

New York University
Consolidated Financial Statements
August 31, 2017 and 2016

New York University
Index
August 31, 2017 and 2016

	Page(s)
Report of Independent Auditors	1–2
Consolidated Financial Statements	
Balance Sheets	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6–47
Appendix A	
Supplemental Schedules	48–57
Notes to Consolidating Supplemental Schedules.....	58



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 and its subsidiaries, which comprise the consolidated balance sheets as of August 31, 2017 and 2016, and the related consolidated statements of activities and of 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.

Auditors' 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 the Company'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 the Company'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 New York University and its subsidiaries as of August 31, 2017 and 2016, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information 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 black ink, appearing to read "PricewaterhouseCoopers LLP".

December 8, 2017
New York, New York

New York University
Consolidated Balance Sheets
August 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,269,599	\$ 1,033,266
Short-term investments (Note 4)	1,989	2,302
Accounts and loans receivable, net (Note 5)	589,422	479,496
Patient accounts receivable, net (Note 3)	858,748	589,946
Contributions receivable, net (Note 6)	459,147	509,842
Other assets (Note 7)	777,025	352,453
Assets limited as to use - disaster recovery (Note 17)	90,263	126,807
Disaster-related receivable (Note 17)	167,984	257,127
Deposits with trustees (Note 2)	289,088	414,927
Long-term investments (Note 4)	4,878,686	4,432,746
Assets held for professional liabilities (Note 10)	503,328	400,476
Land, buildings, and equipment, net (Note 8)	9,962,531	8,276,486
Total assets	<u>\$ 19,847,810</u>	<u>\$ 16,875,874</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,699,551	\$ 1,362,080
Deferred revenue	918,099	844,987
Deferred revenue - disaster related (Note 17)	102,980	126,807
Professional liabilities (Note 10)	629,810	459,397
Debt and other obligations (Note 9)	6,308,820	5,291,765
Funds held for others (Notes 5 and 7)	306,117	79,470
Accrued benefit obligation (Note 11)	567,558	561,203
Accrued postretirement obligation (Note 12)	569,448	630,999
Asset retirement obligation	235,362	225,347
Total liabilities	<u>11,337,745</u>	<u>9,582,055</u>
Net assets		
Unrestricted	4,800,589	3,829,838
Temporarily restricted (Note 15)	1,627,922	1,534,785
Permanently restricted (Note 15)	2,081,554	1,929,196
Total net assets	<u>8,510,065</u>	<u>7,293,819</u>
Total liabilities and net assets	<u>\$ 19,847,810</u>	<u>\$ 16,875,874</u>

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

New York University

Consolidated Statements of Activities

Years Ended August 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Changes in unrestricted net assets		
Operating revenues		
Tuition and fees (net of financial aid awards of \$653,168 and \$613,962)	\$ 1,753,736	\$ 1,662,920
Grants and contracts (Note 2)	875,965	802,333
Patient care (net of provision for bad debt \$85,461 and \$91,799) (Note 3)	5,571,455	4,406,721
Hospital affiliations (Note 13)	348,956	321,146
Insurance premiums earned	73,804	65,864
Contributions	183,505	157,128
Endowment distribution (Note 4)	162,214	155,397
Return on short-term investments (Note 4)	10,133	6,284
Auxiliary enterprises	513,259	470,001
Program fees and other	228,490	287,847
Disaster recovery reimbursement (Note 17)	41,580	39,432
Net assets released from restrictions	123,365	125,140
Total operating revenues	9,886,462	8,500,213
Expenses (Note 14)		
Instruction and other academic programs	1,668,291	1,607,035
Research and other sponsored programs	832,205	739,178
Patient care	4,735,549	3,780,755
Hospital affiliations (Note 13)	295,172	292,418
Libraries	94,122	89,495
Student services	157,791	156,520
Auxiliary enterprises	540,240	521,675
Institutional services	1,326,156	1,053,033
Disaster-related expenses (Note 17)	40,172	29,004
Total expenses	9,689,698	8,269,113
Excess of operating revenues over expenses	196,764	231,100
Nonoperating activities		
Investment return (Note 4)	209,366	104,910
Appropriation of endowment distribution (Note 4)	(59,375)	(57,785)
Disaster recovery reimbursement for capital (Note 17)	25,779	81,173
Pension and postretirement non-service costs (Notes 11 and 12)	(31,640)	(46,495)
Changes in pension and postretirement obligations (Notes 11 and 12)	264,138	(199,661)
Net assets released from restrictions for capital purposes	26,391	17,715
Net assets released from restrictions for hazard mitigation (Note 17)	82,851	142,120
Other	13,736	10
Loss on bond defeasance (Note 9)	(32,186)	(25,512)
Acquisition of Winthrop-University Hospital Association (Note 1)	274,927	-
Increase in unrestricted net assets	970,751	247,575
Changes in temporarily restricted net assets		
Contributions	134,106	146,830
Investment return (Note 4)	287,546	76,099
Appropriation of endowment distribution (Note 4)	(102,839)	(97,612)
Other	6,931	(51,680)
Net assets released from restrictions for hazard mitigation (Note 17)	(82,851)	(142,120)
Net assets released from restrictions	(149,756)	(142,855)
Increase (decrease) in temporarily restricted net assets	93,137	(211,338)
Changes in permanently restricted net assets		
Contributions	154,663	124,505
Other	(2,305)	16,714
Increase in permanently restricted net assets	152,358	141,219
Increase in net assets	\$ 1,216,246	\$ 177,456

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

New York University

Consolidated Statements of Cash Flows

Years Ended August 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,216,246	\$ 177,456
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	574,825	455,773
Loss on sale or disposal of land, buildings and equipment and other adjustments	11,573	24,851
Non-cash (gain) loss on extinguishment of debt	(3,651)	4,793
Net gain on investments and deposits with trustees	(432,881)	(137,817)
Bad debt expense	87,016	135,105
Pension and postretirement obligation change	(264,138)	199,661
Contributions received for permanent investment and capital	(204,723)	(133,727)
Acquisition of Winthrop-University Hospital Association	(295,427)	-
Proceeds from commercial insurance or disaster recovery award	(55,664)	(114,566)
Changes in operating assets and liabilities		
Decrease (increase) in accounts and loans receivable, net	71,830	(7,899)
Decrease in disaster recovery receivable	48,274	136,137
Increase in patient accounts receivable	(171,707)	(205,982)
Decrease (increase) in nonendowment and noncapital contributions receivable	54,894	(16,404)
Increase in other assets	(59,008)	(3,605)
Decrease in asset retirement obligation	(5,646)	(3,040)
(Decrease) increase in accounts payable and accrued expenses	(205,410)	178,137
Increase in professional liabilities	80,909	85,135
Increase (decrease) increase in deferred revenue	24,557	(221,022)
(Decrease) increase in accrued pension obligation	(46,636)	14,508
Increase in accrued postretirement obligation	21,740	25,850
Net cash provided by operating activities	<u>446,973</u>	<u>593,344</u>
Cash flows from investing activities		
Purchases of investments	(1,537,038)	(2,820,728)
Sales and maturities of investments	1,659,797	2,891,095
Increase in deposits held with captive	(40,024)	(61,886)
Drawdowns of unexpended bond proceeds	101,237	382,626
Additions to land, buildings, and equipment	(1,376,831)	(1,456,482)
Proceeds from commercial insurance or disaster recovery for capital	68,736	216,071
Cash acquired from acquisition of Winthrop-University Hospital Association	111,641	-
Net cash used in investing activities	<u>(1,012,482)</u>	<u>(849,304)</u>
Cash flows from financing activities		
Contributions received for permanent investment and capital	204,723	133,727
Proceeds from disaster recovery award for future mitigation	46,164	114,566
Proceeds from short-term borrowings	499,356	404,772
Proceeds from long-term borrowings	1,351,420	-
Principal payments on short-term borrowings	(529,370)	(317,654)
Principal payments on long-term borrowings	(791,023)	(113,831)
Payments of deferred financing costs	(5,922)	(5,623)
Increase (decrease) in funds held for others	4,216	(560)
Decrease in deposits with bond trustees	22,278	13,707
Net cash provided by financing activities	<u>801,842</u>	<u>229,104</u>
Net increase (decrease) in cash	<u>236,333</u>	<u>(26,856)</u>
Cash		
Beginning of year	<u>1,033,266</u>	<u>1,060,122</u>
End of year	<u>\$ 1,269,599</u>	<u>\$ 1,033,266</u>
Supplemental disclosure of cash flow information		
Bond proceeds	\$ -	\$ 1,114,910
Other leasing obligations	-	(146,603)
Interest paid	238,686	217,452
Change in non-cash acquisitions of land, buildings, and equipment	90,946	78,634
Assets acquired under capital leases	258,481	75,630
Non-cash acquisition of Winthrop-University Hospital Association net assets	226,691	-

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

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(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 Langone Health, 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, NYUSoM (reported as a part of NYU Langone Health), 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 statements of activities.

NYU Langone Health

The Health System is the sole corporate member of NYU Langone Hospitals. NYU Langone Hospitals operates 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 Langone Orthopedic Hospital, a 190-bed acute care facility specializing in orthopedic, neurologic, and rheumatologic services; NYU Langone Hospital-Brooklyn, a 450-bed acute care hospital; 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.

On April 1, 2017, the Health System completed an affiliation agreement (Affiliation) in which it became the sole corporate member of Winthrop-University Hospital Association and its subsidiary entities, Winthrop University Hospital Service Corporation and Winthrop Clinical Partners, Inc. Winthrop-University Hospital Association subsequently changed its name to NYU Winthrop Hospital (Winthrop). Winthrop is a 591-bed adult Level 1 trauma center and teaching hospital in Mineola, New York.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

In addition to NYU Langone Hospitals and Winthrop, 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 defined by the US Department of Housing and Urban Development; and Sunset Bay Community Services, Inc., which provides senior services and day care services.

NYU Langone Hospitals is the sole corporate member of CCC550 Insurance, SCC. (CCC550), which provides the hospitals' professional and general liability insurance, as well as insurance to physicians employed by the NYUSoM, and starting on July 1, 2017, Winthrop. CCC550 is subject to taxation in accordance with Section 29 of the Exempt Insurance Act in Barbados.

Affiliation with NYU Winthrop

The Health System's affiliation with and the subsequent change in control of Winthrop 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 \$274,927 of unrestricted non-operating income in the 2017 consolidated statement of activities which represents Winthrop's net assets at March 31, 2017 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 2017, Winthrop 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 2017 was impracticable.

The following is a summary of the Winthrop activity included in the 2017 consolidated statements of activities:

	2017
Net assets as of March 31, 2017	\$ 176,444
Excess of the fair value of assets acquired over liabilities	98,483
Acquisition of Winthrop-University Hospital Association	<u>274,927</u>
Operating revenues	649,478
Operating expenses	<u>630,016</u>
	19,462
Non-operating activities	<u>25,839</u>
Change in unrestricted net assets	320,228
Change in temporarily restricted net assets	12,750
Change in permanently restricted net assets	<u>8,820</u>
Total change in net assets as a result of the acquisition	<u>\$ 341,798</u>

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

The following is a summary of the Winthrop amounts included in the consolidated balance sheet as of August 31, 2017:

	August 31, 2017
Assets	\$ 1,231,969
Liabilities	890,171
Unrestricted net assets	320,228
Temporarily restricted net assets	12,750
Permanently restricted net assets	8,820

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 asset 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.

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

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.

Grants and Contracts

Grant and contract revenues represent reimbursements of costs incurred in direct support of research and other sponsored activities. 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 \$150,927 and \$135,348 for the years ended August 31, 2017 and 2016, respectively.

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 (2.9% in 2017 and 2.4% in 2016). 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. NYU maintains its deposits with high credit quality financial institutions, with balances that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits is significant.

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 \$256,542 and \$355,408 as well as debt service reserve funds held by NYU of \$32,546 and \$59,519 at August 31, 2017 and 2016, 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.

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

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

Funds Held for Others

Funds held for others consist of the University's federal grants refundable and deferred compensation plan liabilities (for NYU's (457(b) plans). Corresponding assets are included within accounts receivable (Note 5) and other assets (Note 7), respectively.

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 2016 consolidated financial statements have been reclassified to conform to the current year's presentation.

New Authoritative Pronouncements

In January 2016, the FASB issued Accounting Standards Update (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 in fiscal year 2016.

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. If the NAV per share of an investment is determined and published, the NAV is considered the basis for fair value for a transaction and the investment is presented within the fair value hierarchy. In other instances, where NAV is communicated to an investor but

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

not made publicly available, such investments are considered to be valued using NAV as a practical expedient and are presented separately from the fair value hierarchy. The standard is effective for fiscal years beginning after December 15, 2016. NYU adopted the provisions of this standard in fiscal year 2017, and applied it retrospectively (Note 4).

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (Topic 715). The standard requires entities to report the service cost component of net periodic benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. NYU adopted the provisions of this standard in fiscal year 2017, and applied it retrospectively (Notes 11 and 12).

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 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 currently evaluating the impact this standard will have on the 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 evaluating the impact this standard will have on the 2020 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 evaluating the impact this standard will have on the 2019 consolidated financial statements.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

3. Patient Care Revenue and Receivables

NYU Langone Health has 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 NYU Langone Health 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 service revenues are also reduced for allowances for uncollectible accounts. Patient service revenue for NYU Langone Health, net of contractual allowances and discounts, is as follows for the years ended August 31, 2017 and 2016:

	2017	2016
Gross charges	\$ 22,743,511	\$ 16,046,055
Allowances	<u>(17,141,474)</u>	<u>(11,598,476)</u>
Patient service revenue, net of contractual allowances	5,602,037	4,447,579
Bad debt expense	<u>(85,461)</u>	<u>(91,799)</u>
Total net patient service revenue	<u>\$ 5,516,576</u>	<u>\$ 4,355,780</u>

Winthrop's net patient service revenue is \$637,273 for the period April 1 through August 31, 2017.

NYU Langone Health's patient accounts receivable, after contractual allowances but before allowances for bad debts is \$1,042,953 and \$722,276 at August 31, 2017 and 2016, respectively. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. NYU Langone Health 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 experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, NYU Langone Health 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. NYU Langone Health 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. NYU Langone Health's allowance for uncollectible accounts are \$190,681 and \$135,532 at August 31, 2017 and 2016 respectively, and have remained consistent as a percentage of accounts receivables net of contractual allowances. NYU Langone Health's patient accounts receivable, net, is \$852,272 and \$586,744 at August 31, 2017, and August 31, 2016.

Winthrop's patient accounts receivable, net, is \$188,101 at August 31, 2017.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

NYU Langone Health 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 NYU Langone Health-specific data. The net amounts due to third party payors at August 31, 2017 and 2016 are \$15,459 and \$33,624, respectively. Additionally, certain payors' payment rates for various years have been appealed by the NYU Langone Health. If the appeals are successful, additional income applicable to those years may be realized.

NYU Langone Hospitals' cost reports have been audited by the Medicare fiscal intermediary through December 31, 2013; however, final settlements are pending for 2003, 2004, and 2011. NYU Langone Hospital-Brooklyn cost reports have been audited by the Medicare fiscal intermediary through December 31, 2014; however, final settlements are pending for the years 2007 to 2014. Winthrop's cost reports have been audited by the Medicare fiscal intermediary through December 31, 2014.

NYU Langone Health 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, 2017 and 2016 are as follows:

	2017		2016	
	Health System	NYUSoM	Health System	NYUSoM
Medicare	17 %	17 %	17 %	17 %
Medicaid	2	1	2	1
Medicare and Medicaid managed care	17	13	15	12
Blue Cross	24	17	25	17
Managed care and other	40	52	41	53
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The mix of receivables (net of contractual allowances) from patients and third party payors at August 31, 2017 and 2016 are as follows:

	2017		2016	
	Health System	NYUSoM	Health System	NYUSoM
Medicare	11 %	11 %	11 %	12 %
Medicaid	2	1	3	1
Medicare and Medicaid managed care	23	17	25	14
Blue Cross	19	15	16	15
Managed care and other	45	56	45	58
	<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.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

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 NYU Langone Hospitals' 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 \$55,775 and \$129,396 for fiscal year 2017 and 2016, respectively. This equated to an approximate cost of \$13,192 and \$33,909 for the years ended August 31, 2017 and 2016, 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 \$51,307 and \$45,312 for 2017 and 2016, 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 Health System's 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 \$85,461 and \$91,799 for the years ended August 31, 2017 and 2016, 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.

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

Fair value for Level 1 is based on unadjusted 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.

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.

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

Investments for which fair value is measured at net asset value (NAV) per share as a practical expedient consist primarily of NYU's ownership in alternative investments (principally limited partnership interest in public equity, hedge funds, credit, real assets, private equity, real estate, and other similar funds). The 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 on these investments and believes the reported NAV as a practical expedient is an appropriate measure of fair value as of August 31, 2017 and 2016. ASU 2015-07 removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share as a practical expedient. As such, alternative investments measured using a NAV that is not publicly available are excluded from the fair value hierarchy disclosures and reported separately in the fair value hierarchy tables.

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, fixed income, hedge funds, credit, real assets, private equity, real estate, 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.

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).

Fixed Income

Fixed income includes investments in securities such as U.S. government securities, non-U.S. sovereign bonds, and corporate and asset-backed securities.

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.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

Credit

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

Real Assets

Real assets includes public and private investments in real assets.

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 public and private investments in real estate.

Cash and Other

Cash and other predominantly includes cash and cash equivalents.

The following tables summarize the fair value of financial instruments at August 31, 2017 and 2016:

	2017			
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Long-term investments-investment Pool				
Public equity	\$ 867,723	\$ -	\$ -	\$ 867,723
Fixed income	-	183,281	-	183,281
Real assets	16,658	-	-	16,658
Cash and other	406,548	-	43,980	450,528
	1,290,929	183,281	43,980	1,518,190
Alternative investments measured at NAV as a practical expedient				2,585,944
Subtotal investment pool				4,104,134
Other long-term investments				
Public equity	256,233	2,794	-	259,027
Fixed income	434,014	10,200	-	444,214
Cash and other	68,007	29	3,275	71,311
Subtotal other long-term investments	758,254	13,023	3,275	774,552
Total long-term investments	2,049,183	196,304	47,255	4,878,686
Short-term investments				
Cash and other	1,989	-	-	1,989
Total short-term investments	1,989	-	-	1,989
Other financial instruments				
Split-interest agreements and interest in perpetual trust (Note 7)	-	-	35,508	35,508
Deposits with trustees (Note 2)	65,446	223,642	-	289,088
Deferred compensation plan held for others (Note 7)	165,877	43,243	19,057	228,177
Assets held for professional liabilities (Note 10)	67,255	436,073	-	503,328
Total	\$ 2,349,750	\$ 899,262	\$ 101,820	\$ 5,936,776

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

The fair value of Winthrop's long-term investments of \$144,272 is included in other-long term investments at August 31, 2017.

	2016			
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Long-term investments-investment Pool				
Public equity	\$ 676,222	\$ -	\$ -	\$ 676,222
Fixed income	-	180,693	-	180,693
Real assets	9,962	-	-	9,962
Cash and other	316,887	-	43,980	360,867
	1,003,071	180,693	43,980	1,227,744
Alternative investments measured at NAV as a practical expedient				2,385,822
Subtotal investment pool				3,613,566
Other long-term investments				
Public equity	159,975	2,855	-	162,830
Fixed income	649,968	-	-	649,968
Cash and other	2,107	513	3,762	6,382
Subtotal other long-term investments	812,050	3,368	3,762	819,180
Total long-term investments	1,815,121	184,061	47,742	4,432,746
Short-term investments				
Cash and other	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 for profession liabilities (Note 10)	5,587	394,889	-	400,476
Total	\$ 1,897,975	\$ 918,912	\$ 81,617	\$ 5,284,326

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

The following tables represent NYU's investments measured at NAV as a practical expedient by asset class and the respective liquidity terms as of August 31, 2017 and 2016:

2017				
Asset Category	Redemption Frequency (if currently eligible)	Redemption Notice Period	Fair Value	
Redeemable alternative investments				
Public equity	Daily, Weekly, Monthly, Quarterly	Daily to 90 days	\$	1,338,387
Hedge funds	Quarterly, Semi-Annual, Annual, Bi-Annual	45-90 days		676,698
Total			\$	2,015,085
Non-redeemable alternative investments	Remaining Life	Time to draw Commitment	Unfunded Commitments	Fair Value
Private equity	Up to 9 years	7-14 days	\$ 148,373	\$ 219,924
Credit	Up to 9 years	7-14 days	69,034	128,464
Real assets	Up to 8 years	7-14 days	22,057	69,763
Real estate	Up to 13 years	7-14 days	108,792	152,708
Total			\$ 348,256	\$ 570,859
Alternative investments measured at NAV as a practical expedient				\$ 2,585,944

2016				
Asset Category	Redemption Frequency (if currently eligible)	Redemption Notice Period	Fair Value	
Redeemable alternative investments				
Public equity	Daily, Monthly, Quarterly, Annual	Daily to 90 days	\$	1,185,303
Hedge funds	Quarterly, Semi-Annual, Annual, Bi-Annual	45-90 days		655,104
Fixed income	Quarterly	Daily		6,029
Real assets	Monthly	45 days		8,308
Total			\$	1,854,744
Non-redeemable alternative investments	Remaining Life	Time to draw Commitment	Unfunded Commitments	Fair Value
Private equity	Up to 12 years	7-30 days	\$ 91,775	\$ 210,192
Credit	Up to 10 years	7-30 days	34,046	135,310
Real assets	Up to 10 years	7-30 days	33,815	67,003
Real estate	Up to 10 years	7-30 days	79,000	118,573
Total			\$ 238,636	\$ 531,078
Alternative investments measured at NAV as a practical expedient				\$ 2,385,822

The following table provides the changes for financial instruments classified within Level 3 of the fair value hierarchy as defined above:

2017				
	Split-interest and perpetual trust	Cash and Other	Deferred compensation plan assets	Total
Fair value, August 31, 2016	\$ 33,875	\$ 47,742	\$ -	\$ 81,617
Unrealized gains (losses)	1,633	(487)	-	1,146
Transfers in	-	-	19,057	19,057
Fair value, August 31, 2017	\$ 35,508	\$ 47,255	\$ 19,057	\$ 101,820

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

	2016			
	Split-interest and perpetual trust	Cash and Other	Deferred compensation plan assets	Total
Fair value, August 31, 2015	\$ 30,474	\$ 6,879	\$ -	\$ 37,353
Unrealized gains	3,448	61	-	3,509
Transfers in	-	43,980	-	43,980
Sales	(47)	(3,178)	-	(3,225)
Fair value, August 31, 2016	\$ 33,875	\$ 47,742	\$ -	\$ 81,617

Total investment return for the years ended August 31, 2017 and 2016 is as follows:

	2017	2016
Dividends and interest	\$ 73,977	\$ 50,813
Realized and unrealized gains, net	437,612	142,358
Investment expenses	(4,544)	(5,878)
Total investment return, net	\$ 507,045	\$ 187,293
Endowment distribution approved for spending	\$ 162,214	\$ 155,397
Return on short-term investments	10,133	6,284
Unrestricted investment return, net of spending	149,991	47,125
Temporarily restricted investment return, net of spending	184,707	(21,513)
Total investment return, net	\$ 507,045	\$ 187,293

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.

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 4.5% in 2017 and 5% in 2016) 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 may 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.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

5. Accounts and Loans Receivable, net

Accounts and loans receivable, net of allowances for uncollectable amounts consist of the following at August 31, 2017 and 2016:

	2017	2016
Students and other	\$ 147,571	\$ 120,534
Grants and contracts	93,302	84,460
Student loans	113,074	120,488
Housing loans and other loans to employees	64,202	65,290
Insurance premiums and recoveries (Note 10)	214,087	133,401
	<u>632,236</u>	<u>524,173</u>
Allowance for uncollectible amounts	<u>(42,814)</u>	<u>(44,677)</u>
Accounts and loans receivable, net	<u>\$ 589,422</u>	<u>\$ 479,496</u>

Winthrop's estimated insurance recoveries (related to professional liability and workers compensation policies) of \$77,759 are included in accounts and loans receivable, net at August 31, 2017.

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 \$77,940 and \$79,470 at August 31, 2017 and 2016, respectively. NYU records a liability on its consolidated balance sheet for these advances within funds held for others.

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

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

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

6. Contributions Receivable

Contributions receivable consist of the following at August 31, 2017 and 2016:

	2017	2016
Amounts expected to be collected in		
Less than one year	\$ 205,967	\$ 148,233
One to five years	281,638	399,733
More than five years	71,834	91,673
	<u>559,439</u>	<u>639,639</u>
Discount	(36,397)	(45,172)
Allowance for uncollectible amounts	(63,895)	(84,625)
	<u>(100,292)</u>	<u>(129,797)</u>
Contributions receivable, net	<u>\$ 459,147</u>	<u>\$ 509,842</u>

Contributions receivable activity for the years ended August 31, 2017 and 2016 is as follows:

	2017	2016
Contributions receivable, gross, beginning of year	\$ 639,639	\$ 630,548
New pledges received	175,448	211,702
Adjustments and write-offs	(21,989)	(23,846)
Pledge payments received	(233,659)	(178,765)
	<u>559,439</u>	<u>639,639</u>
Contributions receivable, gross, end of year	559,439	639,639
Discount and allowance for uncollectible amounts	(100,292)	(129,797)
	<u>(100,292)</u>	<u>(129,797)</u>
Contributions receivable, net, end of year	<u>\$ 459,147</u>	<u>\$ 509,842</u>

Conditional promises to give, bequests, and intentions to give not included in these financial statements, are \$847,131 and \$691,044 at August 31, 2017 and 2016, respectively.

Expenses related to fundraising activities are \$49,220 and \$54,761 for the years ended August 31, 2017 and 2016, respectively.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

7. Other Assets

Other assets consist of the following at August 31, 2017 and 2016:

	2017	2016
Prepaid expenses and deferred charges	\$ 167,100	\$ 147,598
Deferred compensation plan assets held for others	228,177	-
Inventory	78,512	55,866
Tenant improvement allowance	66,934	-
Third-party payor receivables	61,202	39,756
Intangible assets	40,686	-
Split-interest agreements	35,508	33,875
Other	98,906	75,358
	<u>\$ 777,025</u>	<u>\$ 352,453</u>
Other assets		

Winthrop's other assets, which includes \$40,686 of intangible assets recorded pursuant to the Affiliation (Note 1), totaled \$120,997 at August 31, 2017.

Deferred compensation plan assets held for others represents employee contributions and investment income for NYU's 457(b) plans. A corresponding obligation is recorded within funds held for others. At August 31, 2016, the deferred compensation plan assets and liabilities were presented net in the consolidated balance sheet.

8. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at August 31, 2017 and 2016:

	2017	2016
Land	\$ 431,078	\$ 387,507
Buildings and building improvements	9,802,512	8,700,484
Equipment	1,868,040	1,382,971
Capital leases	474,811	203,547
Construction in progress	2,266,669	1,923,052
	<u>14,843,110</u>	<u>12,597,561</u>
Less: Accumulated depreciation	<u>(4,880,579)</u>	<u>(4,321,075)</u>
Land, buildings, and equipment, net	<u>\$ 9,962,531</u>	<u>\$ 8,276,486</u>

Winthrop's land, buildings, and equipment, net of accumulated depreciation totaled \$552,696 at August 31, 2017.

Depreciation expense is \$581,335 and \$456,701 for the years ended August 31, 2017 and 2016, respectively.

In October 2016, NYUSoM took possession of a twenty five story office tower under a lease agreement, which has a 30 year term with two ten year options to renew. The office space will be converted into medical offices to expand the NYUSoM ambulatory footprint in Manhattan. The

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

lease agreement meets the criteria for capital lease accounting and NYUSoM capitalized the net present value of future lease payments allocable to the building and fixed equipment totaling \$220,709. A capital lease obligation for an equal amount was recorded within debt and other obligations on the consolidated balance sheet as of August 31, 2017 (Note 9). The capital lease asset will be amortized over the life of the lease.

9. Debt and Other Obligations

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".

Debt and other obligations consists of the following at August 31, 2017 and 2016:

	2017				
	University	NYUSoM	Total Obligated Group	Health System	Consolidated NYU
Issuer					
Dormitory Authority of the State of New York (DASNY)	\$ 2,666,619	\$ 522,869	\$ 3,189,488	\$ 387,264	\$ 3,576,752
New York University	296,581	76,359	372,940	-	372,940
NYU Langone Hospitals	-	-	-	1,490,325	1,490,325
Nassau County Local Economic Assistance Corporation	-	-	-	160,925	160,925
Other obligations	101,477	384,748	486,225	221,653	707,878
Debt and other obligations	<u>\$ 3,064,677</u>	<u>\$ 983,976</u>	<u>\$ 4,048,653</u>	<u>\$ 2,260,167</u>	<u>\$ 6,308,820</u>
	2016				
	University	NYUSoM	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	305,957	79,652	385,609	-	385,609
NYU Langone Hospitals	-	-	-	894,097	894,097
Other obligations	94,465	74,037	168,502	409,294	577,796
Debt and other obligations	<u>\$ 3,030,656</u>	<u>\$ 550,810</u>	<u>\$ 3,581,466</u>	<u>\$ 1,710,299</u>	<u>\$ 5,291,765</u>

Winthrop's debt and other obligations totaled \$222,820 at August 31, 2017.

In June 2017, DASNY issued \$450,170 of revenue bonds (Series 2017A) on behalf of the Obligated Group with interest rates ranging from 3.00% to 5.00%. The Series 2017A bonds mature serially from July 2019 through July 2040, as well as July 2043. The Series 2017A bonds maturing in July 2043 are payable in annual sinking fund installments from July 2041 to maturity.

In June 2017, DASNY issued \$227,835 of taxable bonds (Series 2017B), with interest rates ranging from 1.60% to 4.15%. The Series 2017B bonds mature serially from July 2019 through

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

July 2032, as well as in July 2034, July 2039, and July 2047. The Series 2017B bonds maturing in July 2034 are payable in annual sinking fund installments from July 2033 to maturity. The Series 2017B bonds maturing in July 2039 are payable in annual sinking fund installments from July 2035 to maturity. The Series 2017B bonds maturing in July 2047 are payable in annual sinking fund installments from July 2043 to maturity.

The proceeds from the DASNY Series 2017A and Series 2017B were used, in part, to advance refund portions of the DASNY Series 2009A and Series 2009B bonds as well as the NYCIDA 2007 Polytechnic University Project bonds. The remainder of the proceeds were used to fund improvements on the Manhattan and Brooklyn campuses and repay certain lines of credit. In connection with the transaction, the Obligated Group recorded a loss on bond defeasance of \$32,186.

In May 2017, NYU Langone Hospitals issued Series 2017A Taxable Bonds totaling \$600,000. The Series 2017A Taxable Bonds require annual interest payments through August 2047 at rates varying from 4.17% to 4.37%. The proceeds of the Series 2017A bonds were used to repay a bank loan and certain outstanding lines of credit, pay the costs of various construction, renovation and equipment projects, and for working capital and other eligible corporate purposes.

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), on behalf of the Obligated Group 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, DASNY issued \$157,270 of taxable bonds (Series 2016A) on behalf of NYU Langone Hospitals with interest rates ranging from 2.75% to 5.00%. The Series 2016A mature serially through July 2040. The proceeds of the Series 2016A bonds were used to advance refund the NYU Langone Hospitals outstanding indebtedness on its Series 2006A bonds and a portion of its Series 2011A bonds. In connection with this transaction, the NYU Langone Hospitals recorded a loss on extinguishment of approximately \$24,377.

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

The principal amounts outstanding for debt and other obligations consist of the following at August 31, 2017 and 2016:

	2017				
	University	NYUSoM	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 \$3,814)	\$ 140,159	\$ -	\$ 140,159	\$ -	\$ 140,159
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 \$2,297 and \$2,433)	60,751	50,260	111,011	-	111,011
Series 2008A bonds, with an interest rate of 4.00% maturing serially through the call date in July 2018 (including premium of \$20)	3,795	-	3,795	-	3,795
Series 2008B bonds, with an interest rate of 4.00% maturing serially through the call date in July 2018 (including premium of \$17)	3,097	-	3,097	-	3,097
Series 2008C bonds, with an interest rate of 4.00% maturing serially through the call date in July 2018 (including premium of \$7)	2,412	-	2,412	-	2,412
Series 2009A bonds, with an interest rate of 5.00%, maturing serially through the call date in July 2019 (including net premiums of \$442 and discounts of \$13)	9,744	890	10,634	-	10,634
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	-	-	-	12,075	12,075
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 \$12,671 and \$4,410)	150,323	45,823	196,146	-	196,146
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 \$4,199)	59,234	-	59,234	-	59,234

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

			2017		
	University	NYUSoM	Total Obligated Group	Health System	Consolidated NYU
DASNY, continued					
Series 2012C taxable bonds, with interest rates ranging from 1.93% to 3.62%, maturing serially through July 2027	21,670	-	21,670	-	21,670
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 \$7,380)	125,965	-	125,965	-	125,965
Series 2013B taxable bonds, with interest rates ranging from 2.33% to 5.25%, maturing serially through July 2028, payable thereafter in annual sinking fund installments to maturities in July 2033 and July 2043	27,895	-	27,895	-	27,895
Series 2014 bonds, with interest rate ranging from 2.00% to 5.00%, maturing serially through July 2032 and July 2036 (including premium of \$8,402)	-	-	-	83,442	83,442
Series 2014 S2 bonds, with interest rate ranging from 3.75% to 4.95%, maturing serially through July 2034 and July 2035 (including premium of \$16,132)	-	-	-	123,347	123,347
Series 2014A bonds, with an interest rate of 2.59% maturing in July 2034, payable in annual sinking fund installments from July 2018 through July 2034	54,250	-	54,250	-	54,250
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 \$81,733)	769,207	-	769,207	-	769,207
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 \$76,037)	522,692	159,080	681,772	-	681,772
Series 2016B taxable 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 (including premiums of \$22,861)	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 and payable thereafter in annual sinking fund installments until July 2043 (including premium of \$22,502)	-	-	-	172,573	172,573
Series 2017A bonds, with interest rates ranging from 3.00% to 5.00%, maturing serially to maturity in July 2040 and payable thereafter in annual sinking fund installments until July 2047 (including premium of \$48,894 and \$22,082)	344,889	176,258	521,147	-	521,147
Series 2017B taxable bonds, with interest rates ranging from 1.60% to 4.15%, maturing serially to maturity in July 2032	177,429	50,406	227,835	-	227,835
Deferred financing costs	(12,428)	(548)	(12,976)	(4,173)	(17,149)
Subtotal of DASNY bonds	2,666,619	522,869	3,189,488	387,264	3,576,752

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

	2017				
	University	NYUSoM	Total Obligated Group	Health System	Consolidated NYU
NYU					
Series 2009 taxable bonds, with an interest rate of 5.24%, maturing in July 2032, payable in annual sinking fund installments from July 2018 through July 2032	14,747	76,933	91,680	-	91,680
Series 2010 taxable bonds, with an interest rate of 4.96%, maturing in July 2032, payable in annual sinking fund installments from July 2018 through July 2032	22,520	-	22,520	-	22,520
Series 2015 taxable bonds, with interest rates ranging from 1.32% to 4.14%, maturing serially through July 2028, payable in annual sinking fund installments from July 2029 to July 2048	260,490	-	260,490	-	260,490
Deferred financing costs	(1,176)	(574)	(1,750)	-	(1,750)
Subtotal of NYU bonds	296,581	76,359	372,940	-	372,940
NYU Langone Hospitals					
Series 2012 taxable bonds, with an interest rate of 4.40%, maturing in July 2042 (including discount of \$863)	-	-	-	249,137	249,137
Series 2013 taxable bonds, with an interest rate of 5.75%, maturing in July 2043 (including discount of \$1,243)	-	-	-	348,758	348,758
Series 2014 taxable bonds, with an interest rate of 4.78%, maturing in July 2044 (including discount of \$1,130)	-	-	-	298,870	298,870
Series 2017A taxable bonds, with an interest rate ranging from 4.17% to 4.37%, maturing in August 2047	-	-	-	600,000	600,000
Deferred financing costs	-	-	-	(6,440)	(6,440)
Subtotal of NYU Langone Hospitals bonds	-	-	-	1,490,325	1,490,325
Nassau County Local Economic Assistance Corporation					
Series 2012 taxable bonds with varying interest rates of 3.00% to 5.00%, maturing in July 2042 (including premium of \$8,262)	-	-	-	125,177	125,177
Series 2014 taxable bonds, with an interest rate of 2.99%, maturing in July 2036	-	-	-	35,748	35,748
Subtotal of Nassau County Local Economic Assistance Corporation bonds	-	-	-	160,925	160,925
Other obligations					
Various at fixed and variable interest rates	-	-	-	21,139	21,139
Mortgage loans	-	42,000	42,000	80,429	122,429
Lines of credit	95,335	79,156	174,491	55,000	229,491
Capital leases	6,142	263,592	269,734	65,085	334,819
Subtotal of other obligations	101,477	384,748	486,225	221,653	707,878
Total amounts outstanding	\$ 3,064,677	\$ 983,976	\$ 4,048,653	\$ 2,260,167	\$ 6,308,820

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

	2016				
	University	NYUSoM	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

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

			2016		
	University	NYUSoM	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 taxable 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	2,541,269	397,121	2,938,390	406,908	3,345,298

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

			2016		
	University	NYUSoM	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 bonds	88,965	-	88,965	-	88,965
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	305,957	79,652	385,609	-	385,609
NYU Langone Hospitals					
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 NYU Langone Hospitals bonds	-	-	-	894,097	894,097
Other obligations					
Various at fixed and variable interest rates	-	-	-	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 obligations	94,465	74,037	168,502	409,294	577,796
Total amounts outstanding	\$ 3,030,656	\$ 550,810	\$ 3,581,466	\$ 1,710,299	\$ 5,291,765

Interest expense on debt and other obligations totaled \$222,054 and \$176,711 for the years ended August 31, 2017 and 2016, respectively. This excludes \$21,083 and \$18,771 of capitalized interest (net of income earned on deposits with bond trustees) at August 31, 2017 and 2016, respectively, which is included in land, buildings, and equipment, net.

NYU enters into various debt and other loan agreements that are secured by specific revenue streams, collateral and other real property or improvements, in addition to issuing debt supported by a general obligation of the University, any of which may constrain the use of certain assets.

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

Other agreements include covenants requiring that NYU Langone Hospitals and Winthrop maintain certain financial ratios. At August 31, 2017 and 2016, NYU is compliant with all financial and administrative covenants.

Obligations with Financial Institutions

At August 31, 2017, the Obligated Group has four contractually committed bank credit agreements which total \$800,000 and expire from June 2018 to August 2019. The interest is accrued at rates based on LIBOR. The amounts outstanding under these agreements are \$174,491 and \$89,404 as of August 31, 2017 and 2016, respectively.

At August 31, 2017, NYU Langone Hospitals has four unsecured lines of credit which total \$500,000 and expire from December 2018 to June 2019. The interest is accrued at rates based on LIBOR. The amounts outstanding under these agreements are \$30,000 and \$145,101 as of August 31, 2017 and 2016, respectively.

At August 31, 2017, Winthrop has two unsecured lines of credit totaling \$50,000 which expire on May 31, 2018. The interest is accrued at interest rates based on LIBOR. The amounts outstanding on these lines of credit as of August 31, 2017 totals \$25,000.

In May 2014, NYU Langone Hospitals entered into a loan agreement with a bank totaling \$150,000. The loan required fixed monthly principal and interest payments at a variable rate equal to the prime rate in effect through May 2019. The outstanding balance at August 31, 2016 was \$138,749 and was repaid in full with proceeds from the 2017A taxable debt issued during fiscal year 2017.

Future Principal Payments

The aggregate required principal payments on all debt and other obligations, including capital leases, for each of the next five fiscal years, and thereafter to maturity, are as follows:

Year Ending August 31,	Debt and Other Obligations	Capital Leases	Total
2018	\$ 223,921	\$ 52,858	\$ 276,779
2019	125,830	44,405	170,235
2020	138,779	33,617	172,396
2021	136,142	27,155	163,297
2022	137,360	20,082	157,442
Thereafter	4,895,971	367,564	5,263,535
	<u>5,658,003</u>	<u>545,681</u>	<u>6,203,684</u>
Unamortized premiums and discounts, net	341,337	-	341,337
Unamortized deferred financing costs	(25,339)	-	(25,339)
Less: Imputed Interest	-	(210,862)	(210,862)
	<u>\$ 5,974,001</u>	<u>\$ 334,819</u>	<u>\$ 6,308,820</u>

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

10. Professional Liabilities

NYU Langone Health's professional liabilities 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 both self-insured and commercially 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. Professional liabilities recorded on the consolidated balance sheets as of August 31 are as follows:

	2017	2016
CCC550 professional liabilities	\$ 417,576	\$ 386,903
Winthrop self-insured liabilities	87,365	-
Commercially insured liabilities	<u>124,869</u>	<u>72,494</u>
Professional liabilities	<u>\$ 629,810</u>	<u>\$ 459,397</u>

NYU Langone Hospitals is self-insured for professional and general liabilities on an occurrence basis through CCC550. Beginning July 1, 2017, Winthrop and certain of its physicians are also self-insured through CCC550. Prior to July 1, 2017, Winthrop was self-insured for professional liabilities and designated funds in a revocable trust for satisfaction of claims and expenses.

CCC550 provides insurance coverage to certain voluntary attending physicians (VAPs) serving NYUSoM and NYU Langone Hospitals. The cost of this insurance coverage is the responsibility of such physicians.

At August 31, 2017, assets held for professional liabilities of \$503,328 on the consolidated balance sheet includes funds held by CCC550 of \$448,815 and funds held in Winthrop's self-insurance trust of \$54,513.

Commercial insurance policies are purchased by Winthrop for certain physicians on both a claims made and occurrence basis. Prior to October 1, 2015, NYU Langone Hospital – Brooklyn purchased primary and excess professional liability coverage through a commercial insurer on a claims made basis. NYU Langone Health recorded a corresponding insurance recovery receivable for claims covered by these policies within accounts and loans receivable, net on the consolidated balance sheet (Note 5).

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

11. 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 \$185,097 and \$172,810 in 2017 and 2016, respectively, and are reflected in the consolidated statements of activities. Expenses related to contributions to the multi-employer defined benefit plans are \$182,675 and 159,731 in 2017 and 2016, respectively, and are reflected in the consolidated statements of activities. There is no obligation on NYU's balance sheets for the defined contribution and multi-employer defined benefit plans.

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:

	2017	2016
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 1,511,162	\$ 1,295,465
Acquisition of Winthrop retirement plan	751,673	-
Service cost	40,052	25,717
Interest cost	60,433	52,503
Actuarial (gain) loss	(89,728)	184,353
Benefits paid	(58,348)	(46,187)
Administrative expenses	(565)	(689)
Benefit obligation, end of year	<u>2,214,679</u>	<u>1,511,162</u>
Change in fair value of plan assets		
Fair value of plan assets, beginning of year	949,959	902,553
Acquisition of Winthrop retirement plan	537,026	-
Actual return on plan assets	140,148	64,367
Employer contributions	78,901	29,915
Benefits paid	(58,348)	(46,187)
Administrative expenses	(565)	(689)
Fair value of plan assets, end of year	<u>1,647,121</u>	<u>949,959</u>
Accrued benefit obligation	<u>\$ 567,558</u>	<u>\$ 561,203</u>

Winthrop's accrued benefit obligation totaled \$196,784 at August 31, 2017.

Benefit obligation range of assumptions as of August 31

Discount rate	3.85% - 4.15%	3.60% - 3.75%
Rate of increase in compensation levels	3.00% - 4.00%	2.00% - 4.00%

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

Net Periodic Benefit Cost:

	2017	2016
Components of net periodic benefit cost		
Service cost	\$ 40,052	\$ 25,717
Interest cost	60,433	52,503
Expected return on plan assets	(83,887)	(61,481)
Amortization of prior service cost	2	2
Amortization of actuarial loss	34,315	27,684
Net periodic benefit cost	<u>\$ 50,915</u>	<u>\$ 44,425</u>
Other changes recognized in unrestricted net assets		
Actuarial net (gain) loss arising during period	\$ (146,530)	\$ 181,469
Amortization of prior service cost	(2)	(2)
Amortization of actuarial loss	(34,315)	(27,684)
Total recognized in nonoperating activities	<u>\$ (180,847)</u>	<u>\$ 153,783</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service cost	\$ 8	\$ 10
Accumulated loss	311,231	492,076
Amounts in unrestricted net assets, end of year	<u>\$ 311,239</u>	<u>\$ 492,086</u>
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the next fiscal year		
Actuarial loss	\$ 22,323	\$ 34,315
Prior service cost	2	2
Net periodic benefit cost range of assumptions		
Discount rate	3.07 % - 4.31%	3.60 % - 4.50%
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 % - 7.75%	6.00 % - 7.00%

In 2017, NYU adopted the provisions of ASU 2017-07 (Note 2) and applied this standard retrospectively. All components of net periodic benefit cost other than service cost are reported as pension and postretirement non-service costs in the non-operating section of the consolidated statements of activities.

The accumulated benefit obligation for the pension plans is \$2,059,069 and \$1,393,540 at August 31, 2017 and 2016, respectively.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

Plan Assets:

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

2017				
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 15,436	\$ -	\$ -	\$ 15,436
Fixed income	374,446	89,420	-	463,866
Public equity	1,047,503	-	-	1,047,503
Real estate	-	24,549	-	24,549
Private equity	-	10,904	-	10,904
	<u>\$ 1,437,385</u>	<u>\$ 124,873</u>	<u>\$ -</u>	<u>\$ 1,562,258</u>
Alternative investments measured at NAV as a practical expedient				84,863
Total				<u>\$ 1,647,121</u>

2016				
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 7,792	\$ -	\$ -	\$ 7,792
Fixed income	202,273	85,551	-	287,824
Public 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>

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

New York University

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in thousands of dollars)

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%-7.75% is a reasonable estimate of long-term rates of return on plan assets for 2017 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. Total expected contributions for the defined benefit plans in fiscal year 2018 are \$52,003.

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

2018	\$	73,198
2019		78,711
2020		84,390
2021		90,184
2022		95,170
2023-2027		550,510

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.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

NYU has contributed cash and recorded expenses for the following multi-employer defined benefit pension and postretirement plans for the years ended August 31, 2017 and 2016:

	2017	2016
1199 SEIU Health Care Employees Health & Welfare Fund	\$ 121,785	\$ 103,015
1199 SEIU Health Care Employees Pension Fund	40,240	37,897
United Federation of Teachers Welfare Fund	14,355	13,679
Local 810 United Wire, Metal & Machine Health & Welfare Fund	3,309	2,624
Local 810 United Wire, Metal & Machine Pension Fund	2,665	2,432
Local 153 Pension Fund	265	55
Local 30 Pension Fund	56	13
Building Service 32BJ Pension Fund	-	16
	<u>\$ 182,675</u>	<u>\$ 159,731</u>

The Pension Protection Act (PPA) 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 to implement a Funding Improvement Plan (FIP) or Rehabilitation Plan (RP). The following table includes information for related pension funds:

Pension 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
Local 810 United Wire Pension Fund	13-6596940/001	Red	Red	Yes	No	June 2019
Local 153 Pension Fund	13-2864289/001	Yellow	Red	Yes	N/A	N/A

NYU's contributions to the Local 810 United Wire Pension Fund represent approximately 52% of total plan contributions. NYU is in withdrawal status for the Local 153 Pension Fund with quarterly withdrawal payments continuing through 2036.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

12. 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.

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

	2017	2016
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 740,308	\$ 656,441
Service cost	20,063	19,170
Interest cost	24,413	28,920
Plan changes	-	(1,812)
Actuarial (gain) loss	(75,047)	51,990
Participant contributions	4,727	4,229
Retiree drug subsidy receipts	1,576	1,563
Benefits paid	(20,474)	(20,193)
Benefit obligation, end of year	<u>695,566</u>	<u>740,308</u>
Change in fair value of plan assets		
Fair value of plan assets, beginning of year	109,309	97,170
Actual return on plan assets	11,905	5,435
Employer contributions	19,075	21,105
Participant contributions	4,727	4,229
Retiree drug subsidy receipts	1,576	1,563
Benefits paid	(20,474)	(20,193)
Fair value of plan assets, end of year	<u>126,118</u>	<u>109,309</u>
Accrued postretirement benefit obligation	<u>\$ 569,448</u>	<u>\$ 630,999</u>
Range of assumptions to determine benefit obligations and net cost as of August 31		
Discount rate	3.85 - 4.03%	3.62 - 3.75%
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	2024 - 2038	2023 - 2038

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

Net Periodic Benefit Cost:

	2017	2016
Components of net periodic benefit cost		
Service cost	\$ 20,063	\$ 19,170
Interest cost	24,413	28,920
Expected return on plan assets	(6,659)	(6,096)
Amortization of prior service credit	(5,111)	(5,321)
Amortization of actuarial loss	8,134	10,284
Net periodic benefit cost	<u>\$ 40,840</u>	<u>\$ 46,957</u>
Other changes recognized in unrestricted net assets		
Actuarial net (gain) loss arising during period	\$ (80,268)	\$ 52,653
Amortization of prior service credit	5,111	5,321
Amortization of actuarial net loss	(8,134)	(10,284)
Prior service cost arising during period	-	(1,812)
Total recognized in nonoperating activities	<u>\$ (83,291)</u>	<u>\$ 45,878</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service credit	(3,375)	(8,486)
Accumulated loss	124,310	212,712
Amounts in unrestricted net assets, end of year	<u>\$ 120,935</u>	<u>\$ 204,226</u>
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the next fiscal year		
Actuarial loss	\$ 4,905	\$ 11,890
Prior service credit	(1,492)	(5,111)

In 2017, NYU adopted the provisions of ASU 2017-07 (Note 2) and applied this standard retrospectively. All components of net periodic benefit cost other than service cost are reported as pension and postretirement non-service costs in the non-operating section of the consolidated statement of activities.

In 2017 and 2016, the effect of a 1% change in the health care cost trend rate is as follows:

	2017		2016	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 9,551	\$ (7,361)	\$ 9,935	\$ (7,677)
Effect on postretirement benefit obligation	118,780	(93,477)	132,075	(103,578)

Contributions:

Expected contributions for the next fiscal year are \$10,488.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

Plan Assets:

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

2017				
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Public equity	73,396	21,381	-	94,777
Fixed income	31,341	-	-	31,341
Total	\$ 104,737	\$ 21,381	\$ -	\$ 126,118

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

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 2017 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,	
2018	\$ 23,001
2019	24,841
2020	26,824
2021	28,921
2022	31,036
2023-2027	186,830

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

13. 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 from July 1, 2015 through June 30, 2020. NYUSoM recognized revenues from these affiliation agreements of \$319,377 and \$304,005 for the years ended August 31, 2017 and 2016, respectively.

NYU Langone Hospitals has several clinical affiliation agreements with New York City area hospitals where physicians provide patient care and supervision of residents at affiliated organizations. NYU Langone Hospitals also maintains an affiliation agreement with Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a Family Health Centers at NYU Langone (FHC). NYU Langone Hospitals recognized revenue from these affiliation agreements of \$29,579 and \$17,141 for the years ended August 31, 2017 and 2016, respectively.

14. 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, 2017 and 2016, are presented below:

	2017			
	Operation and Maintenance of Plant	Interest on Indebtedness	Depreciation and Amortization	Total
Instruction and other academic programs	\$ 62,831	\$ 65,264	\$ 65,818	\$ 193,913
Research and other sponsored programs	91,733	15,043	55,683	162,459
Patient care	187,839	73,259	240,294	501,392
Libraries	6,860	1,280	7,539	15,679
Student services	13,238	3,711	13,889	30,838
Institutional services	213,351	12,484	83,985	309,820
Auxiliary enterprises	142,271	51,013	107,617	300,901
Total	<u>\$ 718,123</u>	<u>\$ 222,054</u>	<u>\$ 574,825</u>	<u>\$ 1,515,002</u>

Winthrop's allocated expenses totaled \$148,580 for the period April 1 to August 31, 2017.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

	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>

15. Components of Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at August 31, 2017 and 2016:

	2017	2016
Contributions and earnings for operating purposes	\$ 965,956	\$ 866,524
Contributions for buildings and equipment	247,947	225,597
Disaster recovery award for mitigation (Note 17)	201,254	284,103
Scholarships and fellowships	176,719	123,658
Annuity trust agreements	36,046	34,903
Total	<u>\$ 1,627,922</u>	<u>\$ 1,534,785</u>

Permanently restricted net assets at August 31, 2017 and 2016 are retained in perpetuity to support the following activities:

	2017	2016
Program support	\$ 476,110	\$ 440,264
Faculty and staff salaries	792,684	751,031
Scholarships and fellowships	733,810	672,500
Research and sponsored programs	55,763	42,469
Library books	15,621	15,589
Buildings and equipment	4,811	4,627
Student loans	2,755	2,716
Total	<u>\$ 2,081,554</u>	<u>\$ 1,929,196</u>

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.

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

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
August 31, 2017 and 2016

(in thousands of dollars)

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 600,970	\$ 1,993,588	\$ 2,594,558
Board-designated endowment	1,509,845	-	-	1,509,845
Underwater endowment (14 funds)	(269)	-	-	(269)
Total	\$ 1,509,576	\$ 600,970	\$ 1,993,588	\$ 4,104,134

	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	\$ 1,344,766	\$ 420,162	\$ 1,848,638	\$ 3,613,566

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment pool net assets, beginning of year	\$ 1,344,766	\$ 420,162	\$ 1,848,638	\$ 3,613,566
Contributions	84,617	-	147,108	231,725
Investment return	170,147	286,428	-	456,575
Endowment distribution	(59,375)	(102,839)	-	(162,214)
Liquidations	(30,579)	-	-	(30,579)
Reclassification of net assets	-	(2,781)	(2,158)	(4,939)
Investment pool net assets, end of year	\$ 1,509,576	\$ 600,970	\$ 1,993,588	\$ 4,104,134

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

	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>

16. 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:

Year Ending August 31,	
2018	\$ 278,926
2019	274,464
2020	243,308
2021	230,891
2022	204,372
Thereafter	2,526,525

Rent expense is \$260,211 and \$219,921 for the years ended August 31, 2017 and 2016, respectively.

NYU, with the exception of Winthrop, which is fully insured, is self-insured for workers' compensation. 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, 2017 and 2016. Additionally, NYU Langone Health has maintained stand-by letters of credit aggregating approximately \$35,306 and \$27,466 at August 31, 2017 and 2016, 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 balance sheet.

17. Superstorm Sandy

On October 29, 2012, Superstorm Sandy struck New York City causing widespread damage to the Manhattan campus facilities of NYU Langone Health. NYU Langone Health incurred business

New York University
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

(in thousands of dollars)

interruption losses during the period that facilities were shut down or being repaired. In addition, NYU Langone Health incurred costs to replace and repair damage to or demolish properties.

Commercial Insurance

NYU Langone Health 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 NYU Langone Health, 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, 2017 and 2016.

Federal Disaster Recovery Assistance

The Federal Emergency Management Agency (FEMA) committed significant aid to NYU Langone Health to assist in the recovery process and to mitigate losses which may occur as a result of future storms. In 2014, FEMA awarded NYU Langone Health a fixed capped Public Assistance Grant (the Capped Grant) 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 NYU Langone Health properties. As of August 31, 2017 the total Capped Grant award is \$1,091,635, of which NYU Langone Health will receive 90% (\$982,472). Through August 31, 2017, NYU Langone Health has received \$883,979 under the Capped Grant leaving \$98,493 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.

NYU Langone Health 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. Cumulative net assets released from restrictions for hazard mitigation projects through August 31, 2015 totaled \$104,525. For the years ended August 31, 2017 and 2016, NYU Langone Health released \$82,851 and \$142,120, respectively, leaving \$201,254 and \$284,103 in temporarily restricted net assets as of August 31, 2017 and August 31, 2016 (Note 15).

In addition to the Capped Grant award, FEMA continues to work with NYU Langone Health 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, 2017 and 2016

(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, 2017 and 2016:

	Federal Disaster Recovery		
	Capped Grant	Other Federal Awards	Total
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
2017 Financial Statements			
Operating revenue	\$ 27,452	\$ 14,128	\$ 41,580
Nonoperating revenue	19,792	5,987	25,779
2017 total unrestricted revenues	47,244	20,115	67,359
2017 cash received	(97,762)	(34,913)	(132,675)
Receivable at August 31, 2017	\$ 72,716	\$ (7,712)	\$ 65,004
Balance sheet classification of net receivable at August 31, 2017			
Disaster recovery receivable	162,979	5,005	167,984
Deferred revenue- disaster recovery	(90,263)	(12,717)	(102,980)
	\$ 72,716	\$ (7,712)	\$ 65,004

18. Subsequent Events

NYU performed an evaluation of subsequent events through December 8, 2017, which is the date the consolidated financial statements were issued.

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, 2017

(in thousands of dollars)

	2017			
	University	NYU Langone Health	Eliminations	Consolidated NYU
Assets				
Cash and cash equivalents	\$ 889,802	\$ 379,797	\$ -	\$ 1,269,599
Short-term investments (Note 4)	1,989	-	-	1,989
Accounts and loans receivable, net (Note 5)	425,471	295,795	(131,844)	589,422
Patient accounts receivable, net (Note 3)	6,476	852,272	-	858,748
Contributions receivable, net (Note 6)	315,413	143,734	-	459,147
Other assets (Note 7)	214,223	562,802	-	777,025
Assets limited as to use - disaster recovery (Note 17)	-	90,263	-	90,263
Disaster-related receivable (Note 17)	-	167,984	-	167,984
Deposits with trustees (Note 2)	272,803	16,285	-	289,088
Long-term investments (Note 4)	3,132,708	1,745,978	-	4,878,686
Assets held for professional liabilities (Note 10)	-	503,328	-	503,328
Land, buildings, and equipment, net (Note 8)	3,796,033	6,166,498	-	9,962,531
Total assets	<u>\$ 9,054,918</u>	<u>\$ 10,924,736</u>	<u>\$ (131,844)</u>	<u>\$ 19,847,810</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 329,806	\$ 1,501,589	\$ (131,844)	\$ 1,699,551
Deferred revenue	797,619	120,480	-	918,099
Deferred revenue - disaster related (Note 17)	-	102,980	-	102,980
Professional liabilities (Note 10)	-	629,810	-	629,810
Debt and other obligations (Note 9)	3,064,677	3,244,143	-	6,308,820
Funds held for others (Notes 5 and 7)	150,001	156,116	-	306,117
Accrued benefit obligation (Note 11)	100,955	466,603	-	567,558
Accrued postretirement obligation (Note 12)	385,009	184,439	-	569,448
Asset retirement obligation	179,036	56,326	-	235,362
Total liabilities	<u>5,007,103</u>	<u>6,462,486</u>	<u>(131,844)</u>	<u>11,337,745</u>
Net assets				
Unrestricted	1,695,986	3,104,603	-	4,800,589
Temporarily restricted (Note 15)	764,745	863,177	-	1,627,922
Permanently restricted (Note 15)	1,587,084	494,470	-	2,081,554
Total net assets	<u>4,047,815</u>	<u>4,462,250</u>	<u>-</u>	<u>8,510,065</u>
Total liabilities and net assets	<u>\$ 9,054,918</u>	<u>\$ 10,924,736</u>	<u>\$ (131,844)</u>	<u>\$ 19,847,810</u>

The accompanying note is an integral part of these consolidating 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			
	University	NYU Langone Health	Eliminations	Consolidated NYU
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 17)	-	126,807	-	126,807
Disaster-related receivable (Note 17)	-	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 for professional liabilities (Note 10)	-	400,476	-	400,476
Land, buildings, and equipment, net (Note 8)	3,722,939	4,553,547	-	8,276,486
Total assets	\$ 8,576,259	\$ 8,469,045	\$ (169,430)	\$ 16,875,874
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 356,512	\$ 1,174,998	\$ (169,430)	\$ 1,362,080
Deferred revenue	748,905	96,082	-	844,987
Deferred revenue - disaster related (Note 17)	-	126,807	-	126,807
Professional liabilities (Note 10)	-	459,397	-	459,397
Debt and other obligations (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 11)	127,160	434,043	-	561,203
Accrued postretirement obligation (Note 12)	456,258	174,741	-	630,999
Asset retirement obligation	172,511	52,836	-	225,347
Total liabilities	4,970,488	4,780,997	(169,430)	9,582,055
Net assets				
Unrestricted	1,491,913	2,337,925	-	3,829,838
Temporarily restricted (Note 15)	606,181	928,604	-	1,534,785
Permanently restricted (Note 15)	1,507,677	421,519	-	1,929,196
Total net assets	3,605,771	3,688,048	-	7,293,819
Total liabilities and net assets	\$ 8,576,259	\$ 8,469,045	\$ (169,430)	\$ 16,875,874

The accompanying note is an integral part of these consolidating financial statements.

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Balance Sheet for NYU - Detail)
August 31, 2017

(in thousands of dollars)

	2017						Total Consolidated NYU
	University	NYUSoM	Eliminations	Subtotal	Health System	Eliminations	
Assets							
Cash and cash equivalents	\$ 889,802	\$ 12,639	\$ -	\$ 902,441	\$ 367,158	\$ -	\$ 1,269,599
Short-term investments (Note 4)	1,989	-	-	1,989	-	-	1,989
Accounts and loans receivable, net (Note 5)	425,471	73,044	(131,703)	366,812	308,050	(85,440)	589,422
Patient accounts receivable, net (Note 3)	6,476	111,398	-	117,874	740,874	-	858,748
Contributions receivable, net (Note 6)	315,413	54,650	-	370,063	89,084	-	459,147
Other assets (Note 7)	214,223	232,012	-	446,235	330,790	-	777,025
Assets limited as to use - disaster recovery (Note 17)	-	50,535	-	50,535	39,728	-	90,263
Disaster-related receivable (Note 17)	-	164,126	-	164,126	3,858	-	167,984
Deposits with trustees (Note 2)	272,803	-	-	272,803	16,285	-	289,088
Long-term investments (Note 4)	3,132,708	974,872	-	4,107,580	771,106	-	4,878,686
Assets held for professional liabilities (Note 10)	-	-	-	-	503,328	-	503,328
Land, buildings, and equipment, net (Note 8)	3,796,033	2,033,403	-	5,829,436	4,133,095	-	9,962,531
Total assets	<u>\$ 9,054,918</u>	<u>\$ 3,706,679</u>	<u>\$ (131,703)</u>	<u>\$ 12,629,894</u>	<u>\$ 7,303,356</u>	<u>\$ (85,440)</u>	<u>\$ 19,847,810</u>
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 329,806	\$ 691,158	\$ (131,703)	\$ 889,261	\$ 895,730	\$ (85,440)	\$ 1,699,551
Deferred revenue	797,619	38,940	-	836,559	81,540	-	918,099
Deferred revenue - disaster related (Note 17)	-	50,566	-	50,566	52,414	-	102,980
Professional liabilities (Note 10)	-	-	-	-	629,810	-	629,810
Debt and other obligations (Note 9)	3,064,677	983,976	-	4,048,653	2,260,167	-	6,308,820
Funds held for others (Notes 5 and 7)	150,001	119,588	-	269,589	36,528	-	306,117
Accrued benefit obligation (Note 11)	100,955	46,868	-	147,823	419,735	-	567,558
Accrued postretirement obligation (Note 12)	385,009	101,961	-	486,970	82,478	-	569,448
Asset retirement obligation	179,036	29,236	-	208,272	27,090	-	235,362
Total liabilities	<u>5,007,103</u>	<u>2,062,293</u>	<u>(131,703)</u>	<u>6,937,693</u>	<u>4,485,492</u>	<u>(85,440)</u>	<u>11,337,745</u>
Net assets							
Unrestricted	1,695,986	676,635	-	2,372,621	2,427,968	-	4,800,589
Temporarily restricted (Note 15)	764,745	495,363	-	1,260,108	367,814	-	1,627,922
Permanently restricted (Note 15)	1,587,084	472,388	-	2,059,472	22,082	-	2,081,554
Total net assets	<u>4,047,815</u>	<u>1,644,386</u>	<u>-</u>	<u>5,692,201</u>	<u>2,817,864</u>	<u>-</u>	<u>8,510,065</u>
Total liabilities and net assets	<u>\$ 9,054,918</u>	<u>\$ 3,706,679</u>	<u>\$ (131,703)</u>	<u>\$ 12,629,894</u>	<u>\$ 7,303,356</u>	<u>\$ (85,440)</u>	<u>\$ 19,847,810</u>

The accompanying note is an integral part of these consolidating 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 Consolidated NYU
	University	NYUSoM	Eliminations	Subtotal	Health System	Eliminations	
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 18)	-	42,377	-	42,377	84,430	-	126,807
Disaster-related receivable (Note 18)	-	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 for professional liabilities (Note 10)	-	-	-	-	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	\$ 617,003	\$ (167,200)	\$ 806,315	\$ 587,165	\$ (31,400)	\$ 1,362,080
Deferred revenue	748,905	37,025	-	785,930	59,057	-	844,987
Deferred revenue - disaster related (Note 18)	-	42,377	-	42,377	84,430	-	126,807
Professional liabilities (Note 10)	-	-	-	-	459,397	-	459,397
Debt and other obligations (Note 9)	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 11)	127,160	73,503	-	200,663	360,540	-	561,203
Accrued postretirement obligation (Note 12)	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 16)	606,181	542,146	-	1,148,327	386,458	-	1,534,785
Permanently restricted (Note 16)	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 note is an integral part of these consolidating financial statements.

New York University
Supplemental Schedule to the Consolidated Financial Statements
(Consolidating Statement of Activities for NYU - Summary)
Year Ended August 31, 2017

(in thousands of dollars)

	2017			
	University	NYU Langone Health	Eliminations	Consolidated NYU
Changes in unrestricted net assets				
Operating revenues				
Tuition and fees (net of financial aid awards of \$643,034 University; \$10,134 NYU Langone Health)	\$ 1,704,645	\$ 49,091	\$ -	\$ 1,753,736
Grants and contracts (Note 2)	509,030	366,935	-	875,965
Patient care (net of provision for bad debts \$85,461 NYU Langone Health) (Note 3)	54,879	5,516,576	-	5,571,455
Hospital affiliations (Note 13)	-	348,956	-	348,956
Insurance premiums earned	-	73,804	-	73,804
Contributions	134,390	49,115	-	183,505
Endowment distribution (Note 4)	123,800	38,414	-	162,214
Return on short-term investments (Note 4)	10,152	(19)	-	10,133
Auxiliary enterprises	447,659	70,425	(4,825)	513,259
Program fees and other	107,690	128,250	(7,450)	228,490
Disaster recovery reimbursement (Note 17)	-	41,580	-	41,580
Net assets released from restrictions	26,405	96,960	-	123,365
Total operating revenues	3,118,650	6,780,087	(12,275)	9,886,462
Expenses (Note 14)				
Instruction and other academic programs	1,611,411	56,880	-	1,668,291
Research and other sponsored programs	230,371	601,834	-	832,205
Patient care	59,551	4,675,998	-	4,735,549
Hospital affiliations (Note 13)	-	295,172	-	295,172
Libraries	83,540	10,582	-	94,122
Student services	147,370	10,421	-	157,791
Auxiliary enterprises	464,414	80,651	(4,825)	540,240
Institutional services	521,775	811,831	(7,450)	1,326,156
Disaster-related expenses	-	40,172	-	40,172
Total expenses	3,118,432	6,583,541	(12,275)	9,689,698
Excess of operating revenues over expenses	218	196,546	-	196,764
Nonoperating activities				
Investment return (Note 4)	132,932	76,434	-	209,366
Appropriation of endowment distribution (Note 4)	(45,616)	(13,759)	-	(59,375)
Disaster recovery reimbursement for capital (Note 17)	-	25,779	-	25,779
Pension and postretirement non-service costs (Notes 11 and 12)	(22,429)	(9,211)	-	(31,640)
Changes in pension and postretirement obligations (Notes 11 and 12)	117,453	146,685	-	264,138
Net assets released from restrictions for capital purposes	21,074	5,317	-	26,391
Net assets released from restrictions for hazard mitigation	-	82,851	-	82,851
Other	24,565	(10,829)	-	13,736
Loss on bond defeasance (Note 9)	(24,124)	(8,062)	-	(32,186)
Acquisition of Winthrop-University Hospital Association (Note 1)	-	274,927	-	274,927
Increase in unrestricted net assets	204,073	766,678	-	970,751
Changes in temporarily restricted net assets				
Contributions	57,715	76,391	-	134,106
Investment return (Note 4)	217,178	70,368	-	287,546
Appropriation of endowment distribution (Note 4)	(78,184)	(24,655)	-	(102,839)
Other	9,334	(2,403)	-	6,931
Net assets released from restrictions for hazard mitigation (Note 17)	-	(82,851)	-	(82,851)
Net assets released from restrictions	(47,479)	(102,277)	-	(149,756)
Increase (decrease) in temporarily restricted net assets	158,564	(65,427)	-	93,137
Changes in permanently restricted net assets				
Contributions	81,500	73,163	-	154,663
Other	(2,093)	(212)	-	(2,305)
Increase in permanently restricted net assets	79,407	72,951	-	152,358
Increase in net assets	\$ 442,044	\$ 774,202	\$ -	\$ 1,216,246

The accompanying note is an integral part of these consolidating 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			
	University	NYU Langone Health	Eliminations	Consolidated NYU
Changes in unrestricted net assets				
Operating revenues				
Tuition and fees (net of financial aid awards of \$604,789 University; \$9,173 NYU Langone Health)	\$ 1,612,189	\$ 50,731	\$ -	\$ 1,662,920
Grants and contracts (Note 2)	490,709	311,624	-	802,333
Patient care (net of provision for bad debts \$91,799 NYU Langone Health) (Note 3)	50,941	4,355,780	-	4,406,721
Hospital affiliations (Note 13)	-	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 17)	-	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 14)				
Instruction and other academic programs	1,549,639	57,396	-	1,607,035
Research and other sponsored programs	215,509	523,669	-	739,178
Patient care	51,769	3,728,986	-	3,780,755
Hospital affiliations (Note 13)	-	292,418	-	292,418
Libraries	79,570	9,925	-	89,495
Student services	146,610	9,910	-	156,520
Auxiliary enterprises	437,264	89,352	(4,941)	521,675
Institutional services	505,926	554,532	(7,425)	1,053,033
Disaster-related expenses	-	29,004	-	29,004
Total expenses	2,986,287	5,295,192	(12,366)	8,269,113
Excess of operating revenues over expenses	19,768	211,332	-	231,100
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 17)	-	81,173	-	81,173
Pension and postretirement non-service costs (Notes 11 and 12)	(27,766)	(18,729)	-	(46,495)
Changes in pension and postretirement obligations (Notes 11 and 12)	(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 17)	-	(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 note is an integral part of these consolidating financial statements.

New York University

Supplemental Schedule to the Consolidated Financial Statements

(Consolidating Statement of Activities for NYU - Detail)

Year Ended August 31, 2017

(in thousands of dollars)

	2017						Total Consolidated NYU
	University	NYUSoM	Eliminations	Subtotal	Health System	Eliminations	
Changes in unrestricted net assets							
Operating revenues							
Tuition and fees (net of financial aid awards of \$643,034 University; and \$10,134 NYU Langone Health)	\$ 1,704,645	\$ 49,091	\$ -	\$ 1,753,736	\$ -	\$ -	\$ 1,753,736
Grants and contracts (Note 2)	509,030	364,027	-	873,057	2,908	-	875,965
Patient care (net of provision for bad debts \$85,461 NYU Langone Health) (Note 3)	54,879	1,523,560	-	1,578,439	4,406,146	(413,130)	5,571,455
Hospital affiliations (Note 13)	-	319,377	-	319,377	29,579	-	348,956
Insurance premiums earned	-	-	-	-	73,804	-	73,804
Contributions	134,390	42,185	-	176,575	6,930	-	183,505
Endowment distribution (Note 4)	123,800	36,910	-	160,710	1,504	-	162,214
Return on short-term investments (Note 4)	10,152	(19)	-	10,133	-	-	10,133
Auxiliary enterprises	447,659	23,015	(4,825)	465,849	47,410	-	513,259
Program fees and other	107,690	218,478	(7,450)	318,718	100,274	(190,502)	228,490
Disaster recovery reimbursement (Note 17)	-	39,614	-	39,614	1,966	-	41,580
Net assets released from restrictions	26,405	52,119	-	78,524	44,841	-	123,365
Total operating revenues	3,118,650	2,668,357	(12,275)	5,774,732	4,715,362	(603,632)	9,886,462
Expenses (Note 14)							
Instruction and other academic programs	1,611,411	56,880	-	1,668,291	-	-	1,668,291
Research and other sponsored programs	230,371	601,008	-	831,379	826	-	832,205
Patient care	59,551	1,470,122	-	1,529,673	3,619,006	(413,130)	4,735,549
Hospital affiliations (Note 13)	-	295,172	-	295,172	-	-	295,172
Libraries	83,540	10,147	-	93,687	435	-	94,122
Student services	147,370	10,421	-	157,791	-	-	157,791
Auxiliary enterprises	464,414	70,842	(4,825)	530,431	9,809	-	540,240
Institutional services	521,775	215,739	(7,450)	730,064	786,594	(190,502)	1,326,156
Disaster-related expenses	-	26,632	-	26,632	13,540	-	40,172
Total expenses	3,118,432	2,756,963	(12,275)	5,863,120	4,430,210	(603,632)	9,689,698
Excess (deficiency) of operating revenues over expenses	218	(88,606)	-	(88,388)	285,152	-	196,764
Nonoperating activities							
Investment return (Note 4)	132,932	37,089	-	170,021	39,345	-	209,366
Appropriation of endowment distribution (Note 4)	(45,616)	(13,601)	-	(59,217)	(158)	-	(59,375)
Disaster recovery reimbursement for capital (Note 17)	-	25,424	-	25,424	355	-	25,779
Pension and postretirement non-service costs (Notes 11 and 12)	(22,429)	(4,755)	-	(27,184)	(4,456)	-	(31,640)
Changes in pension and postretirement obligations (Notes 11 and 12)	117,453	31,055	-	148,508	115,630	-	264,138
Net assets released from restrictions for capital purposes	21,074	2,436	-	23,510	2,881	-	26,391
Net assets released from restrictions for hazard mitigation	-	60,149	-	60,149	22,702	-	82,851
Other	24,565	7,476	-	32,041	(18,305)	-	13,736
Mission based payment	-	50,000	-	50,000	(50,000)	-	-
Loss on bond defeasance (Note 9)	(24,124)	(8,062)	-	(32,186)	-	-	(32,186)
Acquisition of Winthrop-University Hospital Association (Note 1)	-	-	-	-	274,927	-	274,927
Increase in unrestricted net assets	204,073	98,605	-	302,678	668,073	-	970,751
Changes in temporarily restricted net assets							
Contributions	57,715	26,731	-	84,446	49,660	-	134,106
Investment return (Note 4)	217,178	66,902	-	284,080	3,466	-	287,546
Appropriation of endowment distribution (Note 4)	(78,184)	(23,309)	-	(101,493)	(1,346)	-	(102,839)
Other	9,334	(2,403)	-	6,931	-	-	6,931
Net assets released from restrictions for hazard mitigation (Note 17)	-	(60,149)	-	(60,149)	(22,702)	-	(82,851)
Net assets released from restrictions	(47,479)	(54,555)	-	(102,034)	(47,722)	-	(149,756)
Increase (decrease) in temporarily restricted net assets	158,564	(46,783)	-	111,781	(18,644)	-	93,137
Changes in permanently restricted net assets							
Contributions	81,500	64,318	-	145,818	8,845	-	154,663
Other	(2,093)	(200)	-	(2,293)	(12)	-	(2,305)
Increase in permanently restricted net assets	79,407	64,118	-	143,525	8,833	-	152,358
Increase in net assets	\$ 442,044	\$ 115,940	\$ -	\$ 557,984	\$ 658,262	\$ -	\$ 1,216,246

The accompanying note is an integral part of these consolidating 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	NYUSoM	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)	\$ 1,612,189	\$ 50,731	\$ -	\$ 1,662,920	\$ -	\$ -	\$ 1,662,920
Grants and contracts (Note 12)	490,709	311,047	-	801,756	577	-	802,333
Patient care (net of provision for bad debts \$91,799 NYU Langone Health) (Note 3)	50,941	1,336,452	-	1,387,393	3,361,137	(341,809)	4,406,721
Hospital affiliations (Note 13)	-	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 17)	-	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 14)							
Instruction and other academic programs	1,549,639	57,396	-	1,607,035	-	-	1,607,035
Research and other sponsored programs	215,509	523,669	-	739,178	-	-	739,178
Patient care	51,769	1,280,211	-	1,331,980	2,790,584	(341,809)	3,780,755
Hospital affiliations (Note 13)	-	292,418	-	292,418	-	-	292,418
Libraries	79,570	9,925	-	89,495	-	-	89,495
Student services	146,610	9,910	-	156,520	-	-	156,520
Auxiliary enterprises	437,264	82,345	(4,941)	514,668	7,007	-	521,675
Institutional services	505,926	119,330	(7,425)	617,831	540,004	(104,802)	1,053,033
Disaster-related expenses	-	19,356	-	19,356	9,648	-	29,004
Total expenses	2,986,287	2,394,560	(12,366)	5,368,481	3,347,243	(446,611)	8,269,113
Excess (deficiency) of operating revenues over expenses	19,768	(42,754)	-	(22,986)	254,086	-	231,100
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 recovery reimbursement for capital (Note 17)	-	78,738	-	78,738	2,435	-	81,173
Pension and postretirement non-service costs (Notes 11 and 12)	(27,766)	(6,095)	-	(33,861)	(12,634)	-	(46,495)
Changes in pension and postretirement obligations (Notes 11 and 12)	(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 (Note 17)	-	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 17)	-	(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 note is an integral part of these consolidating financial statements.

New York University

Supplemental Schedule to the Consolidated Financial Statements

(Consolidating Statement of Cash Flows for NYU – Summary)

Year Ended August 31, 2017

(in thousands of dollars)

	2017			
	University	NYU Langone Health	Eliminations	Consolidated NYU
Cash flows from operating activities				
Change in net assets	\$ 442,044	\$ 774,202	\$ -	\$ 1,216,246
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization	259,490	315,335	-	574,825
(Gain) loss on sale or disposal of land, buildings and equipment and other adjustments	(4,789)	16,362	-	11,573
Gain on extinguishment of debt	(2,530)	(1,121)	-	(3,651)
Net gain on investments and deposits with trustees	(313,300)	(119,581)	-	(432,881)
Bad debt expense	(3,725)	90,741	-	87,016
Pension and postretirement obligation change	(117,453)	(146,685)	-	(264,138)
Contributions received for permanent investment and capital	(78,257)	(126,466)	-	(204,723)
Acquisition of Winthrop-University Hospital Association	-	(295,427)	-	(295,427)
Proceeds from commercial insurance or disaster recovery award	-	(55,664)	-	(55,664)
Changes in operating assets and liabilities				
Decrease in accounts and loans receivable, net	15,165	94,280	(37,615)	71,830
Decrease in disaster recovery receivable	-	48,274	-	48,274
Increase in patient accounts receivable	(3,274)	(168,433)	-	(171,707)
(Increase) decrease in nonendowment and noncapital contributions receivable	8,558	46,336	-	54,894
Increase in other assets	(20,988)	(38,020)	-	(59,008)
Decrease in asset retirement obligation	-	(5,646)	-	(5,646)
Decrease in accounts payable and accrued expenses	(28,090)	(214,935)	37,615	(205,410)
Increase in professional liabilities	-	80,909	-	80,909
Increase (decrease) in deferred revenue	48,714	(24,157)	-	24,557
Increase (decrease) in accrued pension obligation	7,325	(53,961)	-	(46,636)
(Decrease) increase in accrued postretirement obligation	12,674	9,066	-	21,740
Net cash provided by operating activities	221,564	225,409	-	446,973
Cash flows from investing activities				
Purchases of investments	(1,126,788)	(410,250)	-	(1,537,038)
Sales and maturities of investments	1,085,387	574,410	-	1,659,797
Increase in assets held for professional liabilities	-	(40,024)	-	(40,024)
Drawdowns of unexpended bond proceeds	101,033	204	-	101,237
Additions to land, buildings, and equipment	(331,526)	(1,045,305)	-	(1,376,831)
Cash acquired from Winthrop-University Hospital Association	-	68,736	-	68,736
Proceeds from commercial insurance or disaster recovery for capital	-	111,641	-	111,641
Net cash used in investing activities	(271,894)	(740,588)	-	(1,012,482)
Cash flows from financing activities				
Contributions restricted for permanent investment and capital	78,257	126,466	-	204,723
Proceeds from disaster recovery award for future mitigation	-	46,164	-	46,164
Proceeds from short-term borrowings	82,500	416,856	-	499,356
Proceeds from long-term borrowings	523,366	828,054	-	1,351,420
Principal payments on short-term borrowings	(75,469)	(453,901)	-	(529,370)
Principal payments on long-term borrowings	(479,995)	(311,028)	-	(791,023)
Payments of deferred financing costs	(1,922)	(4,000)	-	(5,922)
Increase (decrease) in funds held for others	5,767	(1,551)	-	4,216
Decrease in deposits with bond trustees	21,907	371	-	22,278
Net cash provided by financing activities	154,411	647,431	-	801,842
Net decrease in cash	104,081	132,252	-	236,333
Cash				
Beginning of year	785,721	247,545	-	1,033,266
End of year	\$ 889,802	\$ 379,797	\$ -	\$ 1,269,599
Supplemental disclosure of cash flow information				
Interest paid	\$ 125,488	\$ 113,198	\$ -	\$ 238,686
Change in non-cash acquisitions of land, buildings, and equipment	1,384	89,562	-	90,946
Assets acquired under capital leases	-	258,481	-	258,481
Non-cash acquisition of Winthrop-Hospital University Association	-	226,691	-	226,691

The accompanying note is an integral part of these consolidating 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 Langone Health	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	129,279	8,186	178,137
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 for professional liabilities	-	(61,886)	-	(61,886)
Drawdowns of unexpended bond proceeds	351,121	31,505	-	382,626
Additions to land, buildings, and equipment	(456,862)	(999,620)	-	(1,456,482)
Proceeds from 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
Principal payments on short-term borrowings	(317,654)	-	-	(317,654)
Principal payments on long-term borrowings	(46,883)	(66,948)	-	(113,831)
Payments of deferred financing costs	(2,742)	(2,881)	-	(5,623)
Increase (decrease) in funds held for others	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 note is an integral part of these consolidating financial statements.

1. Basis of Presentation – Consolidating Supplemental Schedules

The consolidating supplemental schedules (consolidating information) presented on pages 48-57 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 reporting entities within NYU as presented within the consolidating information are disclosed within Note 1 to the consolidated financial statements.

The consolidating financial statements were prepared on an accrual basis of accounting, consistent with the consolidated financial statements (Note 2). All transactions between and amounts due to (from) the reporting entities within NYU have been eliminated within the consolidating supplemental schedules.