public business entities. NYU early adopted the portion of the standard that eliminates the disclosure requirement for financial instruments that are not recorded at fair value. As such, NYU has removed the disclosures of fair value of debt as of August 31, 2016 and 2015.

In May 2015, the FASB issued ASU 2015-7, *Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This guidance requires entities to present investments that use net asset value ("NAV") as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 4. The standard is effective for fiscal years beginning after December 15, 2016. NYU is evaluating the impact this will have on the 2017 consolidated financial statements.

In May 2014, the FASB issued ASU 2014-9, *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to

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(in thousands of dollars)

understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. NYU is evaluating the impact this will have on the 2019 consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new guidance, the existing three categories of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted net assets into a single category called “net assets with donor restrictions” and renames unrestricted net assets as “net assets without donor restrictions.” There will be new reporting requirements for expenses and additional disclosures to describe an organization’s liquidity. The standard is effective for fiscal years beginning after December 15, 2017. NYU is currently assessing the impact this standard will have on their 2019 consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The standard is effective for fiscal years beginning after December 15, 2018. NYU is currently assessing the impact this standard will have on their 2020 consolidated financial statements.

3. Patient Care Revenue

The Health Operations have agreements with third party payors that provide for payments at amounts different from its established rates (i.e. gross charges). Payment arrangements include prospective determined rates per discharge, reimbursed costs, discounted charges and per diem payments.

Patient care services rendered are recorded in the period in which the service is performed, net of contractual and other allowances that represent differences between gross charges and the estimated receipts under such programs. Patient care revenue for the Health Operations is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. The Health Operations has implemented a quarterly standardized approach to estimate and review the collectability of receivables based on the payor classification and the period for which the receivables have been outstanding. Past due balances over 90 days from the date of billing and in excess of a specified amount are considered delinquent and are reviewed for collectability. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. Historical collection and payor reimbursement

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(in thousands of dollars)

experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, the Health Operations assesses the current state of its billing functions in order to identify any known collection or reimbursement issues and assess the impact, if any, on reserve estimates. The Health Operations believes that the collectability of its receivables is directly linked to the quality of its billing processes, most notably those related to obtaining the correct information in order to bill effectively for the services it provides. Revisions in reserve for doubtful accounts estimates are recorded as an adjustment to bad debt expense. The Health Operations' allowance for uncollectible accounts are \$135,532 and \$123,279 at August 31, 2016 and 2015 respectively, and have remained consistent as a percentage of accounts receivables net of contractual allowances.

Patient service revenue for the Health Operations, net of contractual allowances and discounts, is as follows for the years ended August 31, 2016 and 2015:

	2016	2015
Gross charges	\$ 16,046,055	\$ 12,054,956
Allowances	<u>(11,598,476)</u>	<u>(8,567,648)</u>
Patient service revenue, net of contractual allowances	4,447,579	3,487,308
Bad debt	<u>(91,799)</u>	<u>(48,566)</u>
Total net patient service revenue	<u>\$ 4,355,780</u>	<u>\$ 3,438,742</u>

The Health Operations has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and Health Operations-specific data. The net amounts due to third party payors at August 31, 2016 and 2015 are \$33,624 and \$85,609, respectively. Additionally, certain payors' payment rates for various years have been appealed by the Health Operations. If the appeals are successful, additional income applicable to those years may be realized.

The Hospitals Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2012; however, final settlements are pending for 2003, 2004, and 2011. Lutheran's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2013; however, final settlements are pending for the years 2007 to 2013.

Health Operations grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor arrangements. The mix of patient service revenue, net of contractual allowances from patients and third party payors for the years ended August 31, 2016 and 2015 are as follows:

	2016		2015	
	Health System	NYUSoM	Health System	NYUSoM
Medicare	17 %	17 %	16 %	16 %
Medicaid	2	1	2	1
Medicare and Medicaid managed care	15	12	14	9
Blue Cross	25	17	23	17
Managed care and other	41	53	45	57
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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The mix of receivables (net of contractual allowances) from patients and third party payors at August 31, 2016 and 2015 are as follows:

	2016		2015	
	Health System	NYUSoM	Health System	NYUSoM
Medicare	11 %	12 %	12 %	12 %
Medicaid	3	1	3	1
Medicare and Medicaid managed care	25	14	23	11
Blue Cross	16	15	18	15
Managed care and other	45	58	44	61
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Health System provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense.

The Health System's charity care policy, in accordance with the New York State Department of Health's guidelines, ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients that qualify. Patients are eligible for the charity care fee schedule if they meet certain income and liquid asset tests. Since payment of the difference between the Hospitals Center's standard charges and the charity care fee schedules is not sought, these forgone charges for charity care are not reported as revenue. Total forgone charges for charity care totaled \$129,396 and \$55,200 for fiscal year 2016 and 2015, respectively. This equated to an approximate cost of \$33,909 and \$14,763 for the years ended August 31, 2016 and 2015, respectively which is based on a ratio of cost to charges during the respective years.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of bad debts and services provided to the uninsured. The funds are distributed based on each hospital's level of bad debt and charity care in relation to all other hospitals. Subsidy payments recognized as revenue amounted to approximately \$45,312 and \$27,769 for 2016 and 2015, respectively, and are included in net patient service revenue in the accompanying consolidated statement of activities.

Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospitals Center's and Lutheran's full rates. Uncollected balances for these patients are categorized as bad debts. Similarly, at NYUSoM, those balances which are deemed uncollectible based on an inability or unwillingness to pay are written off. Uncollected balances for these patients are categorized as bad debts and totaled \$91,799 and \$48,566 for the years ended August 31, 2016 and 2015, respectively.

4. Investments

Fair Value Measurements

Authoritative guidance of fair value measurements, ASC Topic 820, *Fair Value Measurements and Disclosures*, *Fair Value Measurements*, establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace.

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The following describes the hierarchy of methodologies used to measure fair value of investments:

Fair value for Level 1 is based on quoted prices in actively traded markets that NYU has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. NYU does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for instruments similar to those held by NYU in actively traded markets, quoted prices for identical instruments held by NYU in markets that are not actively traded and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques used to assess prices that are unobservable as the assets trade infrequently or not at all.

Investments included in Level 3 primarily consist of NYU's ownership in alternative investments (principally limited partnership interests in Public Equity, Hedge Funds, Credit, Natural Resources, Private Equity, Real Estate, and other similar funds). The net asset value (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer and subsequent developments concerning the companies to which the securities relate. NYU has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of August 31, 2016 and 2015.

If NYU has the ability to redeem from an alternative investment up to 90 days beyond the measurement date at NAV, the alternative investment is generally categorized as Level 2. If the redemption period extends beyond 90 days, the investment is categorized as Level 3. Funds for which NYU does not have discretion for timing of withdrawals are categorized as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while NYU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Asset Classes

NYU invests across a broad range of asset classes, including Public Equity, Hedge Funds, Credit, Natural Resources, Private Equity, Real Estate, Fixed Income, and Cash and other. NYU may invest directly in the securities of these asset classes, or indirectly through interests in funds and limited partnerships. Securities held directly by NYU are valued at their observable market prices. The value of holdings in funds and limited partnerships are in accordance with the valuations provided by their investment managers. Funds and limited partnerships may make investments in securities that are publicly traded, which are generally valued based on observable market prices. Managers of investment funds and limited partnerships value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors.

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Investments held by NYU's investment pool are categorized as follows:

Public Equity

Public Equity consists of publicly-traded equity, mutual funds, and other commingled funds (which may include passive index exposure).

Hedge Funds

Hedge Funds include investments with managers who invest across different strategies such as long and short equity, multi-strategy, event driven and relative value funds. These managers typically employ some leverage.

Credit

Credit includes public and private investments in strategies including distressed debt and special situations.

Natural Resources

Natural Resources includes public and private investments in natural resources.

Private Equity

Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, growth equity, and venture capital.

Real Estate

Real Estate includes private investments in real estate.

Fixed Income

Fixed Income includes investments in securities such as US government securities, non-US sovereign bonds, and corporate and asset-backed securities.

Cash & Other

Cash includes investments in cash and cash equivalents. Other investments are predominantly comprised of liquidating investments (valued at NAV as determined by the general partner).

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The following table summarizes the fair value of financial instruments at August 31:

	2016			Total
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Long-term investments				
Public equity	\$ 1,282,671	\$ 421,266	\$ 151,284	\$ 1,855,221
Hedge funds	-	155,179	498,705	653,884
Credit	-	-	135,310	135,310
Natural resources	9,962	8,308	67,003	85,273
Private equity	-	-	234,973	234,973
Real estate	-	-	116,414	116,414
Fixed income	-	186,722	-	186,722
Cash and other	316,887	6,304	22,578	345,769
Subtotal investment pool	1,609,520	777,779	1,226,267	3,613,566
Public equity	159,975	2,855	-	162,830
Hedge funds	-	506	-	506
Fixed income	649,968	-	-	649,968
Cash and other	2,107	7	3,762	5,876
Subtotal other long-term investments	812,050	3,368	3,762	819,180
Total long-term investments	2,421,570	781,147	1,230,029	4,432,746
Short-term investments				
Working capital	2,302	-	-	2,302
Total short-term investments	2,302	-	-	2,302
Other financial instruments				
Split-interest agreements and interest in perpetual trust (Note 7)	-	-	33,875	33,875
Deposits with trustees (Note 2)	74,965	339,962	-	414,927
Assets held by CCC550 (Note 11)	5,587	394,889	-	400,476
Total	\$ 2,504,424	\$ 1,515,998	\$ 1,263,904	\$ 5,284,326

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	2015			
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Long-term investments				
Public equity	\$ 932,780	\$ 422,912	\$ 219,157	\$ 1,574,849
Hedge funds	7,934	166,647	649,784	824,365
Credit	-	-	202,444	202,444
Natural resources	6,808	7,242	57,486	71,536
Private equity	-	-	359,903	359,903
Real estate	-	-	104,619	104,619
Fixed income	-	262,760	-	262,760
Cash and other	88,212	6,134	7,740	102,086
Subtotal investment pool	1,035,734	865,695	1,601,133	3,502,562
Public equity	81,316	3,015	-	84,331
Hedge funds	-	36,416	-	36,416
Fixed income	597,230	36,199	-	633,429
Cash and other	1,700	4	6,879	8,583
Subtotal other long-term investments	680,246	75,634	6,879	762,759
Total long-term investments	1,715,980	941,329	1,608,012	4,265,321
Short-term investments				
Working capital	119,247	-	-	119,247
Total short-term investments	119,247	-	-	119,247
Other financial instruments				
Split-interest agreements and interest in perpetual trust (Note 7)	-	-	30,474	30,474
Deposits with trustees (Note 2)	52,990	17,888	-	70,878
Assets held by CCC550 (Note 11)	22,292	298,134	-	320,426
Total	\$ 1,910,509	\$ 1,257,351	\$ 1,638,486	\$ 4,806,346

The following table provides the changes in the amounts reported in the consolidated balance sheets for financial instruments classified by NYU within Level 3 of the fair value hierarchy defined above:

	2016								
	Public Equity	Hedge Funds	Credit	Natural Resources	Private Equity	Real Estate	Split-interest and perpetual trust	Cash and other	Total Investments
Fair value, August 31, 2015	\$ 219,157	\$ 649,784	\$ 202,444	\$ 57,486	\$ 359,903	\$ 104,619	\$ 30,474	\$ 14,619	\$ 1,638,486
Realized gains (losses)	24,613	119,947	17,037	4,780	22,887	2,652	-	260	192,176
Unrealized (losses) gains	(30,949)	(116,192)	(18,262)	(2,652)	(33,315)	5,574	3,448	(25,312)	(217,660)
Purchases	-	144,000	23,144	15,235	47,422	26,721	-	40,801	297,323
Sales	(61,537)	(298,834)	(89,053)	(7,846)	(161,924)	(23,152)	(47)	(4,028)	(646,421)
Fair value, August 31, 2016	\$ 151,284	\$ 498,705	\$ 135,310	\$ 67,003	\$ 234,973	\$ 116,414	\$ 33,875	\$ 26,340	\$ 1,263,904

	2015								
	Public Equity	Hedge Funds	Credit	Natural Resources	Private Equity	Real Estate	Split-interest and perpetual trust	Cash and other	Total Investments
Fair value, August 31, 2014	\$ 114,941	\$ 608,300	\$ 222,437	\$ 75,031	\$ 291,455	\$ 86,442	\$ 32,698	\$ 37,862	\$ 1,469,166
Realized (losses) gains	(106)	5,429	(23,668)	3,624	35,033	10,381	-	10,598	41,291
Unrealized gains (losses)	9,920	3,151	26,998	(17,501)	31,588	1,645	(2,164)	(7,658)	45,979
Purchases	4,500	12,000	48,581	13,746	80,327	37,256	-	729	197,139
Sales	(1,397)	(52,976)	(71,904)	(4,947)	(78,500)	(31,105)	(60)	(28,602)	(269,491)
Transfers in (out)	91,299	73,880	-	(12,467)	-	-	-	1,690	154,402
Fair value, August 31, 2015	\$ 219,157	\$ 649,784	\$ 202,444	\$ 57,486	\$ 359,903	\$ 104,619	\$ 30,474	\$ 14,619	\$ 1,638,486

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At August 31, 2016, NYU's unfunded commitments are as follows:

	Unfunded Commitments	Remaining Life	Timing to Draw Commitments
Private equity	\$ 81,775	Up to 12 years	7 to 30 days
Credit	34,046	Up to 10 years	7 to 30 days
Natural resources	33,815	Up to 10 years	7 to 30 days
Real estate	79,000	Up to 10 years	7 to 30 days
	<u>\$ 228,636</u>		

NYU records purchases and sales of securities on a trade-date basis. NYU has included receivables for securities sold of \$304 and \$69,369 at August 31, 2016 and 2015, respectively, and liabilities for securities purchased of \$560 and \$42,382 at August 31, 2016 and 2015, respectively, in long-term investments.

Total investment return for the years ended August 31, 2016 and 2015 is as follows:

	2016	2015
Dividends and interest	\$ 50,813	\$ 71,764
Realized and unrealized gains (losses), net	142,358	(19,537)
Investment expenses	<u>(5,878)</u>	<u>(10,060)</u>
Total investment return, net	<u>\$ 187,293</u>	<u>\$ 42,167</u>
Endowment distribution approved for spending	\$ 155,397	\$ 146,905
Return on short-term investments	6,284	21,440
Unrestricted investment return, net of spending	47,125	(54,343)
Temporarily restricted investment return, net of spending	<u>(21,513)</u>	<u>(71,835)</u>
Total investment return, net	<u>\$ 187,293</u>	<u>\$ 42,167</u>

NYU maintains an investment pool for its long-term investments which include its endowment and similar funds. The pool is managed to achieve the maximum long-term return given prudent risk parameters. NYU relies on a total return strategy, the objective of which is to achieve a long-term rate of return consisting of a combination of current income and capital appreciation, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. Investment return (realized and unrealized net gains or losses, interest and dividends) and the appropriation for the approved endowment distribution for board-designated endowment funds are reported as nonoperating activities in the consolidated statement of activities. Investment return and the appropriation for the approved endowment distribution for true endowment funds are reported as temporarily restricted activities in the consolidated statement of activities.

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NYU's Board of Trustees has authorized a spending policy designed to allow asset growth while providing a predictable flow of return to support operations. Distributions from the endowment to support operations (approximately 5% in 2016 and 2015) are calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index (CPI). To preserve the endowment's purchasing power, caps further limit spending as follows: 1) the distribution of endowment return to support operations may not exceed the prior year's distribution by more than 10%, unless the increase was the result of new gifts to the endowment, and 2) if the results of using only the average market value of either the final four quarters alone or the final eight quarters alone would be a decline in the distribution from the prior year's distribution, then the distribution may not exceed the previous year's level.

5. Accounts and Loans Receivable, net

Accounts and loans receivable, net of allowances for uncollectable amounts consist of the following at August 31, 2016 and 2015:

	2016	2015
Students and other	\$ 120,534	\$ 137,230
Grants and contracts	84,460	79,524
Student loans	120,488	124,154
Housing loans and other loans to employees	65,290	65,818
Insurance premiums and recoveries	133,401	128,628
	<u>524,173</u>	<u>535,354</u>
Allowance for uncollectible amounts	<u>(44,677)</u>	<u>(44,589)</u>
Accounts and loans receivable, net	<u>\$ 479,496</u>	<u>\$ 490,765</u>

The allowance for uncollectible amounts at August 31, 2016 and 2015 consists of the following:

	2016	2015
Students and other	\$ (26,540)	\$ (24,190)
Grants and contracts	(10,173)	(12,398)
Student loans	(7,515)	(7,472)
Housing loans and other loans to employees	<u>(449)</u>	<u>(529)</u>
Total allowance for uncollectible amounts	<u>\$ (44,677)</u>	<u>\$ (44,589)</u>

A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the notes cannot be sold and can only be assigned to the U.S. Government or its designees. The fair value of loans receivable from students under NYU's loan programs approximates carrying value.

Student loans consist primarily of Federal advances to the University under Perkins and other Federal Loan Programs which totaled \$79,470 and \$80,030 at August 31, 2016 and 2015, respectively. NYU records a liability on its consolidated balance sheet for these advances.

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Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluation of the accounts and loans receivable portfolios.

Housing loans and other loans to employees are secured by an interest in the underlying property or continued employment.

6. Contributions Receivable

Contributions receivable consist of the following at August 31, 2016 and 2015:

	2016	2015
Amounts expected to be collected in		
Less than one year	\$ 148,233	\$ 158,328
One to five years	399,733	380,900
More than five years	<u>91,673</u>	<u>91,320</u>
	639,639	630,548
Discount	(45,172)	(40,045)
Allowance for uncollectible amounts	<u>(84,625)</u>	<u>(59,781)</u>
Contributions receivable, net	<u>\$ 509,842</u>	<u>\$ 530,722</u>

Contributions receivable activity for the years ended August 31, 2016 and 2015 is as follows:

	2016	2015
Contributions receivable, beginning of year, net	\$ 530,722	\$ 578,125
Add discount and allowance for uncollectible amounts	<u>99,826</u>	<u>109,907</u>
Contributions receivable, beginning of year, gross	630,548	688,032
New pledges received	211,702	200,639
Adjustments and write-offs	(23,846)	(74,998)
Pledge payments received	<u>(178,765)</u>	<u>(183,125)</u>
Subtotal	639,639	630,548
Deduct discount and allowance for uncollectible amounts	<u>(129,797)</u>	<u>(99,826)</u>
Contributions receivable, end of year, net	<u>\$ 509,842</u>	<u>\$ 530,722</u>

Conditional promises to give, not included in these financial statements, are \$691,044 and \$681,625 at August 31, 2016 and 2015, respectively.

Expenses related to fundraising activities are \$54,761 and \$47,562 for the years ended August 31, 2016 and 2015, respectively.

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7. Other Assets

Other assets consist of the following at August 31, 2016 and 2015.

	2016	2015
Prepaid expenses and deferred charges	\$ 147,598	\$ 137,547
Inventory	55,866	48,997
Perpetual trust	22,850	22,206
Split-interest agreements	11,025	8,268
Third-party payor receivables	39,756	24,369
Other	<u>75,358</u>	<u>97,830</u>
Other assets	<u>\$ 352,453</u>	<u>\$ 339,217</u>

NYU is the income beneficiary of a perpetual trust. The income from this trust must be used for the support, maintenance and utilization of Villa La Pietra and the Acton Collection located in Florence, Italy. The trust income is also to be used for the education, benefit and assistance of faculty and students of the arts and crafts, architecture, literature, music, history of the arts and all other arts either in the United States or abroad.

8. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at August 31, 2016 and 2015:

	2016	2015
Land	\$ 387,507	\$ 374,276
Buildings and building improvements	8,700,484	7,722,778
Equipment	1,586,518	1,340,117
Construction in progress	<u>1,923,052</u>	<u>1,714,155</u>
	12,597,561	11,151,326
Less: Accumulated depreciation	<u>(4,321,075)</u>	<u>(3,841,146)</u>
Land, buildings, and equipment, net	<u>\$ 8,276,486</u>	<u>\$ 7,310,180</u>

Depreciation expense is \$456,701 and \$395,228 for the years ended August 31, 2016 and 2015, respectively.

Capitalized software totaled \$66,148 and \$32,146 for the years ended August 31, 2016 and 2015, respectively.

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9. Bonds and Notes Payable

NYU has various bond issues outstanding, primarily issued through DASNY. The University and NYUSoM are considered the legally obligated group for certain borrowings presented below as the "Total Obligated Group".

Bonds and notes payable consist of the following at August 31, 2016 and 2015:

	2016				
	University	School of Medicine	Total Obligated Group	Health System	Consolidated NYU
Issuer					
Dormitory Authority of the State of New York (DASNY)	\$ 2,541,269	\$ 397,121	\$ 2,938,390	\$ 406,908	\$ 3,345,298
New York City Industrial Development Agency (NYCIDA)	88,965	-	88,965	-	88,965
New York University (NYU)	305,957	79,652	385,609	-	385,609
NYU Hospitals Center	-	-	-	894,097	894,097
Other notes payable	94,465	74,037	168,502	409,294	577,796
Bonds and notes payable	<u>\$ 3,030,656</u>	<u>\$ 550,810</u>	<u>\$ 3,581,466</u>	<u>\$ 1,710,299</u>	<u>\$ 5,291,765</u>
2015					
	University	School of Medicine	Total Obligated Group	Hospitals Center	Consolidated NYU
Issuer					
Dormitory Authority of the State of New York (DASNY)	\$ 1,857,905	\$ 200,730	\$ 2,058,635	\$ 413,878	\$ 2,472,513
New York City Industrial Development Agency (NYCIDA)	90,983	-	90,983	-	90,983
New York University (NYU)	311,332	82,777	394,109	-	394,109
NYU Hospitals Center	-	-	-	893,892	893,892
Other notes payable	240,347	110,877	351,224	307,222	658,446
Bonds and notes payable	<u>\$ 2,500,567</u>	<u>\$ 394,384</u>	<u>\$ 2,894,951</u>	<u>\$ 1,614,992</u>	<u>\$ 4,509,943</u>

In June 2016, DASNY issued \$582,875 of revenue bonds (Series 2016A) on behalf of the Obligated Group with interest rates ranging from 2.00% to 5.00%. The Series 2016A bonds mature serially from July 2021 through July 2036, as well as July 2039, July 2041, and July 2043.

In June 2016, DASNY issued \$246,235 of taxable bonds (Series 2016B), with interest rates ranging from 1.20% to 3.88%. The Series 2016B bonds mature serially from July 2018 through July 2022, as well as in July 2046. The Series 2016B bonds maturing in July 2046 are payable in annual sinking fund installments from July 2042 to maturity.

The proceeds from the Series 2016A and Series 2016B bonds were used to fund capital improvements at the New York City campus.

In June 2016, the Hospitals Center issued through DASNY, Series 2016A bonds totaling \$157,270. The Series 2016A bonds are payable at varying dates through July 2040 at a fixed rate varying from 2.75% through 5.00%. The proceeds of the Series 2016A bonds were used to advance refund the Hospitals Center's outstanding indebtedness on its Series 2006A bonds and a

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portion of its Series 2011A bonds. In connection with this transaction, the Hospitals Center recorded a loss on extinguishment of approximately \$24,377. This loss is primarily the result of an interest prepayment requirement of \$20,940 and the write-off of unamortized deferred financing costs and bond discounts of \$3,437.

In April 2015, DASNY issued \$691,435 of revenue bonds (Series 2015A) on behalf of the Obligated Group with interest rates ranging from 2.00% to 5.50%. The Series 2015A bonds mature serially from July 2016 through July 2035, as well as in July 2038, July 2041, July 2045 and July 2048. The Series 2015A bonds maturing in 2038, 2041, 2045 and 2048 are payable in annual sinking fund installments from July 2036 to July 2048 to maturity.

In April 2015, the University issued Series 2015 taxable bonds totaling \$272,285, with interest rates ranging from 0.57% to 4.14%. The Series 2015 bonds mature serially from July 2016 through July 2028, as well as in July 2048. The Series 2015 bonds maturing in 2048 are payable in annual sinking fund installments from July 2029 to July 2048.

The proceeds from the Series 2015A and Series 2015 taxable bonds were used to advance refund portions of the Series 2007A, 2008A, 2008B, and 2008C bonds as well as to fund improvements on the Washington Square and Brooklyn campuses. In connection with this transaction, the University recorded a loss on bond defeasance of approximately \$78,000.

In January 2015, DASNY issued \$117,310 of revenue bonds (Series 2014 S2) on behalf of the Hospitals Center with interest rates ranging from 2.00% to 5.00%. The Series 2014 S2 bonds mature serially from July 2015 through July 2035. The proceeds from Series 2014 S2 bonds were used to advance refund the Hospitals Center's outstanding indebtedness on the Series 2007A bonds. In connection with this transaction, the Hospitals Center recorded a loss on bond defeasance of approximately \$13,400.

In December 2014, DASNY issued \$77,700 of revenue bonds (Hospitals Center Series 2014B) on behalf of the Hospitals Center with interest rates ranging from 2.00% to 5.00%. The Hospitals Center Series 2014B bonds mature serially from July 2015 through July 2032. The proceeds from the Hospitals Center Series 2014B bonds were used to advance refund the outstanding Hospitals Center DASNY Series 2007B revenue bonds. In connection with this transaction, the Hospitals Center recorded a loss on bond defeasance of approximately \$13,700.

In November 2014, the Hospitals Center issued \$300,000 of taxable bonds (Hospitals Center Series 2014A) with an interest rate of 4.78%. The Hospitals Center Series 2014A bonds mature in 2044. Interest is payable semi-annually on January 1 and July 1 of each year from July 2015 to maturity. The proceeds from the Hospitals Center Series 2014A bonds will be used to fund the costs of various construction, renovation and equipping projects, repay certain outstanding lines of credit and fund other eligible purposes.

In October 2014, DASNY issued \$55,000 of revenue bonds (Series 2014A) on behalf of the Obligated Group with an interest rate of 2.59%. The Series 2014A bonds mature in July 2034 and are payable in annual sinking fund installments from July 2017 to maturity. The proceeds from the Series 2014A bonds were used to refinance the University DASNY Series 2004A bonds.

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The principal amounts outstanding for bonds and notes payable consist of the following at August 31, 2016 and 2015:

	University	School of Medicine	2016 Total Obligated Group	Health System	Consolidated NYU
DASNY					
Series 1998A bonds, with interest rates ranging from 5.75% to 6.00%, maturing serially through July 2020, payable thereafter in annual sinking fund installments to maturity in 2027 (including premium of \$4,499)	\$ 150,674	\$ -	\$ 150,674	\$ -	\$ 150,674
2001 Series 1 bonds, with an interest rate of 5.50%, maturing serially through July 2025, payable thereafter in annual sinking fund installments to maturities in July 2031 and July 2040 (including premiums of \$2,461 and \$2,540)	62,171	51,394	113,565	-	113,565
Series 2007A bonds, with an interest rate of 4.25% maturing serially through the call date in July 2017 (including premiums of \$29)	3,584	-	3,584	-	3,584
Series 2008A bonds, with interest rates ranging from 4.00% to 5.00% maturing serially through the call date in July 2018 (including premium of \$67)	7,437	-	7,437	-	7,437
Series 2008B bonds, with interest rates ranging from 4.00% to 5.00% maturing serially through the call date in July 2018 (including premium of \$51)	6,066	-	6,066	-	6,066
Series 2008C bonds, with an interest rate of 4.00% maturing serially through the call date in July 2018 (including premium of \$22)	4,737	-	4,737	-	4,737
Series 2009A bonds, with interest rates ranging from 3.10% to 5.25%, maturing serially through July 2029, payable thereafter in annual sinking fund installments to maturities in July 2034 and July 2039 (including net premiums of \$10,557 and \$1,211)	360,958	35,411	396,369	-	396,369
Series 2009B bonds, with an interest rate of 5.00%, payable in annual sinking fund installments from July 2030 and July 2034, respectively, to maturities in July 2034 and July 2039 (including premium of \$840)	-	65,100	65,100	-	65,100
Series 2011A bonds, with interest rates ranging from 2.00% to 6.00%, maturing serially through July 2026, payable thereafter in annual sinking fund installments to maturities in July 2031 and July 2040	-	-	-	15,725	15,725
Series 2012A bonds, with interest rates ranging from 3.00% to 5.00%, maturing serially through July 2032, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2042 (including net premiums of \$13,603 and \$4,586)	156,106	47,458	203,564	-	203,564
Series 2012B bonds, with interest rates ranging from 4.00% to 5.00%, maturing serially through July 2032, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2042 (including premium of \$4,508)	59,543	-	59,543	-	59,543

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			2016		
	University	School of Medicine	Total Obligated Group	Health System	Consolidated NYU
DASNY, continued					
Series 2012C taxable bonds, with interest rates ranging from 1.57% to 3.62%, maturing serially through July 2027	23,595	-	23,595	-	23,595
Series 2013A bonds, with interest rates ranging from 4.00% to 5.00%, maturing serially through July 2033, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2043 (including net premiums of \$7,870)	128,680	-	128,680	-	128,680
Series 2013B taxable bonds, with interest rates ranging from 1.88% to 5.25%, maturing serially through July 2028, payable thereafter in annual sinking fund installments to maturities in July 2033 and July 2043	29,085	-	29,085	-	29,085
Series 2014 bonds, with interest rate ranging from 2.00% to 5.00%, maturing serially through July 2032 and July 2036 (including premium of \$8,846)	-	-	-	86,546	86,546
Series 2014 S2 bonds, with interest rate ranging from 2.00% to 5.00%, maturing serially through July 2034 and July 2035 (including premium of \$17,028)	-	-	-	128,253	128,253
Series 2014A bonds, with an interest rate of 2.59% maturing in July 2034, payable in annual sinking fund installments from July 2017 through July 2034	55,000	-	55,000	-	55,000
Series 2015A bonds, with interest rates ranging from 2.00% to 5.50%, maturing serially through July 2035, payable in annual sinking fund installments from July 2036 to July 2048 (including premium of \$86,438)	776,884	-	776,884	-	776,884
Series 2016A bonds, with interest rates ranging from 2.00% to 5.00%, maturing serially through July 2036 payable thereafter in annual sinking fund installments until July 2043 (including premium of \$80,297 and \$23,653)	526,952	159,873	686,825	-	686,825
Series 2016B bonds, with interest rates ranging from 1.20% to 3.88%, maturing serially through July 2022 payable thereafter in annual sinking fund installments until July 2046	205,535	40,700	246,235	-	246,235
Series 2016A bonds, with interest rates ranging from 3.53% to 4.77%, maturing serially to maturity in July 2040 (including premium of \$23,491)	-	-	-	180,761	180,761
Deferred financing costs	(15,738)	(2,815)	(18,553)	(4,377)	(22,930)
Subtotal of DASNY bonds	<u>2,541,269</u>	<u>397,121</u>	<u>2,938,390</u>	<u>406,908</u>	<u>3,345,298</u>

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	2016				
	University	School of Medicine	Total Obligated Group	Health System	Consolidated NYU
NYCIDA					
NYCIDA Series 2007 bonds, with interest rates ranging 4.40% to 5.25%, maturing serially through November 2022, payable in annual sinking fund installments from November 2023 through November 2037 (including premium of \$938)	93,918	-	93,918	-	93,918
Deferred financing costs	(4,953)	-	(4,953)	-	(4,953)
Subtotal of NYCIDA	<u>88,965</u>	<u>-</u>	<u>88,965</u>	<u>-</u>	<u>88,965</u>
NYU					
Series 2009 taxable bonds, with an interest rate of 5.24%, maturing in July 2032, payable in annual sinking fund installments from July 2015 to maturity	15,385	80,264	95,649	-	95,649
Series 2010 taxable bonds, with an interest rate of 4.96%, maturing in July 2032, payable in annual sinking fund installments from July 2015 to maturity	23,495	-	23,495	-	23,495
Series 2015 taxable bonds, with interest rates ranging from 0.90% to 4.14%, maturing serially through July 2028, payable in annual sinking fund installments from July 2029 to July 2048	267,380	-	267,380	-	267,380
Deferred financing costs	(303)	(612)	(915)	-	(915)
Subtotal of NYU Bonds	<u>305,957</u>	<u>79,652</u>	<u>385,609</u>	<u>-</u>	<u>385,609</u>
NYU Hospitals Center					
Series 2012 taxable bonds, with an interest rate of 4.40%, maturing in July 2042 (including discount of \$897)	-	-	-	249,103	249,103
Series 2013 taxable bonds, with an interest rate of 5.75%, maturing in July 2043 (including discount of \$1,291)	-	-	-	348,709	348,709
Series 2014 taxable bonds, with an interest rate of 4.78%, maturing in July 2044 (including discount of \$1,172)	-	-	-	298,829	298,829
Deferred financing costs	-	-	-	(2,544)	(2,544)
Subtotal of Hospitals Center bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>894,097</u>	<u>894,097</u>
Other notes payable (Note 10)					
Various at fixed and variable interest rates due through May 2019	-	-	-	154,004	154,004
Mortgage loans	-	42,000	42,000	39,593	81,593
Lines of credit	88,304	1,100	89,404	145,101	234,505
Capital leases	6,161	30,937	37,098	70,596	107,694
Subtotal of other notes payable	<u>94,465</u>	<u>74,037</u>	<u>168,502</u>	<u>409,294</u>	<u>577,796</u>
Total amounts outstanding	<u>\$ 3,030,656</u>	<u>\$ 550,810</u>	<u>\$ 3,581,466</u>	<u>\$ 1,710,299</u>	<u>\$ 5,291,765</u>

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	University	School of Medicine	2015 Total Obligated Group	Health System	Consolidated NYU
DASNY					
Series 1998A bonds, with interest rates ranging from 5.75% to 6.00%, maturing serially through July 2020, payable thereafter in annual sinking fund installments to maturity in 2027 (including premium of \$5,229)	\$ 160,704	\$ -	\$ 160,704	\$ -	\$ 160,704
2001 Series 1 bonds, with an interest rate of 5.50%, maturing serially through July 2025, payable thereafter in annual sinking fund installments to maturities in July 2031 and July 2040 (including premiums of \$2,628 and \$2,647)	63,530	52,475	116,005	-	116,005
Series 2006A bonds, with an interest rate of 4.80%, maturing serially through July 2016, payable thereafter in annual sinking fund installments to maturities in July 2020 and July 2026 (including premium of \$1,481)	-	-	-	79,676	79,676
Series 2007A bonds, with an interest rate of 4.25% maturing serially through the call date in July 2017 (including premiums of \$60)	3,615	-	3,615	-	3,615
Series 2008A bonds, with interest rates ranging from 4.00% to 5.00% maturing serially through the call date in July 2018 (including premium of \$135)	10,930	-	10,930	-	10,930
Series 2008B bonds, with interest rates ranging from 4.00% to 5.00% maturing serially through the call date in July 2018 (including premium of \$101)	8,911	-	8,911	-	8,911
Series 2008C bonds, with an interest rate of 4.00% maturing serially through the call date in July 2018 (including premium of \$44)	6,979	-	6,979	-	6,979
Series 2009A bonds, with interest rates ranging from 3.10% to 5.25%, maturing serially through July 2029, payable thereafter in annual sinking fund installments to maturities in July 2034 and July 2039 (including net premiums of \$11,322 and \$1,263)	369,982	36,269	406,251	-	406,251
Series 2009B bonds, with an interest rate of 5.00%, payable in annual sinking fund installments from July 2030 and July 2034, respectively, to maturities in July 2034 and July 2039 (including premium of \$876)	-	65,136	65,136	-	65,136
Series 2011A bonds, with interest rates ranging from 2.00% to 6.00%, maturing serially through July 2026, payable thereafter in annual sinking fund installments to maturities in July 2031 and July 2040 (including discount of \$1,656)	-	-	-	120,194	120,194
Series 2012A bonds, with interest rates ranging from 3.00% to 5.00%, maturing serially through July 2032, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2042 (including net premiums of \$14,566 and \$4,762)	161,781	49,052	210,833	-	210,833

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	University	School of Medicine	2015 Total Obligated Group	Health System	Consolidated NYU
DASNY, continued					
Series 2012B bonds, with interest rates ranging from 4.00% to 5.00%, maturing serially through July 2032, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2042 (including premium of \$4,827)	59,862	-	59,862	-	59,862
Series 2012C taxable bonds, with interest rates ranging from 1.32% to 3.62%, maturing serially through July 2027	25,495	-	25,495	-	25,495
Series 2013A bonds, with interest rates ranging from 4.00% to 5.00%, maturing serially through July 2033, payable thereafter in annual sinking fund installments to maturities in July 2037 and July 2043 (including net premiums of \$8,371)	131,321	-	131,321	-	131,321
Series 2013B taxable bonds, with interest rates ranging from 1.19% to 5.25%, maturing serially through July 2028, payable thereafter in annual sinking fund installments to maturities in July 2033 and July 2043	30,260	-	30,260	-	30,260
Series 2014 bonds, with interest rates ranging from 2.00% to 5.00%, maturing serially through July 2032 and July 2036 (including premium of \$9,291)	-	-	-	86,991	86,991
Series 2014 S2 bonds, with interest rates ranging from 3.75% to 5%, maturing serially through July 2034 and July 2035 (including premium of \$17,925)	-	-	-	133,000	133,000
Series 2014A bonds, with an interest rate of 2.59% maturing in July 2034, payable in annual sinking fund installments from July 2017 through July 2034	55,000	-	55,000	-	55,000
Series 2015A bonds, with interest rates ranging from 2.00% to 5.50%, maturing serially through July 2035, payable in annual sinking fund installments from July 2036 to July 2048 (including premium of \$91,152)	782,587	-	782,587	-	782,587
Deferred financing costs	(13,052)	(2,202)	(15,254)	(5,983)	(21,237)
Subtotal of DASNY bonds	<u>1,857,905</u>	<u>200,730</u>	<u>2,058,635</u>	<u>413,878</u>	<u>2,472,513</u>

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			2015		
	University	School of Medicine	Total Obligated Group	Health System	Consolidated NYU
NYCIDA					
NYCIDA Series 2007 bonds, with interest rates ranging from 4.35% to 5.25%, maturing serially through November 2022, payable in annual sinking fund installments from November 2023 through November 2037 (including premium of \$1,014)	96,334	-	96,334	-	96,334
Deferred financing costs	(5,351)	-	(5,351)	-	(5,351)
Subtotal of NYCIDA	<u>90,983</u>	<u>-</u>	<u>90,983</u>	<u>-</u>	<u>90,983</u>
NYU					
Series 2009 taxable bonds, with an interest rate of 5.24%, maturing in July 2032, payable in annual sinking fund installments from July 2015 to maturity	15,992	83,428	99,420	-	99,420
Series 2010 taxable bonds, with an interest rate of 4.96%, maturing in July 2032, payable in annual sinking fund installments from July 2015 to maturity	24,420	-	24,420	-	24,420
Series 2015 taxable bonds, with interest rates ranging from 0.57% to 4.14%, maturing serially through July 2028, payable in annual sinking fund installments from July 2029 to July 2048	272,285	-	272,285	-	272,285
Deferred financing costs	(1,365)	(651)	(2,016)	-	(2,016)
Subtotal of NYU Bonds	<u>311,332</u>	<u>82,777</u>	<u>394,109</u>	<u>-</u>	<u>394,109</u>
NYU Hospitals Center					
Series 2012 taxable bonds, with an interest rate of 4.40%, maturing in July 2042 (including discount of \$932)	-	-	-	249,068	249,068
Series 2013 taxable bonds, with an interest rate of 5.75%, maturing in July 2043 (including discount of \$1,339)	-	-	-	348,661	348,661
Series 2014 taxable bonds, with an interest rate of 4.78%, maturing in July 2044 (including discount of \$1,213)	-	-	-	298,787	298,787
Deferred financing costs	-	-	-	(2,624)	(2,624)
Subtotal of Hospitals Center bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>893,892</u>	<u>893,892</u>
Other notes payable (Note 10)					
Various at fixed and variable interest rates due through May 2019	-	-	-	160,830	160,830
Mortgage loans	-	-	-	69,050	69,050
Lines of credit	234,228	82,400	316,628	-	316,628
Capital leases	6,119	28,477	34,596	77,342	111,938
Subtotal of other notes payable	<u>240,347</u>	<u>110,877</u>	<u>351,224</u>	<u>307,222</u>	<u>658,446</u>
Total amounts outstanding	<u>\$ 2,500,567</u>	<u>\$ 394,384</u>	<u>\$ 2,894,951</u>	<u>\$ 1,614,992</u>	<u>\$ 4,509,943</u>

Interest expense on long-term debt totaled \$169,403 and \$174,692 for the years ended August 31, 2016 and 2015, respectively. This excludes \$18,771 and \$24,858 of capitalized interest (net of income earned on deposits with bond trustees) for the years ended August 31, 2016 and 2015, respectively, which is included in land, buildings, and equipment, net.

In conjunction with the current debt agreements, various security agreements were executed by the Hospitals Center. The agreements include pledging, as collateral, a security interest in the Hospitals Center's property, plant and equipment, and gross receipts and also place limitations on the use of certain assets.

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Other agreements include covenants requiring that the Hospitals Center and Lutheran maintain certain financial ratios. At August 31, 2016 and 2015, NYU is compliant with all financial and administrative covenants.

Future Principal Payments

The aggregate required principal payments on all bonds and notes payable for each of the next five fiscal years, and thereafter to maturity, are as follows:

Year Ending August 31,	
2017	\$ 218,266
2018	142,716
2019	136,756
2020	140,858
2021	131,118
Thereafter	<u>4,263,216</u>
Total principal payments	5,032,930
Unamortized premiums and discounts, net	290,177
Unamortized cost of issuance	<u>(31,342)</u>
	<u>\$ 5,291,765</u>

10. Obligations With Financial Institutions & Other Leasing Obligation

At August 31, 2016, the Obligated Group has three contractually committed bank credit agreements which total \$700,000 and expire from December 2016 to June 2018. The interest is accrued for all three lines of credit at rates based on LIBOR. The amounts outstanding under these agreements are \$89,404 and \$316,628 as of August 31, 2016 and 2015, respectively.

At August 31, 2016, the Hospitals Center has four unsecured lines of credit totaling \$500,000 which expire from March 2018 to April 2019. The interest is accrued for all four lines of credit at interest rates based on LIBOR. The amounts outstanding on these lines of credit as of August 31, 2016 are \$145,101. There were no amounts outstanding as of August 31, 2015.

In May 2014, the Hospitals Center entered into a loan agreement with a bank totaling \$150,000. The loan requires fixed monthly principal and interest payments at a variable rate equal to the Prime Rate in effect through May 2019. The amount outstanding on the loan was \$138,749 and \$143,750 at August 31, 2016 and 2015, respectively. The proceeds of the loan are to be used to finance capital and other general corporate purposes.

Other Leasing Obligation

In June 2013, NYUSoM entered into a lease agreement for four floors in a building which required construction of certain structural elements to customize them for use as laboratory and vivarium spaces. These activities and the cap on the construction allowances from the landlord resulted in NYUSoM being considered the accounting owner of these four floors.

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During construction, NYUSoM capitalized the total cost to construct the four floors as construction in progress and recorded a related liability as other leasing obligations on the consolidated balance sheet. In August 2016, NYUSoM completed construction of the four floors and met the criteria for sale-leaseback accounting. The lessor assets of \$146,603 were de-capitalized and the related liability was de-obligated from the consolidated balance sheet and prepaid rent totaling \$9,456 will be amortized over the remaining life of the lease.

11. Professional Liabilities

The Hospitals Center has been self-insured for professional liabilities since 2005 through its wholly owned, segregated cell captive company, CCC550. Beginning October 1, 2015, Lutheran is also covered for its professional liability coverage through CCC550. These CCC550 policies are written on an occurrence basis.

CCC550 also provides insurance coverage to certain voluntary attending physicians (“VAPs”) servicing NYUSoM and the Hospitals Center. The cost of this insurance coverage is the responsibility of such physicians.

CCC550’s loss reserves are reported on a discounted basis and comprise estimates for known reported losses and loss expenses plus a provision for losses incurred but not reported. Losses are actuarially determined and are based on the loss experience of the insured. In management’s opinion, recorded reserves for self-insured exposures are adequate to cover the ultimate net cost of losses incurred to date; however, the provision is based on estimates and may ultimately be settled for a significantly greater or lesser amount.

Prior to October 1, 2015, Lutheran purchased its primary and excess professional liability coverage through a commercial insurer on a claims made basis and has recorded an estimated liability and corresponding receivable related to these policies on the consolidated balance sheets as of August 31, 2016 and 2015 (Note 5).

The Health System’s total professional liabilities recorded on the consolidated balance sheet as of August 31, 2016 and August 31, 2015 are as follows:

	2016	2015
Professional Liabilities		
CCC550 professional liabilities	\$ 386,903	\$ 278,452
Lutheran self-insurance liabilities	-	17,739
Lutheran commercial insurance liabilities	<u>72,494</u>	<u>78,071</u>
Professional Liabilities	<u>\$ 459,397</u>	<u>\$ 374,262</u>

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12. Retirement Plans

Substantially all NYU employees are covered by retirement plans. These plans include various defined contribution plans, multi-employer defined benefit plans and four NYU-sponsored defined benefit plans. NYU contributes to its defined contribution and multi-employer defined benefit plans based on rates required by union or other contractual arrangements. Expenses related to NYU's defined contribution plans are \$172,810 and \$155,500 in 2016 and 2015, respectively.

Contributions to defined benefit plans are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions to the four defined benefit plans are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the sponsors may deem appropriate. Pension benefits under these four plans are based on participants' final average compensation levels and years of service.

The following tables provide information with respect to the defined benefit plans for the years ended August 31:

Plans' Funded Status:

	2016	2015
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 1,295,465	\$ 915,548
Acquisition of Lutheran Medical Center retirement plan	-	325,138
Service cost	25,717	20,376
Interest cost	52,503	42,929
Actuarial loss	184,353	28,270
Benefits paid	(46,187)	(36,107)
Administrative expenses	(689)	(689)
Benefit obligation, end of year	<u>1,511,162</u>	<u>1,295,465</u>
Change in fair value of plan assets		
Fair value of plan assets, beginning of year	902,553	725,073
Acquisition of Lutheran Medical Center retirement plan	-	200,489
Actual return (loss) on plan assets	64,367	(21,613)
Employer contributions	29,915	35,400
Benefits paid	(46,187)	(36,107)
Administrative expenses	(689)	(689)
Fair value of plan assets, end of year	<u>949,959</u>	<u>902,553</u>
Accrued benefit obligation	<u>\$ 561,203</u>	<u>\$ 392,912</u>
Benefit obligation range of assumptions as of August 31		
Discount rate	3.60% - 3.75%	4.50% - 4.62%
Rate of increase in compensation levels	2.00% - 4.00%	2.00% - 4.00%

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Net Periodic Benefit Cost:

	2016	2015
Components of net periodic benefit cost		
Service cost	\$ 25,717	\$ 20,376
Interest cost	52,503	42,929
Expected return on plan assets	(61,481)	(50,838)
Amortization of prior service cost	2	2
Amortization of actuarial loss	27,684	25,386
Net periodic benefit cost	<u>\$ 44,425</u>	<u>\$ 37,855</u>
Other changes recognized in unrestricted net assets		
Actuarial net loss arising during period	\$ 181,469	\$ 100,722
Amortization of prior service cost	(2)	(2)
Amortization of actuarial loss	(27,684)	(25,386)
Total recognized in nonoperating activities	<u>\$ 153,783</u>	<u>\$ 75,334</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net asset		
Prior service cost	\$ 10	\$ 11
Accumulated loss	492,076	338,290
Amounts in unrestricted net assets, end of year	<u>\$ 492,086</u>	<u>\$ 338,301</u>
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the next fiscal year		
Actuarial loss	\$ 34,315	\$ 28,271
Prior service cost	2	2
Net periodic benefit cost range of assumptions		
Discount rate	3.60 % - 4.50%	4.00 % - 4.25%
Rate of increase in compensation levels	2.00 % - 4.00%	2.00 % - 4.00%
Expected long-term rate of return on plan assets	6.00 % - 7.00%	6.00 % - 7.50%

The accumulated benefit obligation for the pension plans is \$1,393,540 and \$1,198,131 at August 31, 2016 and 2015, respectively.

Plan Assets:

The following table presents the fair value of the defined benefit plan investments (according to the hierarchy defined in Note 4) at August 31:

	2016			Total
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash equivalents	\$ 7,792	\$ -	\$ -	\$ 7,792
Fixed income	202,273	85,551	-	287,824
Equity	521,997	120,977	-	642,974
Real estate	-	11,369	-	11,369
Total	<u>\$ 732,062</u>	<u>\$ 217,897</u>	<u>\$ -</u>	<u>\$ 949,959</u>

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	2015			Total
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash equivalents	\$ 71,846	\$ -	\$ -	\$ 71,846
Fixed income	159,004	100,861	-	259,865
Equity	394,150	104,039	-	498,189
Real estate	-	20,086	52,567	72,653
Total	<u>\$ 625,000</u>	<u>\$ 224,986</u>	<u>\$ 52,567</u>	<u>\$ 902,553</u>

The pension assets seek to: (1) provide retirement benefits to its eligible participants and beneficiaries; and (2) achieve full funding of the pension liability, in such a timeframe and in such a way that risk and contribution levels are manageable for the sponsor, and maintain it thereafter. The pension liability growth rate together with the desire to achieve and maintain a fully-funded level (100%) implies a minimum absolute rate of return to be met through either: (1) sponsor contributions, (2) pension assets growth, or (3) a combination thereof. The pension assets attempt to achieve, after taking into account the sponsor's budgeted contributions, a return sufficient to meet the desired funded level over a reasonable timeline, while incurring an acceptable level of risk.

The strategy for achieving and maintaining a fully funded pension liability may vary with the prevailing funded level and other parameters related to the overall goal. Therefore, the asset allocation process is designed to be dynamic and employ a liability-driven investment philosophy, which reframes risk and performance relative to the pension liability. This approach is expected to enable pension assets to more reliably track the value of the pension liability, with less funded level volatility, than would a static total-return investment. At low funding levels, the pension assets will focus on generating return, subject to risk tolerance and contribution policy; as the funding level rises, the objective of the pension assets will move gradually toward managing funded level volatility. Target allocations at the funded level are 60-75% Equity and 25-40% Fixed Income. The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, weighing the asset class returns by the plans' investment in each class, and taking into account expected volatility and correlation between the returns of various asset classes. NYU management believes 6%-7% is a reasonable estimate of long-term rates of return on plan assets for 2016 and will continue to evaluate the actuarial assumptions and adjust them as necessary.

Contributions:

Annual contributions to the plans are determined by NYU based upon calculations prepared by the plans' actuaries. Contributions totaling \$47,000 were made to the Lutheran plan in September 2016 and no additional contributions are expected for fiscal year 2017. Total expected contributions for all other plans in fiscal year 2017 are \$15,500.

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Benefit Payments:

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the following years:

Year Ending August 31

2017	\$	51,095
2018		54,540
2019		58,720
2020		62,992
2021		66,938
2022-2026		378,244

Multi-Employer Benefit Plans:

NYU participates in multi-employer defined benefit pension plans. NYU makes cash contributions to these plans under the terms of collective-bargaining agreements that cover its union employees based on a fixed rate and hours worked per week by the covered employees. The risks of participating in these multi-employer plans are different from other single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if NYU chooses to stop participating in some of its multi-employer plans, NYU may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The measurement dates for the following plans are as of June 30 and December 31, as applicable.

NYU has contributed cash and recorded expenses for the following multi-employer defined benefit plans for the years ended August 31, 2016 and 2015:

	2016	2015
Pension Fund		
1199 SEIU Health Care Employees Health & Welfare Fund	\$ 103,015	\$ 70,365
1199 SEIU Health Care Employees Pension Fund	37,897	30,636
United Federation of Teachers Benefit Fund	13,679	4,661
Local 810 Health & Welfare Fund	2,624	2,221
United Wire, Metal & Machine Pension Fund	2,432	2,127
Local 153 Pension Fund	55	54
Local 30 Pension Fund	13	29
Building Service 32BJ Pension Fund	16	18
	<u>\$ 159,731</u>	<u>\$ 110,111</u>

New York University
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The following table includes additional disclosure information related to the following pension funds:

Plans' Funded Status:

Plan Name	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2016	2015			
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	September 2018
United Wire Pension Fund	13-6596940/001	Red	Red	Yes	No	June 2019
Local 153 Pension Fund	13-2864289/001	Red	Red	Yes	N/A	N/A
Local 30 Pension Fund	51-6045848/001	Green	Green	N/A	No	June 2021
Building Service 32BJ	13-1879376/001	Red	Red	Yes	No	February 2016

NYU's contributions to the United Wire Pension Fund, the Local 153 Pension Fund, the Local 30 Pension Fund, and the Building Service 32BJ Pension Fund represent less than 5% of total plan contributions. The Health & Welfare Plans provide medical benefits (health, dental, prescription, vision) for active employees and retirees. Eligibility for benefit coverage level and type is dependent upon their status as an active employee or retiree.

The Pension Protection Act zone status indicates the plan's funded status of either at least 80% funded (green) or less than 80% funded (yellow or red). A zone status of red requires the plan sponsor implement a Funding Improvement Plan (FIP) or Rehabilitation Plan (RP).

13. Other Postretirement Benefits

NYU has five health and welfare plans that provide certain health care and life insurance benefits for eligible retired employees. NYU employees may become eligible for these benefits if they reach the age and service requirements of the plan while working for NYU. The costs related to these plans are accrued during the period the employees provide service to NYU.

New York University
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The following tables provide information with respect to the other postretirement plans for the years ended August 31:

	2016	2015
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 656,441	\$ 612,014
Service cost	19,170	23,242
Interest cost	28,920	25,860
Plan changes	(1,812)	-
Actuarial loss	51,990	10,072
Participant contributions	4,229	4,119
Retiree drug subsidy receipts	1,563	1,081
Benefits paid	<u>(20,193)</u>	<u>(19,947)</u>
Benefit obligation, end of year	<u>740,308</u>	<u>656,441</u>
Change in fair value of plan assets		
Fair value of plan assets, beginning of year	97,170	88,069
Actual return (loss) on plan assets	5,435	(638)
Employer contributions	21,105	24,486
Participant contributions	4,229	4,119
Retiree drug subsidy receipts	1,563	1,081
Benefits paid	<u>(20,193)</u>	<u>(19,947)</u>
Fair value of plan assets, end of year	<u>109,309</u>	<u>97,170</u>
Accrued postretirement benefit obligation	<u>\$ 630,999</u>	<u>\$ 559,271</u>
Range of assumptions to determine benefit obligations and net cost as of August 31		
Discount rate	3.62 - 3.75%	4.50 - 4.75%
Expected long-term rate of return	6.00 - 7.00%	6.00 - 7.00%
Ultimate retiree health-care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2023 - 2038	2023 - 2027

New York University
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(in thousands of dollars)

Net Periodic Benefit Cost:

	2016	2015
Components of net periodic benefit cost		
Service cost	\$ 19,170	\$ 23,242
Interest cost	28,920	25,860
Expected return on plan assets	(6,097)	(5,553)
Amortization of prior service credit	(5,321)	(5,323)
Amortization of actuarial loss	10,284	11,396
Net periodic benefit cost	<u>\$ 46,956</u>	<u>\$ 49,622</u>
Other changes recognized in unrestricted net assets		
Actuarial net loss arising during period	\$ 52,653	\$ 16,263
Amortization of prior service credit	5,321	5,323
Amortization of actuarial net loss	(10,284)	(11,396)
Prior service cost arising during period	(1,812)	-
Employer direct benefit payments	-	(9,729)
Total recognized in nonoperating activities	<u>\$ 45,878</u>	<u>\$ 461</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service credit	(8,486)	(11,995)
Accumulated loss	212,712	170,344
Amounts in unrestricted net assets, end of year	<u>\$ 204,226</u>	<u>\$ 158,349</u>
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the next fiscal year		
Actuarial loss	\$ (11,890)	\$ (8,999)
Prior service credit	5,111	5,321

In 2016 and 2015, the effect of a 1% change in the health care cost trend rate is as follows:

	2016		2015	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 9,935	\$ (7,677)	\$ 9,583	\$ (7,541)
Effect on postretirement benefit obligation	132,075	(103,578)	112,782	(88,486)

Contributions:

Expected contributions for the next fiscal year are \$10,232.

New York University
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Plan Assets:

The following table presents the fair value of the postretirement plan investments (according to the hierarchy defined in Note 4) at August 31:

	2016			Total
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash equivalents	\$ 10,105	\$ 73	\$ -	\$ 10,178
Equity funds	-	74,666	-	74,666
Fixed income	-	24,465	-	24,465
Total	<u>\$ 10,105</u>	<u>\$ 99,204</u>	<u>\$ -</u>	<u>\$ 109,309</u>

	2015			Total
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash equivalents	\$ 132	\$ 71	\$ -	\$ 203
Equity funds	-	70,304	-	70,304
Fixed income	-	26,663	-	26,663
Total	<u>\$ 132</u>	<u>\$ 97,038</u>	<u>\$ -</u>	<u>\$ 97,170</u>

The plans' investment objectives seek a positive long-term total rate of return to meet NYU's current and future plan obligations. The asset allocations for the plans combine tested theory and informed market judgments to balance investment risks with the need for high returns.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes. NYU management believes that 6%-7% is a reasonable range of long-term rates of return on plan assets for 2016 and will continue to evaluate the actuarial assumptions and adjust them as necessary.

Benefit Payments:

The following benefit payments (net of retiree contributions), which reflect the effects of the Medicare Act and expected future service, as appropriate, are expected to be paid in:

Year Ending August 31,	
2017	\$ 21,691
2018	23,495
2019	25,426
2020	27,730
2021	30,127
2022-2026	185,414

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14. Grants and Contracts

Grant and contract revenues represent reimbursements of costs incurred in direct support of research and other sponsored activities. Additionally, such sponsored grants and contracts generally provide for the recovery of indirect costs supporting these activities. Indirect costs, included in grant and contract revenues, are recovered at rates established in advance by NYU through negotiations with the federal government and other private sponsors and amount to \$135,348 and \$138,595 for the years ended August 31, 2016 and 2015, respectively.

15. Hospital Affiliations

NYUSoM has three affiliation agreements with the New York City Health and Hospitals Corporation to provide general care and mental health services. The three agreements are with Woodhull Medical and Mental Health Center and Cumberland Diagnostic and Treatment Center, Bellevue Hospital Center and Gouverneur Healthcare Services and Coler Rehabilitation and Nursing Care Center and Henry J Carter Specialty Hospital and Nursing Facility and are effective for July 1, 2015 through June 30, 2020.

NYU Hospitals Center has an affiliation agreement with Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a Lutheran Family Health Centers (LFHC). The LFHC is a designated Level 3 Medical Home and a Federally Qualified Health Center and has been established as a “co-operator” with NYU Hospitals Center. A new affiliation agreement is currently being negotiated between NYU Hospitals Center and LFHC and is expected to be executed in fiscal 2017.

16. Allocated Expenses

Certain expenses incurred by NYU are allocated to specific program and support service activities on the basis of utilization of the underlying assets. Expenses included in this allocation are operation and maintenance of plant, interest on indebtedness, and depreciation and amortization. The allocation of these expenses, which are included in total operating expenses for the years ended August 31, 2016 and 2015, are presented below:

	2016			
	Operation and Maintenance of Plant	Interest on Indebtedness	Depreciation and Amortization	Total
Instruction and other academic programs	\$ 70,613	\$ 44,280	\$ 81,899	\$ 196,792
Research and other sponsored programs	81,960	8,162	43,568	133,690
Patient care	69,753	61,090	157,546	288,389
Libraries	6,946	1,165	7,203	15,314
Student services	12,026	4,296	13,866	30,188
Institutional services	218,749	10,553	62,361	291,663
Auxiliary enterprises	117,059	47,165	89,330	253,554
Total	<u>\$ 577,106</u>	<u>\$ 176,711</u>	<u>\$ 455,773</u>	<u>\$ 1,209,590</u>

New York University
Notes to Consolidated Financial Statements
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(in thousands of dollars)

	2015			
	Operation and Maintenance of Plant	Interest on Indebtedness	Depreciation and Amortization	Total
Instruction and other academic programs	\$ 62,371	\$ 49,606	\$ 71,496	\$ 183,473
Research and other sponsored programs	67,155	9,032	36,677	112,864
Patient care	51,780	1,825	129,387	182,992
Libraries	7,049	469	7,668	15,186
Student services	13,195	3,304	15,106	31,605
Institutional services	155,964	72,094	50,165	278,223
Auxiliary enterprises	101,618	38,362	84,337	224,317
Total	<u>\$ 459,132</u>	<u>\$ 174,692</u>	<u>\$ 394,836</u>	<u>\$ 1,028,660</u>

17. Components of Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at August 31, 2016 and 2015:

	2016	2015
Contributions and earnings for operating purposes	\$ 866,524	\$ 955,256
Contributions for buildings and equipment	225,597	224,212
Disaster recovery award for mitigation	284,103	426,223
Annuity trust agreements	34,903	32,402
Scholarships and fellowships	123,658	108,030
Total	<u>\$ 1,534,785</u>	<u>\$ 1,746,123</u>

Permanently restricted net assets at August 31, 2016 and 2015 are retained in perpetuity to support the following activities:

	2016	2015
Program support	\$ 440,264	\$ 442,659
Faculty and staff salaries	751,031	784,577
Scholarships and fellowships	672,500	498,554
Library books	15,589	13,594
Research and sponsored programs	42,469	41,158
Buildings and equipment	4,627	4,733
Student loans	2,716	2,702
Total	<u>\$ 1,929,196</u>	<u>\$ 1,787,977</u>

New York University

Notes to Consolidated Financial Statements

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Prior to the merger with NYU, the NYU Tandon School of Engineering (formerly Polytechnic University) was granted cy-pres relief by the Attorney General's office. As a result, \$48,247 of permanently restricted net assets was reclassified to unrestricted net assets in order to satisfy the requirements of the Title IV responsibility ratios and the debt service coverage ratio. In August 2015, this \$48,247 was restored to permanently restricted net assets.

NYU's investment pools include individual endowed funds established for a variety of purposes. Pooled assets include both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

NYU classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. Accumulated unspent earnings from the permanently restricted endowments are classified as temporarily restricted net assets. Board-designated endowments, as well as any accumulated losses on any individual permanently restricted endowment (underwater endowment), are classified as unrestricted net assets.

NYU defines the appropriation of endowment net assets for expenditure as the authorization of its investment spending rate as approved annually by the Board of Trustees (see Note 4). However, when donors have expressly stipulated the payout percentage of earnings on endowments that differs from NYU policies, the donors' intent prevails. In making a determination to appropriate or accumulate, NYU adheres to the standard of prudence prescribed by New York Prudent Management of Institutional Funds Act (NYPMIFA) and considers the following factors: the duration and preservation of the endowment fund; NYU's mission and the purpose of the endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of NYU; where appropriate and circumstances would otherwise warrant, alternatives to expenditures of the endowment fund giving due consideration to the effect that such alternatives may have on NYU; and the investment policy of NYU.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment (underwater endowment). Deficits of this nature are reported as a reduction of unrestricted net assets. These deficits resulted from unfavorable market fluctuations that eroded accumulated gains for the permanently restricted endowments as well as the continued appropriation of certain programs which was deemed prudent by the University's Board of Trustees. Current and future gains will be classified as increases in unrestricted net assets until the shortfalls previously charged to unrestricted net assets have been eliminated and the individual endowment funds are returned to their required levels as stipulated by donors.

New York University
Notes to Consolidated Financial Statements
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(in thousands of dollars)

The following table represents the net asset classes of NYU's endowment funds as of August 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 420,162	\$ 1,848,638	\$ 2,268,800
Board-designated endowment	1,345,766	-	-	1,345,766
Underwater endowment (38 funds)	(1,000)	-	-	(1,000)
Total	<u>\$ 1,344,766</u>	<u>\$ 420,162</u>	<u>\$ 1,848,638</u>	<u>\$ 3,613,566</u>

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 454,135	\$ 1,754,401	\$ 2,208,536
Board-designated endowment	1,296,979	-	-	1,296,979
Underwater endowment (75 funds)	(2,953)	-	-	(2,953)
Total	<u>\$ 1,294,026</u>	<u>\$ 454,135</u>	<u>\$ 1,754,401</u>	<u>\$ 3,502,562</u>

The following table provides the changes in the net asset classes of NYU's endowment funds at August 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment pool net assets, beginning of year	\$ 1,294,026	\$ 454,135	\$ 1,754,401	\$ 3,502,562
Contributions	59,587	-	109,653	169,240
Investment return	46,474	75,642	-	122,116
Endowment distribution	(57,785)	(97,612)	-	(155,397)
Liquidations	(16,120)	-	-	(16,120)
Reclassification of net assets	18,584	(12,003)	(15,416)	(8,835)
Investment pool net assets, end of year	<u>\$ 1,344,766</u>	<u>\$ 420,162</u>	<u>\$ 1,848,638</u>	<u>\$ 3,613,566</u>

New York University
Notes to Consolidated Financial Statements
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(in thousands of dollars)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment pool net assets, beginning of year	\$ 1,323,324	\$ 522,386	\$ 1,617,141	\$ 3,462,851
Contributions	96,127	-	89,609	185,736
Investment return	16,981	21,187	-	38,168
Endowment distribution	(57,467)	(89,438)	-	(146,905)
Liquidations	(36,928)	-	-	(36,928)
Reclassification of net assets	(48,011)	-	47,651	(360)
Investment pool net assets, end of year	<u>\$ 1,294,026</u>	<u>\$ 454,135</u>	<u>\$ 1,754,401</u>	<u>\$ 3,502,562</u>

18. Commitments and Contingencies

In the normal course of business, NYU leases facilities under operating leases. Minimum rental payments under these agreements over the next five years and thereafter are as follows:

	Rental Lease Payments
Year Ending August 31,	
2017	\$ 196,128
2018	173,603
2019	169,172
2020	148,187
2021	141,197
Thereafter	1,033,472

Rent expense is \$219,921 and \$199,428 for the years ended August 31, 2016 and 2015, respectively.

NYU is self-insured for workers' compensation benefits. The University purchases an excess workers' compensation insurance policy with a retention of \$500 per claim. In connection with being self-insured, the University has maintained a surety bond in the amount of \$11,749 at August 31, 2016. Additionally, the Hospitals Center has maintained stand-by letters of credit aggregating approximately \$27,466 and \$26,891 at August 31, 2016 and 2015, respectively. Cash and marketable securities collateralize the letters of credit.

NYU is a defendant in various legal actions arising from the normal course of its operations and amounts expended under government grants and contracts are subject to audit by governmental agencies. In addition, amounts received for patient care from Medicare and Medicaid are subject to audit. Although the final outcome of such actions and audits cannot be determined, management believes that eventual liability, if any, will not have a material effect on NYU's consolidated financial position.

New York University

Notes to Consolidated Financial Statements

August 31, 2016 and 2015

(in thousands of dollars)

19. Superstorm Sandy

On October 29, 2012, Superstorm Sandy struck New York City causing widespread damage to the main campus facilities of the Medical Center. The Medical Center incurred business interruption losses during the period that facilities were shut down or being repaired. In addition, the Medical Center incurred costs to replace and repair damage to or demolish properties.

Commercial Insurance

The Medical Center had insurance policies in effect at the time of Superstorm Sandy for business interruption, property, casualty, and other insurance coverage subject to various limitations and deductibles. The University, on behalf of the Medical Center, has initiated lawsuits to recover additional insurance proceeds but the ultimate outcome cannot be determined at this time and therefore, no revenue has been recorded for the years ended August 31, 2016 and 2015.

Federal Disaster Recovery Assistance

The Federal Emergency Management Agency (FEMA) committed significant aid to the Medical Center to assist in the recovery process and to mitigate losses which may occur as a result of future storms. In 2014, FEMA awarded the Medical Center a fixed capped Public Assistance Grant (the Capped Grant) in the amount of \$1,130,073. The Medical Center will receive 90% of the awarded amount (\$1,017,066) for the performance of an agreed upon scope of work less amounts received from commercial insurance. This agreed upon scope of work is for the repair and replacement of eligible damage and for hazard mitigation projects for Medical Center properties. Through August 31, 2016 the Medical Center has received \$786,217 under the Capped Grant and \$230,849 remains available for drawdown for eligible expenditures.

Disaster recovery reimbursement revenues relate to repairs and replacement and are recognized as allowable costs are incurred. Cash received in advance of spending is recorded as deferred revenue with a corresponding balance in assets limited as to use – disaster recovery.

The Medical Center recognized \$530,748 as a temporarily restricted disaster recovery award for future mitigation in fiscal 2014. The net assets are released from restriction as the costs are incurred. For the years ended August 31, 2016 and 2015, the Medical Center released \$142,120 and \$92,258, respectively, from restriction for hazard mitigation.

In addition to the Capped Grant award, FEMA continues to work with the Medical Center to finalize additional awards related to eligible disaster expenses that are not included in the Capped Grant.

New York University
Notes to Consolidated Financial Statements
August 31, 2016 and 2015

(in thousands of dollars)

The following is a summary of the federal disaster recovery reimbursement revenues reflected in the consolidated financial statements for the years ended August 31, 2016 and 2015:

	Federal Disaster Recovery		
	Capped Grant	Other Federal Awards	Total
Receivable at August 31, 2014	\$ 325,824	\$ 65,505	\$ 391,329
2015 Financial Statements			
Operating revenue	11,709	3,675	15,384
Nonoperating revenue	63,447	12,768	76,215
2015 total unrestricted revenues	75,156	16,443	91,599
Reallocation of expenditures between FEMA awards	22,730	(22,730)	-
Adjustment of prior emergency and temporary funding	-	(11,165)	(11,165)
2015 cash received	(69,188)	(25,589)	(94,777)
Receivable at August 31, 2015	\$ 354,522	\$ 22,464	\$ 376,986
2016 Financial Statements			
Operating revenue	\$ 18,176	\$ 21,256	\$ 39,432
Nonoperating revenue	48,180	32,993	81,173
2016 total unrestricted revenues	66,356	54,249	120,605
2016 cash received	(297,644)	(69,627)	(367,271)
Receivable at August 31, 2016	123,234	7,086	130,320
Balance sheet classification of 2016 receivable			
Disaster recovery receivable	250,041	7,086	257,127
Deferred revenue- disaster recovery	(126,807)	-	(126,807)
	\$ 123,234	\$ 7,086	\$ 130,320

20. Subsequent Events

NYU performed an evaluation of subsequent events through December 15, 2016, which is the date the consolidated financial statements were issued.

In October 2016, the Health System entered into an Affiliation Agreement with Winthrop University Hospital Association (“Winthrop”), a 591-bed acute care hospital located in Mineola, New York. The two-phase transaction contemplates the Health System becoming the sole corporate member of Winthrop, and no later than five years after the closing of Phase One, Winthrop will merge with and into the Hospitals Center, with the Hospitals Center being the successor entity. With Winthrop’s multiple ambulatory sites throughout Long Island and extensive network of employed physicians, the affiliation is expected to expand the Health System’s presence throughout Queens, Nassau and Suffolk Counties. Completion of the proposed affiliation is subject to various regulatory approvals. There can be no assurance that all necessary regulatory approvals will be obtained.

In October 2016, NYUSoM took possession of a 25 story office tower under a lease agreement, which has a 30 year term with two 10 year options to renew. The office space will be converted into medical offices to expand the NYUSoM ambulatory footprint in Manhattan. The future minimum lease payments under the 30 year term of this agreement total \$647,256.

Appendix A
Supplemental Schedules to the Consolidated Financial Statements

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Balance Sheet for NYU - Summary)
August 31, 2016

(in thousands of dollars)

	2016			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Assets				
Cash and cash equivalents	\$ 785,721	\$ 247,545	\$ -	\$ 1,033,266
Short-term investments (Note 4)	1,860	442	-	2,302
Accounts and loans receivable, net (Note 5)	443,778	205,148	(169,430)	479,496
Patient accounts receivable, net (Note 3)	3,202	586,744	-	589,946
Contributions receivable, net (Note 6)	317,104	192,738	-	509,842
Other assets (Note 7)	127,776	224,677	-	352,453
Assets limited as to use - disaster recovery (Note 19)	-	126,807	-	126,807
Disaster-related receivable (Note 19)	-	257,127	-	257,127
Deposits with trustees (Note 2)	398,067	16,860	-	414,927
Long-term investments (Note 4)	2,775,812	1,656,934	-	4,432,746
Assets held by insurance captive (CCC550) (Note 11)	-	400,476	-	400,476
Land, buildings, and equipment, net (Note 8)	3,722,939	4,553,547	-	8,276,486
Total assets	<u>\$ 8,576,259</u>	<u>\$ 8,469,045</u>	<u>\$ (169,430)</u>	<u>\$ 16,875,874</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 356,512	\$ 1,163,702	\$ (169,430)	\$ 1,350,784
Disaster-related accounts payable and accrued expenses	-	11,296	-	11,296
Deferred revenue	748,905	96,082	-	844,987
Deferred revenue - disaster related (Note 19)	-	126,807	-	126,807
Professional liabilities (Note 11)	-	459,397	-	459,397
Bonds and notes payable (Note 9)	3,030,656	2,261,109	-	5,291,765
Federal grants refundable (Note 5)	78,486	984	-	79,470
Accrued benefit obligation (Note 12)	127,160	434,043	-	561,203
Accrued postretirement obligation (Note 13)	456,258	174,741	-	630,999
Asset retirement obligation	172,511	52,836	-	225,347
Total liabilities	<u>4,970,488</u>	<u>4,780,997</u>	<u>(169,430)</u>	<u>9,582,055</u>
Net assets				
Unrestricted	1,491,913	2,337,925	-	3,829,838
Temporarily restricted (Note 17)	606,181	928,604	-	1,534,785
Permanently restricted (Note 17)	1,507,677	421,519	-	1,929,196
Total net assets	<u>3,605,771</u>	<u>3,688,048</u>	<u>-</u>	<u>7,293,819</u>
Total liabilities and net assets	<u>\$ 8,576,259</u>	<u>\$ 8,469,045</u>	<u>\$ (169,430)</u>	<u>\$ 16,875,874</u>

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Balance Sheet for NYU - Summary)
August 31, 2015

(in thousands of dollars)

	2015			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Assets				
Cash and cash equivalents	\$ 810,454	\$ 249,668	\$ -	\$ 1,060,122
Short-term investments (Note 4)	2,517	116,730	-	119,247
Accounts and loans receivable, net (Note 5)	447,854	203,042	(160,131)	490,765
Patient accounts receivable, net (Note 3)	3,935	471,828	-	475,763
Contributions receivable, net (Note 6)	312,293	218,429	-	530,722
Other assets (Note 7)	148,598	190,619	-	339,217
Assets limited as to use - disaster recovery (Note 19)	-	16,278	-	16,278
Disaster-related receivable (Note 19)	-	393,264	-	393,264
Deposits with trustees (Note 2)	19,134	51,744	-	70,878
Long-term investments (Note 4)	2,696,107	1,569,214	-	4,265,321
Assets held by insurance captive (CCC550) (Note 11)	-	320,426	-	320,426
Land, buildings, and equipment, net (Note 8)	3,534,149	3,776,031	-	7,310,180
Total assets	<u>\$ 7,975,041</u>	<u>\$ 7,577,273</u>	<u>\$ (160,131)</u>	<u>\$ 15,392,183</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 317,949	\$ 974,191	\$ (160,131)	\$ 1,132,009
Disaster-related accounts payable and accrued expenses	-	13,108	-	13,108
Deferred revenue	783,692	66,246	-	849,938
Deferred revenue - disaster related (Note 19)	-	16,278	-	16,278
Professional liabilities (Note 11)	-	374,262	-	374,262
Bonds and notes payable (Notes 9 and 10)	2,500,567	2,009,376	-	4,509,943
Other leasing obligations (Note 10)	-	146,603	-	146,603
Federal grants refundable (Note 5)	78,237	1,793	-	80,030
Accrued benefit obligation (Note 12)	96,369	296,543	-	392,912
Accrued postretirement obligation (Note 13)	390,890	168,381	-	559,271
Asset retirement obligation	164,522	36,944	-	201,466
Total liabilities	<u>4,332,226</u>	<u>4,103,725</u>	<u>(160,131)</u>	<u>8,275,820</u>
Net assets				
Unrestricted	1,601,817	1,980,446	-	3,582,263
Temporarily restricted (Note 17)	660,322	1,085,801	-	1,746,123
Permanently restricted (Note 17)	1,380,676	407,301	-	1,787,977
Total net assets	<u>3,642,815</u>	<u>3,473,548</u>	<u>-</u>	<u>7,116,363</u>
Total liabilities and net assets	<u>\$ 7,975,041</u>	<u>\$ 7,577,273</u>	<u>\$ (160,131)</u>	<u>\$ 15,392,183</u>

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Balance Sheet for NYU - Detail)
August 31, 2016

(in thousands of dollars)

	2016						Total
	University	School of Medicine	Eliminations	Subtotal	Health System	Eliminations	Consolidated NYU
Assets							
Cash and cash equivalents	\$ 785,721	\$ 52,582	\$ -	\$ 838,303	\$ 194,963	\$ -	\$ 1,033,266
Short-term investments (Note 4)	1,860	-	-	1,860	442	-	2,302
Accounts and loans receivable, net (Note 5)	443,778	89,049	(167,200)	365,627	145,269	(31,400)	479,496
Patient accounts receivable, net (Note 3)	3,202	96,908	-	100,110	489,836	-	589,946
Contributions receivable, net (Note 6)	317,104	63,390	-	380,494	129,348	-	509,842
Other assets (Note 7)	127,776	46,776	-	174,552	177,901	-	352,453
Assets limited as to use - disaster recovery (Note 19)	-	42,377	-	42,377	84,430	-	126,807
Disaster-related receivable (Note 19)	-	212,446	-	212,446	44,681	-	257,127
Deposits with trustees (Note 2)	398,067	204	-	398,271	16,656	-	414,927
Long-term investments (Note 4)	2,775,812	839,605	-	3,615,417	817,329	-	4,432,746
Assets held by insurance captive (CCC550) (Note 11)	-	-	-	-	400,476	-	400,476
Land, buildings, and equipment, net (Note 8)	3,722,939	1,531,407	-	5,254,346	3,022,140	-	8,276,486
Total assets	<u>\$ 8,576,259</u>	<u>\$ 2,974,744</u>	<u>\$ (167,200)</u>	<u>\$ 11,383,803</u>	<u>\$ 5,523,471</u>	<u>\$ (31,400)</u>	<u>\$ 16,875,874</u>
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 356,512	\$ 611,522	\$ (167,200)	\$ 800,834	\$ 581,350	\$ (31,400)	\$ 1,350,784
Disaster-related accounts payable and accrued expenses	-	5,481	-	5,481	5,815	-	11,296
Deferred revenue	748,905	37,025	-	785,930	59,057	-	844,987
Deferred revenue - disaster related (Note 19)	-	42,377	-	42,377	84,430	-	126,807
Professional liabilities (Note 11)	-	-	-	-	459,397	-	459,397
Bonds and notes payable (Notes 9 and 10)	3,030,656	550,810	-	3,581,466	1,710,299	-	5,291,765
Federal grants refundable (Note 5)	78,486	984	-	79,470	-	-	79,470
Accrued benefit obligation (Note 12)	127,160	73,503	-	200,663	360,540	-	561,203
Accrued postretirement obligation (Note 13)	456,258	95,237	-	551,495	79,504	-	630,999
Asset retirement obligation	172,511	29,359	-	201,870	23,477	-	225,347
Total liabilities	<u>4,970,488</u>	<u>1,446,298</u>	<u>(167,200)</u>	<u>6,249,586</u>	<u>3,363,869</u>	<u>(31,400)</u>	<u>9,582,055</u>
Net assets							
Unrestricted	1,491,913	578,030	-	2,069,943	1,759,895	-	3,829,838
Temporarily restricted (Note 17)	606,181	542,146	-	1,148,327	386,458	-	1,534,785
Permanently restricted (Note 17)	1,507,677	408,270	-	1,915,947	13,249	-	1,929,196
Total net assets	<u>3,605,771</u>	<u>1,528,446</u>	<u>-</u>	<u>5,134,217</u>	<u>2,159,602</u>	<u>-</u>	<u>7,293,819</u>
Total liabilities and net assets	<u>\$ 8,576,259</u>	<u>\$ 2,974,744</u>	<u>\$ (167,200)</u>	<u>\$ 11,383,803</u>	<u>\$ 5,523,471</u>	<u>\$ (31,400)</u>	<u>\$ 16,875,874</u>

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Balance Sheet for NYU - Detail)
August 31, 2015

(in thousands of dollars)

	2015						Total
	University	School of Medicine	Eliminations	Subtotal	Health System	Eliminations	Consolidated NYU
Assets							
Cash and cash equivalents	\$ 810,454	\$ 106,985	\$ -	\$ 917,439	\$ 142,683	\$ -	\$ 1,060,122
Short-term investments (Note 4)	2,517	-	-	2,517	116,730	-	119,247
Accounts and loans receivable, net (Note 5)	447,854	76,384	(160,131)	364,107	130,997	(4,339)	490,765
Patient accounts receivable, net (Note 3)	3,935	73,770	-	77,705	398,058	-	475,763
Contributions receivable, net (Note 6)	312,293	60,785	-	373,078	157,644	-	530,722
Other assets (Note 7)	148,598	44,858	-	193,456	145,761	-	339,217
Assets limited as to use - disaster recovery (Note 19)	-	-	-	-	16,278	-	16,278
Disaster-related receivable (Note 19)	-	286,493	-	286,493	106,771	-	393,264
Deposits with trustees (Note 2)	19,134	204	-	19,338	51,540	-	70,874
Long-term investments (Note 4)	2,696,107	810,710	-	3,506,817	758,504	-	4,265,321
Assets held by insurance captive (CCC550) (Note 11)	-	-	-	-	320,426	-	320,426
Land, buildings, and equipment, net (Note 8)	3,534,149	1,183,548	-	4,717,697	2,592,483	-	7,310,180
Total assets	<u>\$ 7,975,041</u>	<u>\$ 2,643,737</u>	<u>\$ (160,131)</u>	<u>\$ 10,458,647</u>	<u>\$ 4,937,875</u>	<u>\$ (4,339)</u>	<u>\$ 15,392,183</u>
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 317,949	\$ 455,560	\$ (160,131)	\$ 613,378	\$ 522,970	\$ (4,339)	\$ 1,132,009
Disaster-related accounts payable and accrued expenses	-	6,843	-	6,843	6,265	-	13,108
Deferred revenue	783,692	34,767	-	818,459	31,479	-	849,938
Deferred revenue - disaster related (Note 19)	-	-	-	-	16,278	-	16,278
Professional liabilities (Note 11)	-	-	-	-	374,262	-	374,262
Bonds and notes payable (Notes 9 and 10)	2,500,567	394,384	-	2,894,951	1,614,992	-	4,509,943
Other leasing obligations (Note 10)	-	146,603	-	146,603	-	-	146,603
Federal grants refundable (Note 5)	78,237	1,793	-	80,030	-	-	80,030
Accrued benefit obligation (Note 12)	96,369	53,772	-	150,141	242,771	-	392,912
Accrued postretirement obligation (Note 13)	390,890	93,563	-	484,453	74,818	-	559,271
Asset retirement obligation	164,522	22,866	-	187,388	14,078	-	201,466
Total liabilities	<u>4,332,226</u>	<u>1,210,151</u>	<u>(160,131)</u>	<u>5,382,246</u>	<u>2,897,913</u>	<u>(4,339)</u>	<u>8,275,820</u>
Net assets							
Unrestricted	1,601,817	415,202	-	2,017,019	1,565,244	-	3,582,263
Temporarily restricted (Note 17)	660,322	624,637	-	1,284,959	461,164	-	1,746,123
Permanently restricted (Note 17)	1,380,676	393,747	-	1,774,423	13,554	-	1,787,977
Total net assets	<u>3,642,815</u>	<u>1,433,586</u>	<u>-</u>	<u>5,076,401</u>	<u>2,039,962</u>	<u>-</u>	<u>7,116,363</u>
Total liabilities and net assets	<u>\$ 7,975,041</u>	<u>\$ 2,643,737</u>	<u>\$ (160,131)</u>	<u>\$ 10,458,647</u>	<u>\$ 4,937,875</u>	<u>\$ (4,339)</u>	<u>\$ 15,392,183</u>

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Activities for NYU - Summary)
Year Ended August 31, 2016

(in thousands of dollars)

	2016			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Changes in unrestricted net assets				
Operating revenues				
Tuition and fees (net of financial aid awards of \$604,789 University; \$9,173 NYU Langone Health Operations)	\$ 1,612,189	\$ 50,731	\$ -	\$ 1,662,920
Grants and contracts (Note 14)	490,709	311,624	-	802,333
Patient care (net of provision for bad debts \$91,799 NYU Langone Health Operations) (Note 3)	50,941	4,355,780	-	4,406,721
Hospital affiliations (Note 15)	-	321,146	-	321,146
Insurance premiums earned	-	65,864	-	65,864
Contributions	111,431	45,697	-	157,128
Endowment distribution (Note 4)	119,529	35,868	-	155,397
Return on short-term investments (Note 4)	6,308	(24)	-	6,284
Auxiliary enterprises	444,048	30,894	(4,941)	470,001
Program fees and other	103,310	191,962	(7,425)	287,847
Disaster recovery reimbursement (Note 19)	-	39,432	-	39,432
Net assets released from restrictions	67,590	57,550	-	125,140
Total operating revenues	3,006,055	5,506,524	(12,366)	8,500,213
Expenses (Note 16)				
Instruction and other academic programs	1,451,983	57,396	-	1,509,379
Research and other sponsored programs	461,033	523,669	-	984,702
Patient care	51,282	3,728,986	-	3,780,268
Hospital affiliations (Note 15)	-	292,418	-	292,418
Libraries	69,804	9,925	-	79,729
Student services	119,410	9,910	-	129,320
Auxiliary enterprises	431,490	89,352	(4,941)	515,901
Institutional services	429,051	573,261	(7,425)	994,887
Disaster-related expenses	-	29,004	-	29,004
Total expenses	3,014,053	5,313,921	(12,366)	8,315,608
(Deficiency) excess of operating revenues over expenses	(7,998)	192,603	-	184,605
Nonoperating activities				
Investment return (Note 4)	35,959	68,951	-	104,910
Appropriation of endowment distribution (Note 4)	(44,600)	(13,185)	-	(57,785)
Disaster recovery reimbursement for capital (Note 19)	-	81,173	-	81,173
Changes in pension and postretirement obligations (Notes 12 and 13)	(75,695)	(123,966)	-	(199,661)
Net assets released from restrictions for capital purposes	7,809	9,906	-	17,715
Net assets released from restrictions for hazard mitigation	-	142,120	-	142,120
Other	(25,379)	25,389	-	10
Loss on bond defeasance (Note 9)	-	(25,512)	-	(25,512)
(Decrease) increase in unrestricted net assets	(109,904)	357,479	-	247,575
Changes in temporarily restricted net assets				
Contributions	84,538	62,292	-	146,830
Investment return (Note 4)	56,964	19,135	-	76,099
Appropriation of endowment distribution (Note 4)	(74,929)	(22,683)	-	(97,612)
Other	(45,315)	(6,365)	-	(51,680)
Net assets released from restrictions for hazard mitigation (Note 19)	-	(142,120)	-	(142,120)
Net assets released from restrictions	(75,399)	(67,456)	-	(142,855)
Decrease in temporarily restricted net assets	(54,141)	(157,197)	-	(211,338)
Changes in permanently restricted net assets				
Contributions	111,022	13,483	-	124,505
Other	15,979	735	-	16,714
Increase in permanently restricted net assets	127,001	14,218	-	141,219
(Decrease) increase in net assets	\$ (37,044)	\$ 214,500	\$ -	\$ 177,456

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Activities for NYU - Summary)
Year Ended August 31, 2015

(in thousands of dollars)

	2015			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Changes in unrestricted net assets				
Operating revenues				
Tuition and fees (net of financial aid awards of \$545,684 University; \$6,761 NYU Langone Health Operations)	\$ 1,548,058	\$ 51,812	\$ -	\$ 1,599,870
Grants and contracts (Note 14)	460,513	301,873	-	762,386
Patient care (net of provision for bad debts \$48,566 NYU Langone Health Operations) (Note 3)	40,371	3,438,742	-	3,479,113
Hospital affiliations (Note 15)	-	305,458	-	305,458
Insurance premiums earned	-	47,203	-	47,203
Contributions	101,256	41,337	-	142,593
Endowment distribution (Note 4)	111,423	35,482	-	146,905
Return on short-term investments (Note 4)	4,916	16,524	-	21,440
Auxiliary enterprises	413,680	25,766	(5,042)	434,404
Program fees and other	83,855	181,200	(7,258)	257,797
Disaster recovery reimbursement (Note 19)	-	15,711	-	15,711
Net assets released from restrictions	50,451	41,536	-	91,987
Total operating revenues	2,814,523	4,502,644	(12,300)	7,304,867
Expenses (Note 16)				
Instruction and other academic programs	1,444,449	47,786	-	1,492,235
Research and other sponsored programs	432,930	498,073	-	931,003
Patient care	40,684	2,838,756	-	2,879,440
Hospital affiliations (Note 15)	-	282,083	-	282,083
Libraries	69,006	6,629	-	75,635
Student services	115,158	6,884	-	122,042
Auxiliary enterprises	417,709	63,995	(5,042)	476,662
Institutional services	384,680	570,471	(7,258)	947,893
Disaster-related expenses	-	9,973	-	9,973
Total expenses	2,904,616	4,324,650	(12,300)	7,216,966
(Deficiency) excess of operating revenues over expenses	(90,093)	177,994	-	87,901
Nonoperating activities				
Investment return (Note 4)	10,888	(7,764)	-	3,124
Appropriation of endowment distribution (Note 4)	(42,857)	(14,610)	-	(57,467)
Disaster recovery reimbursement for capital (Note 19)	-	76,215	-	76,215
Changes in pension and postretirement obligations (Notes 12 and 13)	(56,291)	(19,504)	-	(75,795)
Net assets released from restrictions for capital purposes	24,455	7,558	-	32,013
Net assets released from restrictions for hazard mitigation	-	92,258	-	92,258
Other	3,449	11,455	-	14,904
Reclassification related to cy-pres (Note 17)	(48,247)	-	-	(48,247)
Loss on bond defeasance (Note 9)	(77,798)	(27,074)	-	(104,872)
Acquisition of Lutheran Medical Center (Note 1)	-	305,237	-	305,237
(Decrease) increase in unrestricted net assets	(276,494)	601,765	-	325,271
Changes in temporarily restricted net assets				
Contributions	102,318	85,924	-	188,242
Investment return (Note 4)	11,377	6,226	-	17,603
Appropriation of endowment distribution (Note 4)	(68,566)	(20,872)	-	(89,438)
Other	(13,082)	(6,795)	-	(19,877)
Net assets released from restrictions for hazard mitigation (Note 19)	-	(92,258)	-	(92,258)
Net assets released from restrictions	(74,906)	(49,094)	-	(124,000)
Decrease in temporarily restricted net assets	(42,859)	(76,869)	-	(119,728)
Changes in permanently restricted net assets				
Contributions	55,240	49,108	-	104,348
Reclassification related to cy-pres (Note 17)	48,247	-	-	48,247
Other	(53,965)	4,890	-	(49,075)
Increase in permanently restricted net assets	49,522	53,998	-	103,520
(Decrease) increase in net assets	\$ (269,831)	\$ 578,894	\$ -	\$ 309,063

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Activities for NYU - Detail)
Year Ended August 31, 2016

(in thousands of dollars)

	2016						Total Consolidated NYU
	University	School of Medicine	Eliminations	Subtotal	Health System	Eliminations	
Changes in unrestricted net assets							
Operating revenues							
Tuition and fees (net of financial aid awards of \$604,789 University; and \$9,173 NYU Langone Health Operations)	\$ 1,612,189	\$ 50,731	\$ -	\$ 1,662,920	\$ -	\$ -	\$ 1,662,920
Grants and contracts (Note 14)	490,709	311,047	-	801,756	577	-	802,333
Patient care (net of provision for bad debts \$91,799 NYU Langone Health Operations) (Note 3)	50,941	1,336,452	-	1,387,393	3,361,137	(341,809)	4,406,721
Hospital affiliations (Note 15)	-	304,005	-	304,005	17,141	-	321,146
Insurance premiums earned	-	-	-	-	65,864	-	65,864
Contributions	111,431	40,241	-	151,672	5,456	-	157,128
Endowment distribution (Note 4)	119,529	34,661	-	154,190	1,207	-	155,397
Return on short-term investments (Note 4)	6,308	(24)	-	6,284	-	-	6,284
Auxiliary enterprises	444,048	20,174	(4,941)	459,281	10,720	-	470,001
Program fees and other	103,310	174,277	(7,425)	270,162	122,487	(104,802)	287,847
Disaster recovery reimbursement (Note 19)	-	36,217	-	36,217	3,215	-	39,432
Net assets released from restrictions	67,590	44,025	-	111,615	13,525	-	125,140
Total operating revenues	3,006,055	2,351,806	(12,366)	5,345,495	3,601,329	(446,611)	8,500,213
Expenses (Note 16)							
Instruction and other academic programs	1,451,983	57,396	-	1,509,379	-	-	1,509,379
Research and other sponsored programs	461,033	523,669	-	984,702	-	-	984,702
Patient care	51,282	1,280,211	-	1,331,493	2,790,584	(341,809)	3,780,268
Hospital affiliations (Note 15)	-	292,418	-	292,418	-	-	292,418
Libraries	69,804	9,925	-	79,729	-	-	79,729
Student services	119,410	9,910	-	129,320	-	-	129,320
Auxiliary enterprises	431,490	82,345	(4,941)	508,894	7,007	-	515,901
Institutional services	429,051	125,425	(7,425)	547,051	552,638	(104,802)	994,887
Disaster-related expenses	-	19,356	-	19,356	9,648	-	29,004
Total expenses	3,014,053	2,400,655	(12,366)	5,402,342	3,359,877	(446,611)	8,315,608
(Deficiency) excess of operating revenues over expenses	(7,998)	(48,849)	-	(56,847)	241,452	-	184,605
Nonoperating activities							
Investment return (Note 4)	35,959	10,618	-	46,577	58,333	-	104,910
Appropriation of endowment distribution (Note 4)	(44,600)	(13,022)	-	(57,622)	(163)	-	(57,785)
Disaster recover reimbursement for capital (Note 19)	-	78,738	-	78,738	2,435	-	81,173
Changes in pension and postretirement obligations (Notes 12 and 13)	(75,695)	(12,804)	-	(88,499)	(111,162)	-	(199,661)
Net assets released from restrictions for capital purposes	7,809	2,150	-	9,959	7,756	-	17,715
Net assets released from restrictions for hazard mitigation	-	71,990	-	71,990	70,130	-	142,120
Other	(25,379)	24,007	-	(1,372)	1,382	-	10
Mission based payment	-	50,000	-	50,000	(50,000)	-	-
Loss on bond defeasance (Note 9)	-	-	-	-	(25,512)	-	(25,512)
(Decrease) increase in unrestricted net assets	(109,904)	162,828	-	52,924	194,651	-	247,575
Changes in temporarily restricted net assets							
Contributions	84,538	45,336	-	129,874	16,956	-	146,830
Investment return (Note 4)	56,964	18,315	-	75,279	820	-	76,099
Appropriation of endowment distribution (Note 4)	(74,929)	(21,639)	-	(96,568)	(1,044)	-	(97,612)
Other	(45,315)	(6,338)	-	(51,653)	(27)	-	(51,680)
Net assets released from restrictions for hazard mitigation (Note 19)	-	(71,990)	-	(71,990)	(70,130)	-	(142,120)
Net assets released from restrictions	(75,399)	(46,175)	-	(121,574)	(21,281)	-	(142,855)
Decrease in temporarily restricted net assets	(54,141)	(82,491)	-	(136,632)	(74,706)	-	(211,338)
Changes in permanently restricted net assets							
Contributions	111,022	13,480	-	124,502	3	-	124,505
Other	15,979	1,043	-	17,022	(308)	-	16,714
Increase (decrease) in permanently restricted net assets	127,001	14,523	-	141,524	(305)	-	141,219
(Decrease) increase in net assets	\$ (37,044)	\$ 94,860	\$ -	\$ 57,816	\$ 119,640	\$ -	\$ 177,456

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Activities for NYU - Detail)
Year Ended August 31, 2015

(in thousands of dollars)

	2015						Total Consolidated NYU
	University	School of Medicine	Eliminations	Subtotal	Health System	Eliminations	
Changes in unrestricted net assets							
Operating revenues							
Tuition and fees (net of financial aid awards of \$545,684 University; and \$6,761 NYU Langone Health Operations)	\$ 1,548,058	\$ 51,812	\$ -	\$ 1,599,870	\$ -	\$ -	\$ 1,599,870
Grants and contracts (Note 14)	460,513	295,578	-	756,091	6,295	-	762,386
Patient care (net of provision for bad debts \$48,566 NYU Langone Health Operations) (Note 3)	40,371	986,488	-	1,026,859	2,671,575	(219,321)	3,479,113
Hospital affiliations (Note 15)	-	289,666	-	289,666	15,792	-	305,458
Insurance premiums earned	-	-	-	-	47,203	-	47,203
Contributions	101,256	36,407	-	137,663	4,930	-	142,593
Endowment distribution (Note 4)	111,423	34,277	-	145,700	1,205	-	146,905
Return on short-term investments (Note 4)	4,916	1	-	4,917	16,523	-	21,440
Auxiliary enterprises	413,680	21,444	(5,042)	430,082	4,322	-	434,404
Program fees and other	83,855	196,198	(7,258)	272,795	94,429	(109,427)	257,797
Disaster recovery reimbursement (Note 19)	-	10,042	-	10,042	5,669	-	15,711
Net assets released from restrictions	50,451	32,977	-	83,428	8,559	-	91,987
Total operating revenues	2,814,523	1,954,890	(12,300)	4,757,113	2,876,502	(328,748)	7,304,867
Expenses (Note 16)							
Instruction and other academic programs	1,444,449	47,786	-	1,492,235	-	-	1,492,235
Research and other sponsored programs	432,930	498,073	-	931,003	-	-	931,003
Patient care	40,684	970,687	-	1,011,371	2,087,390	(219,321)	2,879,440
Hospital affiliations (Note 15)	-	282,083	-	282,083	-	-	282,083
Libraries	69,006	6,629	-	75,635	-	-	75,635
Student services	115,158	6,884	-	122,042	-	-	122,042
Auxiliary enterprises	417,709	59,352	(5,042)	472,019	4,643	-	476,662
Institutional services	384,680	120,713	(7,258)	498,135	559,185	(109,427)	947,893
Disaster-related expenses	-	3,970	-	3,970	6,003	-	9,973
Total expenses	2,904,616	1,996,177	(12,300)	4,888,493	2,657,221	(328,748)	7,216,966
(Deficiency) excess of operating revenues over expenses	(90,093)	(41,287)	-	(131,380)	219,281	-	87,901
Nonoperating activities							
Investment return (Note 4)	10,888	4,394	-	15,282	(12,158)	-	3,124
Appropriation of endowment distribution (Note 4)	(42,857)	(14,446)	-	(57,303)	(164)	-	(57,467)
Disaster recover reimbursement for capital (Note 19)	-	45,173	-	45,173	31,042	-	76,215
Changes in pension and postretirement obligations (Notes 12 and 13)	(56,291)	(11,275)	-	(67,566)	(8,229)	-	(75,795)
Net assets released from restrictions for capital purposes	24,455	-	-	24,455	7,558	-	32,013
Net assets released from restrictions for hazard mitigation	-	23,170	-	23,170	69,088	-	92,258
Other	3,449	12,157	-	15,606	(702)	-	14,904
Reclassification related to cy-pres (Note 17)	(48,247)	-	-	(48,247)	-	-	(48,247)
Mission based payment	-	50,000	-	50,000	(50,000)	-	-
Loss on bond defeasance (Note 9)	(77,798)	-	-	(77,798)	(27,074)	-	(104,872)
Acquisition of Lutheran Medical Center (Note 1)	-	-	-	-	305,237	-	305,237
(Decrease) increase in unrestricted net assets	(276,494)	67,886	-	(208,608)	533,879	-	325,271
Changes in temporarily restricted net assets							
Contributions	102,318	54,806	-	157,124	31,118	-	188,242
Investment return (Note 4)	11,377	6,359	-	17,736	(133)	-	17,603
Appropriation of endowment distribution (Note 4)	(68,566)	(19,831)	-	(88,397)	(1,041)	-	(89,438)
Other	(13,082)	(6,795)	-	(19,877)	-	-	(19,877)
Net assets released from restrictions for hazard mitigation (Note 19)	-	(23,170)	-	(23,170)	(69,088)	-	(92,258)
Net assets released from restrictions	(74,906)	(32,977)	-	(107,883)	(16,117)	-	(124,000)
Decrease in temporarily restricted net assets	(42,859)	(21,608)	-	(64,467)	(55,261)	-	(119,728)
Changes in permanently restricted net assets							
Contributions	55,240	48,599	-	103,839	509	-	104,348
Reclassification related to cy-pres (Note 17)	48,247	-	-	48,247	-	-	48,247
Other	(53,965)	4,890	-	(49,075)	-	-	(49,075)
Increase in permanently restricted net assets	49,522	53,489	-	103,011	509	-	103,520
(Decrease) increase in net assets	\$ (269,831)	\$ 99,767	\$ -	\$ (170,064)	\$ 479,127	\$ -	\$ 309,063

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Cash Flows for NYU – Summary)
Year Ended August 31, 2016

(in thousands of dollars)

	2016			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Cash flows from operating activities				
Change in net assets	\$ (37,044)	\$ 214,500	\$ -	\$ 177,456
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization	243,584	212,189	-	455,773
Loss on sale or disposal of land, buildings and equipment and other adjustments	23,069	1,782	-	24,851
Loss on extinguishment of debt	-	4,793	-	4,793
Net gain on investments and deposits with trustees	(71,703)	(66,114)	-	(137,817)
Bad debt expense	38,926	96,179	-	135,105
Pension and postretirement obligation change	75,695	123,966	-	199,661
Contributions received for permanent investment and capital	(81,487)	(52,240)	-	(133,727)
Proceeds from disaster recovery award for future mitigation	-	(114,566)	-	(114,566)
Changes in operating assets and liabilities				
(Increase) decrease in accounts and loans receivable, net	(1,946)	2,233	(8,186)	(7,899)
Decrease in disaster recovery receivable	-	136,137	-	136,137
Decrease (increase) in patient accounts receivable	733	(206,715)	-	(205,982)
(Increase) decrease in nonendowment and noncapital contributions receivable	(37,715)	21,311	-	(16,404)
Decrease (increase) in other assets	20,822	(24,427)	-	(3,605)
Decrease in asset retirement obligation	-	(3,040)	-	(3,040)
Increase in accounts payable and accrued expenses	40,672	129,661	8,186	178,519
Decrease in disaster-related accounts payable and accrued expenses	-	(382)	-	(382)
Increase in professional liabilities	-	85,135	-	85,135
Decrease in deferred revenue	(34,787)	(186,235)	-	(221,022)
Increase in accrued pension obligation	4,797	9,711	-	14,508
Increase in accrued postretirement obligation	15,667	10,183	-	25,850
Net cash provided by operating activities	199,283	394,061	-	593,344
Cash flows from investing activities				
Purchases of investments	(1,931,086)	(889,642)	-	(2,820,728)
Sales and maturities of investments	1,924,935	966,160	-	2,891,095
Increase in deposits held with captive	-	(61,886)	-	(61,886)
Drawdowns of unexpended bond proceeds	351,121	31,505	-	382,626
Additions to land, buildings, and equipment, net of disposals	(456,862)	(999,620)	-	(1,456,482)
Proceeds from commercial insurance or disaster recovery for capital	-	216,071	-	216,071
Net cash used in investing activities	(111,892)	(737,412)	-	(849,304)
Cash flows from financing activities				
Contributions restricted for permanent investment and capital	81,487	52,240	-	133,727
Proceeds from disaster recovery award for future mitigation	-	114,566	-	114,566
Proceeds from short-term borrowings	171,771	233,001	-	404,772
Proceeds from long-term borrowings	-	-	-	-
Principal payments on short-term borrowings	(317,654)	-	-	(317,654)
Principal payments on bonds and notes payable	(46,883)	(66,948)	-	(113,831)
Payments of deferred financing costs	(2,742)	(2,881)	-	(5,623)
Increase (decrease) in federal grants refundable	249	(809)	-	(560)
Decrease in deposits with bond trustees	1,648	12,059	-	13,707
Net cash provided by financing activities	(112,124)	341,228	-	229,104
Net decrease in cash	(24,733)	(2,123)	-	(26,856)
Cash				
Beginning of year	810,454	249,668	-	1,060,122
End of year	\$ 785,721	\$ 247,545	\$ -	\$ 1,033,266
Supplemental disclosure of cash flow information				
Bond proceeds	\$ 733,197	\$ 381,713	\$ -	\$ 1,114,910
Other leasing obligations	-	(146,603)	-	(146,603)
Interest paid	108,200	109,252	-	217,452
Non-cash acquisitions of land, buildings, and equipment	(1,908)	80,542	-	78,634
Assets acquired under capital leases	42	75,588	-	75,630

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

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Cash Flows for NYU – Summary)
Year Ended August 31, 2015

(in thousands of dollars)

	2015			Consolidated NYU
	University	NYU Health Operations	Eliminations	
Cash flows from operating activities				
Change in net assets	\$ (269,831)	\$ 578,894	\$ -	\$ 309,063
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization	217,930	176,906	-	394,836
(Gain) loss on sale or disposal of land, buildings and equipment	(5,749)	43	-	(5,706)
Net loss on investments and deposits with trustees	18,434	9,759	-	28,193
Bad debt expense	70,340	54,490	-	124,830
(Gain) loss on bond defeasance	(2,204)	3,738	-	1,534
Pension and postretirement obligation change	66,019	9,776	-	75,795
Contributions received for permanent investment and capital	(51,239)	(73,537)	-	(124,776)
Proceeds from disaster recovery award for future mitigation	-	(28,736)	-	(28,736)
Acquisition of Lutheran Medical center	-	(305,237)	-	(305,237)
Changes in operating assets and liabilities				
Increase in accounts and loans receivable, net	(13,679)	(18,699)	(8,773)	(41,151)
Decrease in disaster recovery receivable	-	87,119	-	87,119
Increase in patient accounts receivable	(1,088)	(76,841)	-	(77,929)
Increase in nonendowment and noncapital contributions receivable	(19,886)	(9,012)	-	(28,898)
Decrease in other assets	12,228	17,825	-	30,053
Decrease in asset retirement obligation	-	(3,722)	-	(3,722)
Increase (decrease) in accounts payable and accrued expenses	78,524	(150,418)	8,773	(63,121)
Decrease in disaster-related accounts payable and accrued expenses	-	(26,306)	-	(26,306)
Increase in professional liabilities	-	45,230	-	45,230
Decrease in deferred revenue	(631)	(44,484)	-	(45,115)
(Decrease) increase in accrued pension obligation	(2,841)	5,299	-	2,458
Increase in accrued postretirement obligation	16,375	18,489	-	34,864
Net cash provided by operating activities	112,702	270,576	-	383,278
Cash flows from investing activities				
Purchases of investments	(1,406,827)	(841,722)	-	(2,248,549)
Sales and maturities of investments	1,393,881	615,878	-	2,009,759
Proceeds from sale of building	5,891	-	-	5,891
Increase in deposits held with captive	-	(42,930)	-	(42,930)
Drawdowns of unexpended bond proceeds	31,144	20,976	-	52,120
Additions to land, buildings, and equipment, net of disposals	(488,496)	(633,370)	-	(1,121,866)
Proceeds from commercial insurance or disaster recovery for capital	-	53,220	-	53,220
Cash acquired from acquisition of Lutheran Medical Center	-	26,074	-	26,074
Net cash used in investing activities	(464,407)	(801,874)	-	(1,266,281)
Cash flows from financing activities				
Contributions restricted for permanent investment and capital	51,239	73,537	-	124,776
Proceeds from disaster recovery award for future mitigation	-	28,736	-	28,736
Proceeds from short-term borrowings	220,015	56,400	-	276,415
Proceeds from long-term borrowings	1,112,673	521,795	-	1,634,468
Principal payments on bonds and notes payable	(75,987)	(210,000)	-	(285,987)
Principal payments on short-term borrowings	(821,121)	(258,741)	-	(1,079,862)
Payments of deferred financing costs	(4,407)	(3,512)	-	(7,919)
Increase (decrease) in federal grants refundable	238	(325)	-	(87)
Decrease (increase) in deposits with bond trustees	11,722	(1,827)	-	9,895
Net cash provided by financing activities	494,372	206,063	-	700,435
Net increase (decrease) in cash	142,667	(325,235)	-	(182,568)
Cash				
Beginning of year	667,787	574,903	-	1,242,690
End of year	\$ 810,454	\$ 249,668	\$ -	\$ 1,060,122
Supplemental disclosure of cash flow information				
Interest paid	\$ 91,030	\$ 109,343	\$ -	\$ 200,373
Non-cash acquisitions of land, buildings, and equipment	26,140	19,707	-	45,847
Assets acquired under capital leases	-	45,663	-	45,663
Non-cash acquisition of Lutheran Medical Center net assets	-	279,163	-	279,163

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

New York University
Notes to Consolidating Supplemental Information
August 31, 2016 and 2015

(in thousands of dollars)

1. Basis of Presentation – Consolidating Supplemental Information

The consolidating supplemental information ("consolidating information") presented on pages 47-57 was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual companies within NYU and is not a required part of the consolidated financial statements. The individual companies within NYU as presented within the consolidating information are disclosed within Note 1 to the consolidated financial statements.