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THE CITY UNIVERSITY OF NEW YORK

Basic Financial Statements,
Management's Discussion and Analysis,
and Supplementary Schedules

June 30, 2017

(With Independent Auditors' Report Thereon)

THE CITY UNIVERSITY OF NEW YORK

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

Independent Auditors' Report

The Board of Trustees
The City University of New York:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the University), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 29 of the 86 discretely presented component units, which represent approximately 91%, 94%, and 62%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 29 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our report and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The City University of New York as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 21 and the schedules of employer contributions, proportionate share of the net pension liability and funding progress – other postemployment benefits as of June 30, 2017 on pages 73, 74 and 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary information included on pages 76 through 79 in the schedule of net position information – senior and community colleges, the schedule of revenues, expenses, and changes in net position information – senior and community colleges, and the schedule of cash flow information – senior and community colleges (the Supplementary Information), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements that collectively comprise the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

November 16, 2017

Introduction

The objective of Management's Discussion and Analysis (MD&A) is to provide readers with an overview of The City University of New York's (CUNY) financial condition as of and for the years ended June 30, 2017 and 2016, the results of its operations for the years then ended, and significant changes from the previous year. This discussion has been prepared by management and should be read in conjunction with the accompanying audited financial statements and the notes to the financial statements.

The University's financial report communicates financial information for 24 colleges and schools including: twelve senior colleges, seven community colleges, the William E. Macaulay Honors College at CUNY, the CUNY Graduate School and University Center, the CUNY Graduate School of Journalism, the CUNY School of Law, and the CUNY Graduate School of Public Health and Health Policy. The University's financial statements also include the financial activity of the following related organizations: the Research Foundation of the City University of New York (RF-CUNY), and its subsidiary, 230 West 41st Street LLC, and the City University Construction Fund (CUCF).

The University includes twenty-seven (27) college foundations, twenty-five (25) auxiliary enterprise corporations and other component units, twenty-one (21) student association organizations and thirteen (13) child care centers of the individual colleges as discretely presented component units. The financial activities of these organizations are not included in the discussion presented below. The basis for determining which University related organizations are considered part of the University's reporting entity is included in note 1 of the financial statements.

The City University of New York

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

The University is governed by 15 Board of Trustees, with ten members including the chair appointed by the Governor of New York State and five by the Mayor of New York City. In fiscal year 2016 and continuing in fiscal year 2017, the membership of the University's Board significantly changed. Governor Andrew Cuomo appointed William C. Thompson, Jr. as chairperson of the Board of Trustees, replacing Benno Schmidt, who served for 16 years including 13 as Chairperson. Governor Cuomo's other trustee appointees include Fernando Ferrer, Mayra Linares-Garcia, Robert F. Mujica, Ken Sunshine, and Sandra Wilkin in fiscal year 2016 and Kevin D. Kim in fiscal year 2017. Mayor Bill de Blasio appointed Lorraine Cortés-Vázquez as a trustee in fiscal year 2016, and Michael Arvanites and Henry T. Berger in fiscal year 2017.

Highlights

New Strategic Vision

In January 2017, CUNY announced its new strategic vision for the future. This new strategic framework includes a comprehensive set of strategies that will result in better performance and greater success for students in advancing the university’s historic mission for the knowledge economy. The strategic framework is called “Connected CUNY,” because CUNY’s success in the future depends on how well we collaborate across the university and with our many partners, including government, the public schools, other leading universities, and the private sector.

The framework enhances CUNY’s commitment to providing an accessible, affordable, high quality education by adapting its programs to the challenges of the economic era we are entering. The framework focuses on:

- Faculty and academic program investment
- Expanding access and improving college preparation
- Sharply increasing student graduation rates and improving career preparation
- Preparing CUNY students for the global marketplace
- Enhancing student affordability

CUNY’s framework is well suited to this new economic era by connecting students and campuses better across CUNY’s university system, taking full advantage of all of our resources, adopting technology to meet our goals, including significant growth of online programs, and building more collaborations and partnerships with other institutions, public and private, domestic as well as international, to leverage our strengths.

Collective Bargaining

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

The University's Financial Position

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

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

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

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

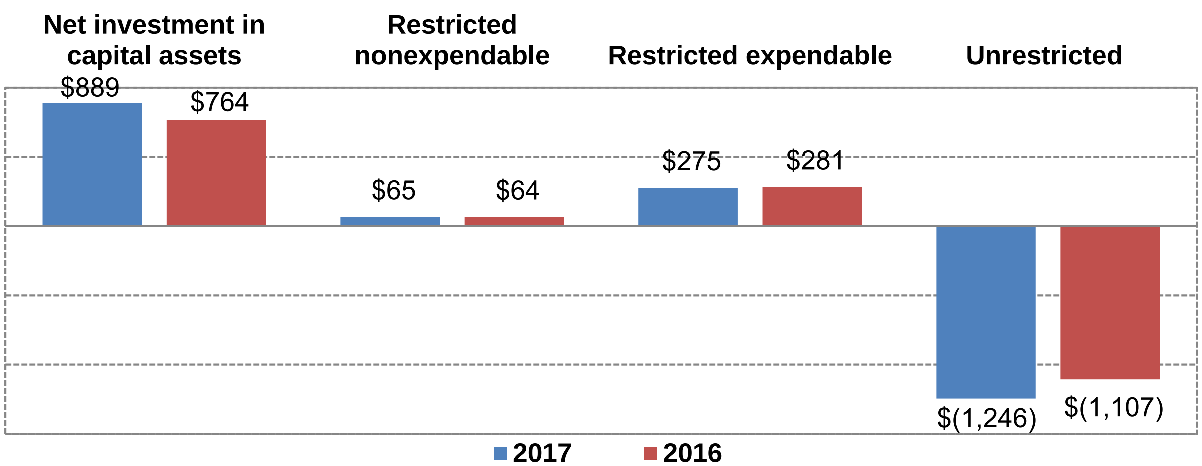
In fiscal year 2017, the University adopted GASB Statement No. 80, (GASB 80) *Blending* Requirements *for Certain Component Units – An Amendment of GASB 14.* This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There was no impact on the University's financial statements as a result of the adoption of GASB 80.

The major components of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2017 and 2016 are as follows:

		2017	2016
		(in thousands)	
Current assets	$	1,734,073	2,110,208
Other noncurrent assets		468,866	572,330
Capital assets		5,928,454	5,704,248
Total assets		8,131,393	8,386,786
Deferred outflows of resources		24,255	414,537
Current liabilities		1,326,730	1,723,470
Noncurrent liabilities		6,789,372	6,945,032
Total liabilities		8,116,102	8,668,502
Deferred inflows of resources		56,664	131,332
Net (deficit) position:			
Net investment in capital assets		888,930	764,119
Restricted			
Nonexpendable		65,220	64,216
Expendable		275,093	280,594
Unrestricted		(1,246,361)	(1,107,440)
Total net (deficit) position	$	(17,118)	1,489

Net Position

(in millions)



CUNY's total net position decreased by $18.6 million between June 30, 2016 and June 30, 2017. The change is primarily attributable to an increase in the net investment in capital assets of $124.8 million which is primarily due to an increase in capital asset additions (net of depreciation) of $224.2 million offset by reduction in restricted deposits held by bond trustee of $150.6 million. This increase was offset by a decrease in unrestricted net position of $138.9 million.

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

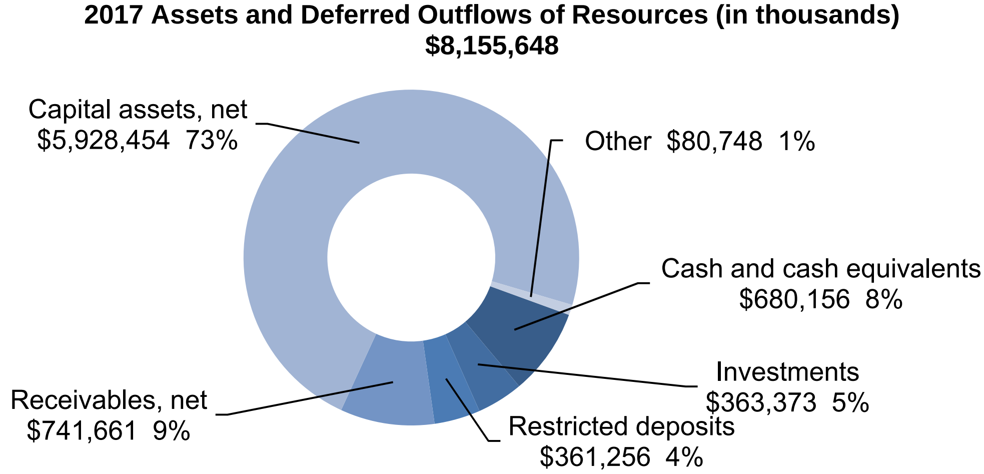
Restricted nonexpendable net position primarily represents gifts from donors that have been permanently restricted (endowment).

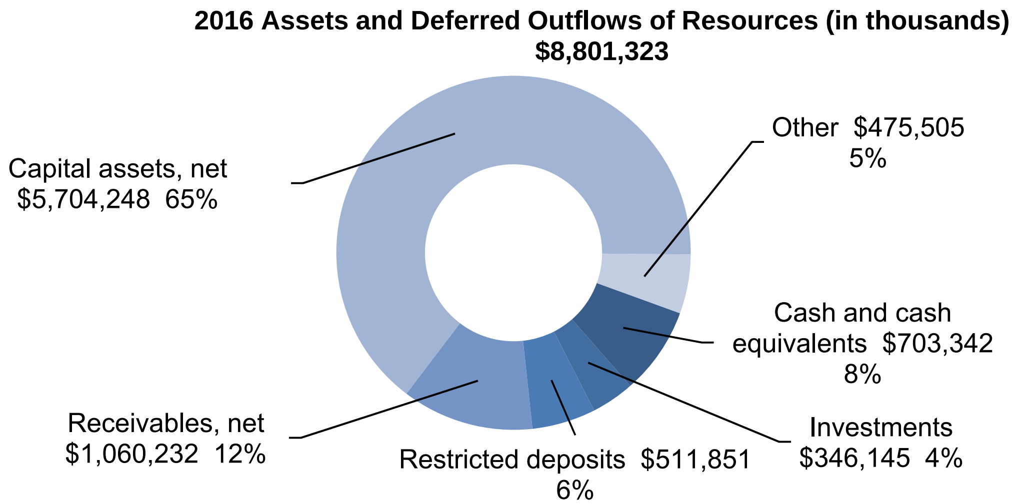
Restricted expendable net position includes the net position restricted for operations, facilities, scholarships, student loan programs, and other.

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

Assets and Deferred Outflows of Resources

At June 30, 2017, the University's total assets and deferred outflows of resources decreased by $645.7 million, or 7.34%, as compared to the June 30, 2016 balance. The variance is primarily attributable to decreases in pension related deferred outflows, $349.7 million; receivables, $318.6 million; and restricted deposits, $150.6 million. These decreases were partially offset by an increase in capital assets, net, of $224.2 million.





The most significant fluctuations are discussed below:

Pension related deferred outflows of resources decreased by $349.7 million between June 30, 2016 and June 30, 2017. This balance represents the annual differences between projected and actual earnings on the investments related to the pensions and are amortized over a five-year closed period beginning in the year in which the difference occurs. The annual differences between expected and actual experience, change in assumptions, and the changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over the weighted average remaining service life of all members, beginning in the year in which the deferred amount occurs.

Receivables, net decreased by $318.6 million between June 30, 2016 and June 30, 2017 primarily due to a decrease in appropriations receivable from New York City and New York State of $334.0 million. In fiscal year 2016, CUNY recorded a receivable of $352.8 million related to University's collective bargaining agreements which were approved/ratified in fiscal year 2016 and paid during fiscal year 2017.

Restricted deposits includes deposits held by bond trustees and amounts held by the Dormitory Authority of the State of New York (DASNY). Deposits held by bond trustees are bond proceeds not yet expended for construction projects and related accumulated investment income. Restricted amounts held by DASNY represent funds that have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes.

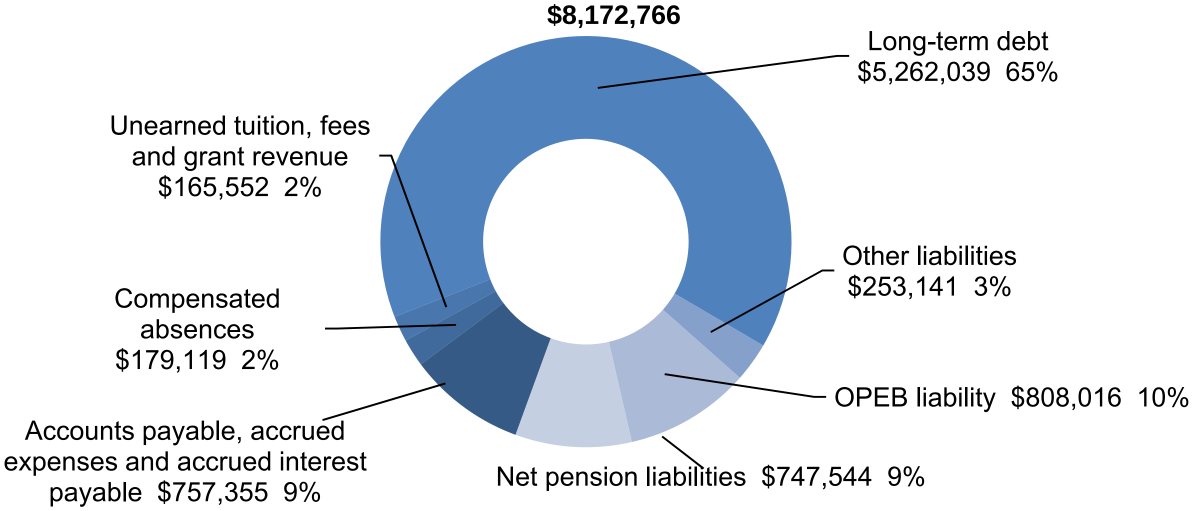
Restricted deposits were $361.3 million and $511.9 million in fiscal years 2017 and 2016, respectively. The decrease of $150.6 million is due to the $905.1 million in outflows of funds for construction projects, debt refunding and debt service payments from these deposits exceeding the $754.5 million of inflows related to appropriations, bond proceeds, and other income. Restricted deposits held by bond trustees will fund CUNY's $3.3 billion capital construction program, which includes ongoing maintenance and a program of rehabilitation on nearly every campus.

Capital Assets, net includes land, land improvements, buildings, building improvements, leasehold improvements, construction in progress, infrastructure, infrastructure improvements, intangible assets, artwork and historical treasures, copyrights and equipment, reduced by related depreciation. Capital assets, net increased by $224.2 million, which is due to capital asset additions of $482.9 million net of depreciation expense of $258.7 million. Significant additions in fiscal year 2017 include: the New York City College of Technology Academic Building, $75.1 million; LaGuardia Community College's facade replacement, $34.5 million; City College's Marshak Science Building, $19.5 million; Queensborough Community College's electrical system replacement, $18.5 million; Brooklyn College's Performing Arts Center, $16.9 million and Hunter College's library renovation, $14.9 million; City College's Advanced Science Research Center, $14.5 million; Borough of Manhattan Community College's HVAC & Control system $14.4 million; College of Staten Island's 2M Building renovation, $13.3 million; Bronx Community College's HVAC and electrical upgrades, $12.1 million; Medgar Evers College's HVAC system, $10.9 million; Lehman College's utilities upgrade, $10.1 million; and New York City College of Technology's Allied Health Center renovation, $7.2 million.

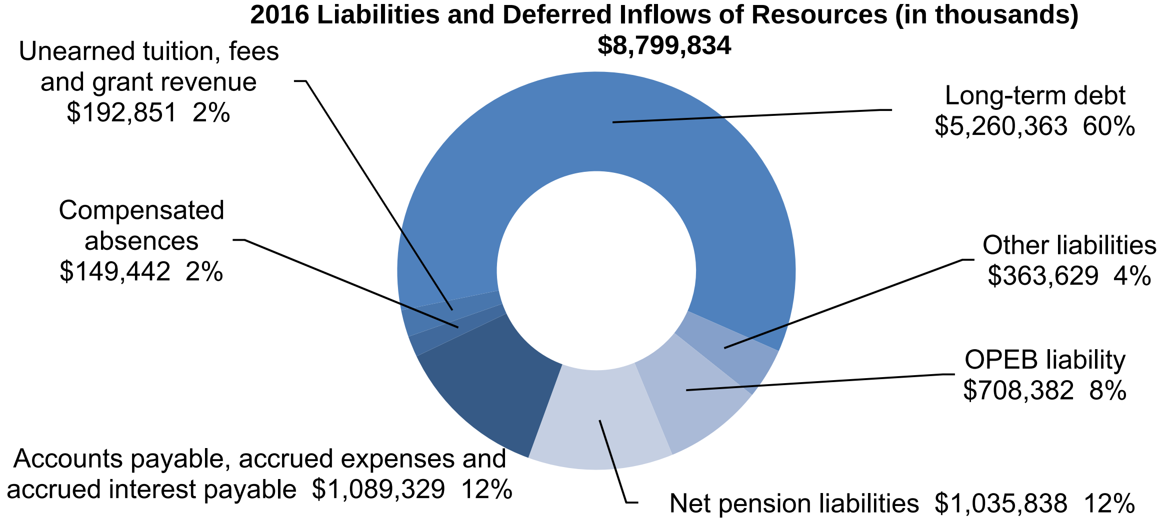
Liabilities and Deferred Inflows of Resources

At June 30, 2017, the University's total liabilities and deferred inflows decreased by $627.1 million, or 7.1%, from the June 30, 2016 balance. The variance was mostly attributable to a $332.0 million decrease in accounts payable, accrued expenses, and accrued interest payable related to collective bargaining, a $288.3 million decrease in net pension liabilities, and a $74.7 million decrease in pension related deferred inflows of resources, partially offset by a $99.6 million increase in OPEB liability.

2017 Liabilities and Deferred Inflows of Resources (in thousands)
$8,172,766



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



The most significant fluctuations are discussed below:

Accounts payable, accrued expenses, and accrued interest payable decreased by $332.0 million, primarily due to a $311.5 million decrease in payables related to the collective bargaining settlements. The accruals which were booked in fiscal year 2016 related to the agreement were paid in fiscal year 2017 thus liquidating the liabilities.

Net pension liabilities – CUNY participates in the New York City Teachers' Retirement System and New York City Employees' Retirement System pension plans. The net pension liability is CUNY's proportionate share of the City of New York's pension plans. Net pension liabilities were $747.5 million and $1.0 billion for fiscal years 2017 and 2016, respectively.

Net pension liability is determined by actuarial valuations as of June 30, 2015 and rolled forward to the measurement date of June 30, 2017. These assumptions include projected salary increases, investment rate of return, discount rate, and cost of living adjustments. Additionally, mortality tables are developed from experience studies of the plan. Long-term expected rate of return on investments were developed using best-estimate ranges of expected rates of returns, the pension plans determined the expected rate of return to be 7% based on a real rate of return of 5.06% and long-term Consumer Price Inflation assumption of 2.5% per year, offset by investment related expenses.

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary.

Please refer to the respective plans Comprehensive Annual Financial Report (CAFR) which can be found at www.nycers.org and www.trsnyc.org, respectively.

OPEB liability increased by $99.6 million between fiscal years 2017 and 2016. The 2017 increase was comprised of annual OPEB cost of $130.0 million, offset by payments made during the fiscal year of $31.1 million. Additionally, the OPEB liability at RF-CUNY increased $0.6 million.

The University's Results of Operations

Statement of Revenues, Expenses, and Changes in Net Position

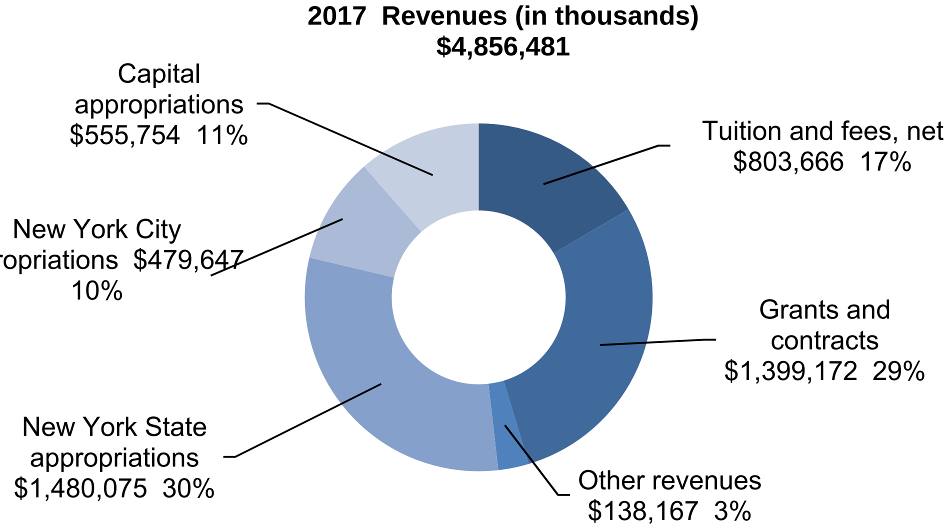
The Statement of Revenues, Expenses, and Changes in Net Position is a presentation of the University's results. It indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts, and investment income. A summarized comparison of the results for the years ended June 30, 2017 and 2016 including operating and nonoperating components are presented below:

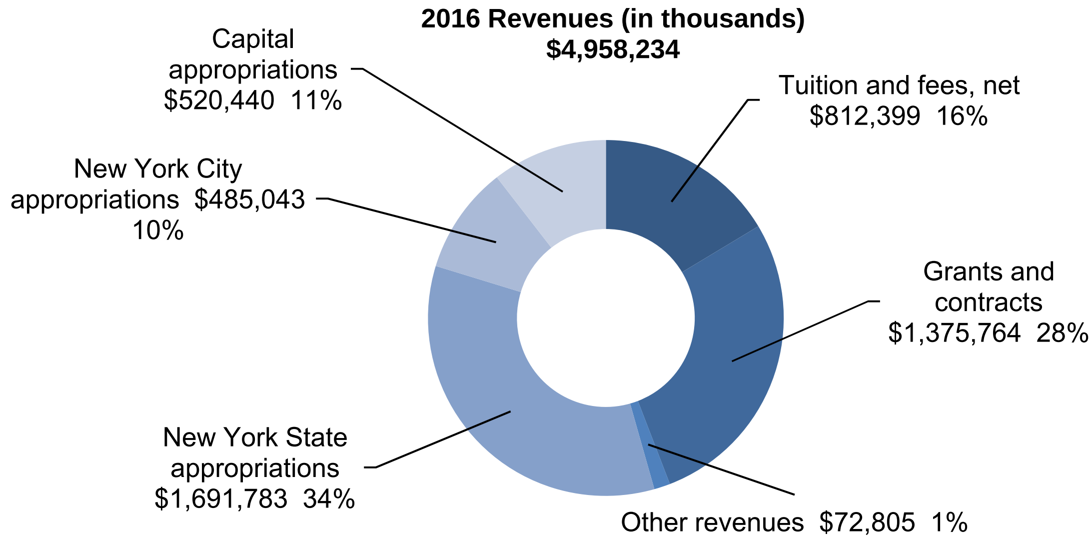
		2017	2016
		(in thousands)	
Revenues:			
Total operating revenues	$	2,271,643	2,239,811
Total nonoperating and other revenues		2,584,838	2,718,423
Total revenues		4,856,481	4,958,234
Expenses:			
Total operating expenses		4,679,170	4,800,753
Total nonoperating expenses		195,918	184,855
Total expenses		4,875,088	4,985,608
Decrease in net position		(18,607)	(27,374)
Net position at beginning of year		1,489	28,863
Net (deficit) position at end of year	$	(17,118)	1,489

Revenues

The University's revenues for the years ended June 30, 2017 and 2016 are presented below:

		2017	2016
		(in thousands)	
Revenues:			
Operating revenues:			
Tuition and fees, net	$	803,666	812,399
Grants and contracts		1,399,172	1,375,764
Auxiliary enterprises		4,960	4,841
Other operating revenues		63,845	46,807
Total operating revenues		2,271,643	2,239,811
Nonoperating and other revenues:			
New York State appropriations		1,480,075	1,691,783
New York City appropriations		479,647	485,043
Capital appropriations		555,754	520,440
Gifts and grants		6,748	8,018
Net appreciation in fair value of investments		23,060	—
Investment income, net		6,002	5,550
Other nonoperating revenues, net		15,968	3,737
Transfer from Foundation		17,584	3,852
Total nonoperating and other revenues		2,584,838	2,718,423
Total revenues	$	4,856,481	4,958,234





The University's total revenues of approximately $4.9 billion for the year ended June 30, 2017 decreased by $101.8 million, or 2.1%, over the University's total revenues for the year ended June 30, 2016. The variance was primarily attributed to decrease in New York State Appropriations of $211.7 million between fiscal years 2017 and 2016. Although the University's base appropriations from the State of New York increased between fiscal 2016 and 2017, in 2016, the University received a one-time increase in its 2016 appropriations in order to fund the University's collective bargaining settlements. This decrease was offset by an increase in capital appropriations of $35.3 million, a $28.9 million increase in net appreciation in fair value of investments due to favorable market conditions, and an increase in grants and contract revenue of $23.4 million.

Operating revenues accounted for 46.8% of total revenues for the year ended June 30, 2017 as compared to 45.2% for the year ended June 30, 2016. Nonoperating revenues accounted for 53.2% of total revenues for the year ended June 30, 2017 as compared to 54.8% for the year ended June 30, 2016.

Expenses

The University's expenses for the years ended June 30, 2017 and 2016 are presented below:

		2017	2016
		(in thousands)	
Expenses:			
Operating expenses:			
Instruction	$	1,947,556	2,026,361
Research		155,485	139,723
Public service		41,622	43,099
Academic support		231,159	229,404
Student services		404,934	392,396
Institutional support and auxiliary enterprises		661,085	684,988
Operating and maintenance of plant		487,645	556,904
Scholarship and fellowships		359,588	354,278
Depreciation and amortization expense		259,358	250,389
OPEB expense		130,738	123,211
Total operating expenses		4,679,170	4,800,753
Nonoperating expenses:			
Interest expense		195,918	179,005
Net depreciation in fair value of investment		—	5,850
Total nonoperating expenses		195,918	184,855
Total expenses	$	4,875,088	4,985,608

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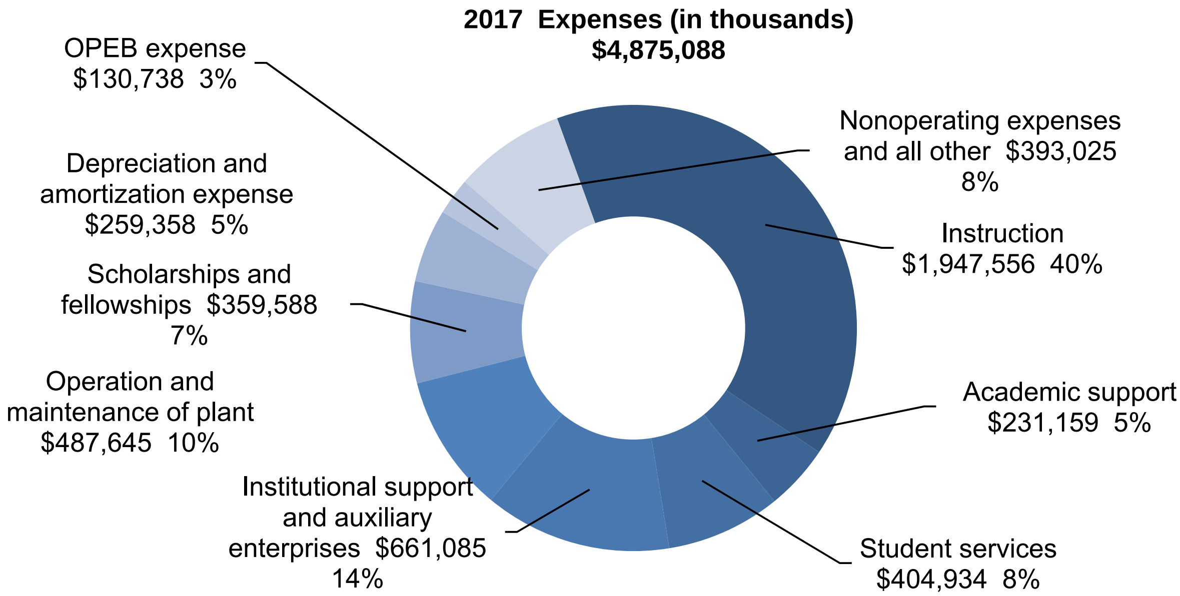
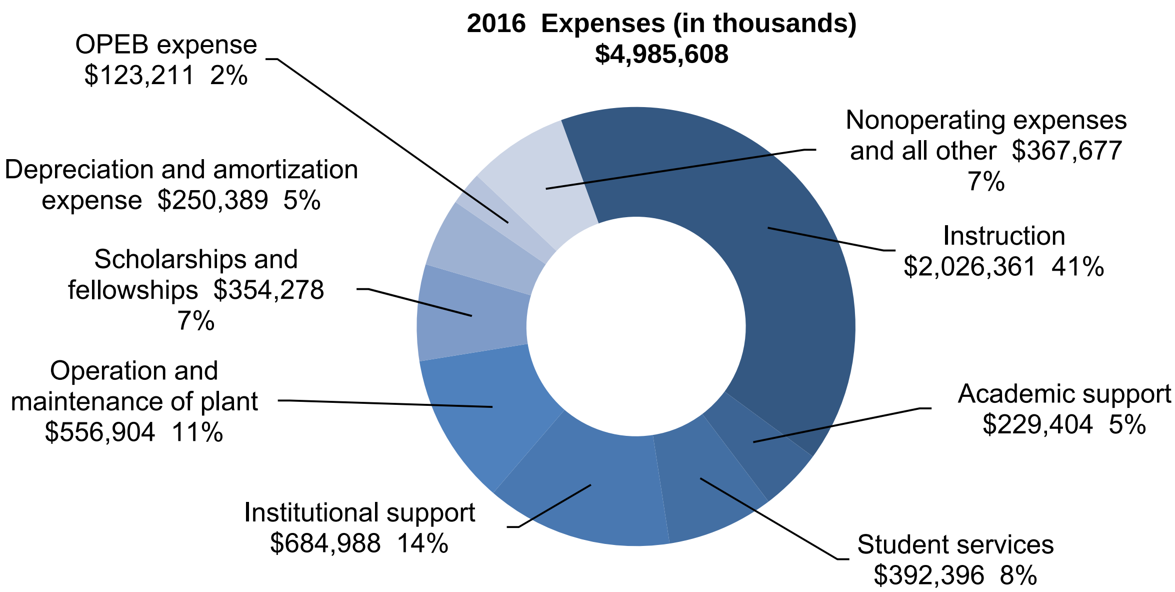




Total expenses for the period ended June 30, 2017 were approximately $4.9 billion, which reflected a decrease of $110.5 million, or 2.2%, over the prior year.

Operating Expenses decreased by $121.6 million between fiscal years 2016 and 2017 primarily due to retroactive salary and fringe collective bargaining settlements accrued in fiscal year 2016 of $360.0 million partially offset by the year over year increase in salary and benefits resulting from the impact of the collective bargaining settlements.

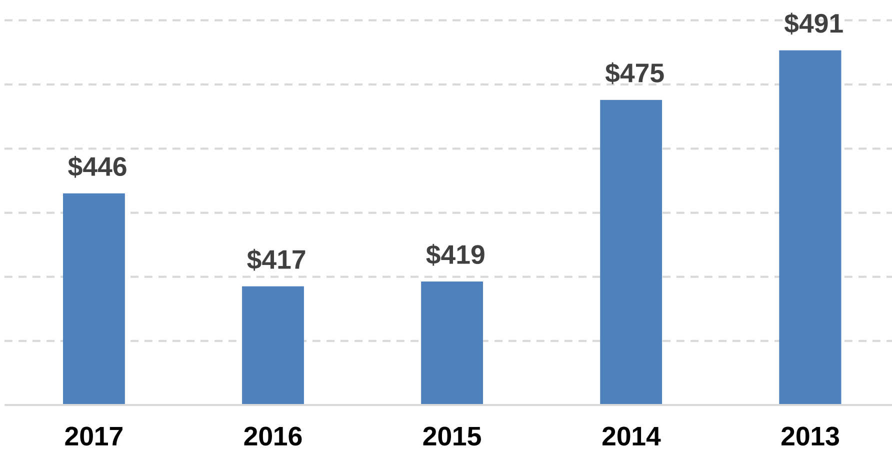
Capital Assets

At June 30, 2017, the University had approximately $5.9 billion in capital assets which is net of accumulated depreciation of $4.4 billion. Annual depreciation expense totaled $258.7 million for the year ended June 30, 2017.

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

The following depicts disbursements made by DASNY for the University's capital construction projects since 2013:

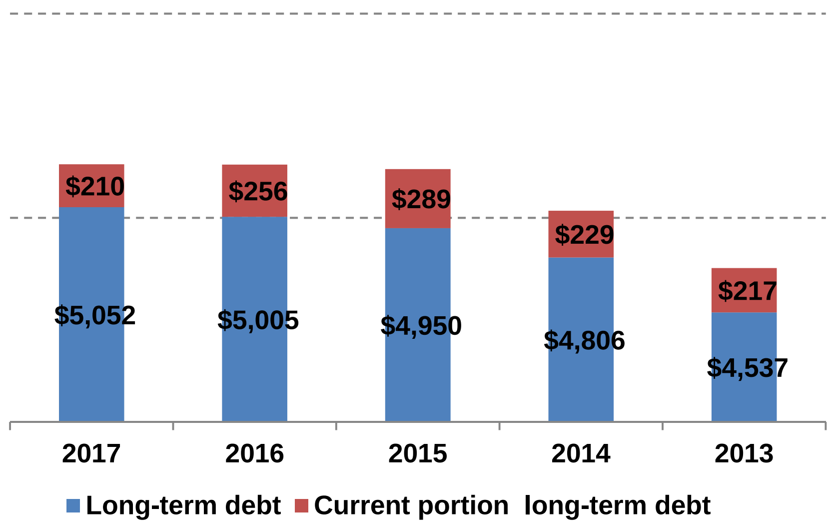
DASNY Capital Construction Disbursements (in millions)



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

Debt increased by $1.7 million between fiscal years ended June 30, 2016 and 2017. The variance is primarily attributable to $265.4 million in new debt issued through DASNY offset by debt retirement of $238.2 million and $23.1 million in debt service payments and amortization.

CUNY Long-term Debt (in millions)



Economic Factors That Will Affect the Future

The University has developed a multi-year Action Plan to generate resources that, together with important support from the State of New York and the City of New York, will fund the priorities in the University's strategic plan and the outstanding out-year costs of the collective bargaining agreements. CUNY will implement an Administrative Efficiencies Action Plan that will redirect resources to core areas, and will use these savings to leverage State and City support in order to help fund its strategic priorities. The multi-year Action Plan is predicated on the assumption of future funding from University stakeholders. While administrative efficiencies and enhanced revenue streams are important, tuition increases and new public support are also critical.

Public Support and Fiscal Year 2018 Fiscal Condition

A crucial element to the University's future continues to be a strong relationship with the State of New York and the City of New York. New York State appropriations remain the largest single source of revenues to the University. For fiscal year 2017, State operating appropriations totaled approximately $1.5 billion, while the City provided over $479.6 million.

The State Operating Budget for fiscal year 2018 added $74.5 million for senior colleges, a 3% increase. This increase includes the State fully funding the University's fringe benefit increase. Included in the State's budget agreement is authorization to increase tuition rates by $200 per year for the next four years. The State agreement also calls for an $11.2 million increase in community college funding, representing a 4.5% increase.

The City's Budget for fiscal year 2018 called for $20.6 million in additional funding for community colleges, representing a 5.6% increase. The budget includes $14.0 million to expand the Accelerated Study in Associate Programs to 21,000 students.

On the capital side, the University received $542.2 million in new capital funding for fiscal year 2018, $456.6 million from the State and $85.6 million from the City.

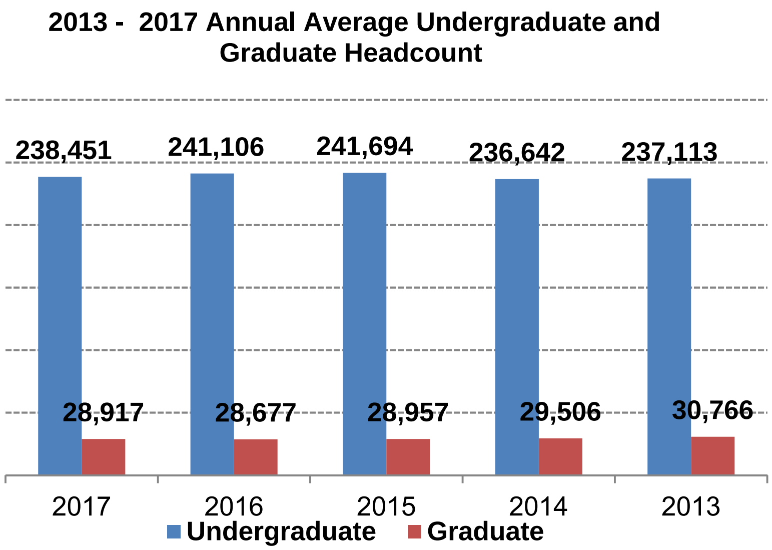
For senior colleges, an operating shortfall stills exists in fiscal year 2018 for costs related to the recent collective bargaining labor agreements. The total shortfall of approximately $65 million will be covered primarily by the $200 tuition increase, reductions to existing budgets at both the senior colleges and central office/shared services centers and through administrative efficiencies. From fiscal year 2016 to fiscal year 2018, the senior college's base budgets have been reduced by 6% and the central office/shared services by 13%.

Tuition and Enrollment

The Predictable Tuition Policy, first enacted by the State in 2011 and renewed in 2017, enables the University to implement modest and predictable annual tuition increases. A new four-year policy was enacted beginning in fiscal year 2018, which provides for annual increases of up to $200 at the senior colleges. A tuition freeze was committed to in fiscal year 2017 and fiscal year 2018 for the community colleges.

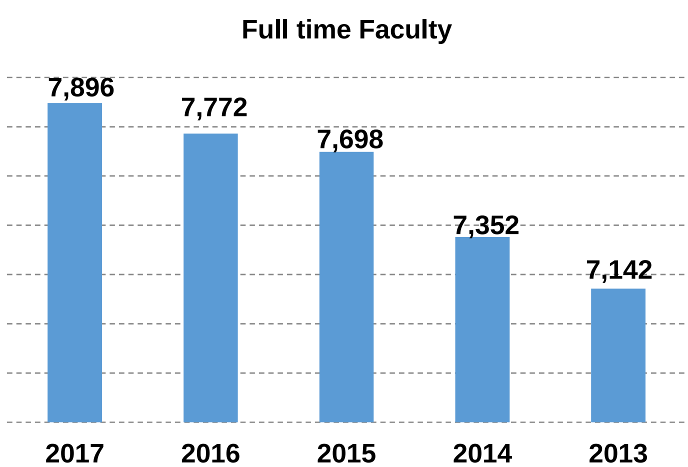
The City University of New York is the largest public urban university in the nation, with headcount enrollment of approximately 273,430 for Fall 2017 (fiscal year 2018). The University's student population is directly influenced by New York City demographics, as the majority of students attending CUNY are New York City residents. The enrollment outlook remains stable for the CUNY. Total headcount enrollment for Fall 2017 represents a 0.2% increase from the Fall 2016.

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



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

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



Risks

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

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

THE CITY UNIVERSITY OF NEW YORK

Statement of Net Position

June 30, 2017

(In thousands)

	Business-type activities University	Discretely presented component units Supporting organizations	Total
Assets:			
Current assets:			
Cash and cash equivalents (note 3)	$ 680,156	119,822	799,978
Short-term investments (note 3)	75,218	105,857	181,075
Restricted deposits held by bond trustees (note 8)	135,159	—	135,159
Restricted amounts held by the Dormitory Authority of the State of New York (note 8)	91,854	—	91,854
Receivables, net (note 4)	723,404	61,126	784,530
Prepaid expenses and other current assets	28,282	2,201	30,483
Total current assets	1,734,073	289,006	2,023,079
Noncurrent assets:			
Restricted cash (note 3)	26,854	—	26,854
Long-term investments, unrestricted (note 3)	106,735	47,154	153,889
Long-term investments, restricted (note 3)	181,420	639,241	820,661
Restricted deposits held by bond trustees (note 8)	134,243	6,115	140,358
Long-term receivables, net (note 4)	18,257	59,015	77,272
Capital assets, net (note 5)	5,928,454	159,259	6,087,713
Other noncurrent assets	1,357	502	1,859
Total noncurrent assets	6,397,320	911,286	7,308,606
Total assets	8,131,393	1,200,292	9,331,685
Deferred outflows of resources:			
Pension related (note 9)	(59,224)	—	(59,224)
Interest rate swap agreements (note 7)	60,079	—	60,079
Deferred amount on debt refundings	23,400	4,527	27,927
Total deferred outflows of resources	24,255	4,527	28,782
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses (note 6)	675,883	17,863	693,746
Compensated absences (note 7)	117,316	383	117,699
Unearned tuition and fees revenue	66,363	2,979	69,342
Accrued interest payable	81,472	1,240	82,712
Current portion of long-term debt (note 7)	210,466	10,064	220,530
Unearned grant revenue	99,189	147	99,336
Other current liabilities	32,695	2,301	34,996
Deposits held in custody for others	43,346	1,953	45,299
Total current liabilities	1,326,730	36,930	1,363,660
Noncurrent liabilities (note 7):			
Compensated absences	61,803	—	61,803
OPEB liability (note 10)	808,016	—	808,016
Long-term debt (note 7)	5,051,573	147,671	5,199,244
Federal refundable loans	17,768	—	17,768
Net pension liabilities (note 9)	747,544	—	747,544
Interest rate swap agreements (note 7)	60,079	—	60,079
Other noncurrent liabilities	42,589	878	43,467
Total noncurrent liabilities	6,789,372	148,549	6,937,921
Total liabilities	8,116,102	185,479	8,301,581
Deferred inflows of resources:			
Pension related (note 9)	56,664	—	56,664
Total deferred inflows of resources	56,664	—	56,664
Net (deficit) position:			
Net investment in capital assets	888,930	71,658	960,588
Restricted:			
Nonexpendable	65,220	431,754	496,974
Expendable:			
Debt service	47,114	—	47,114
Scholarships and general educational support	122,947	312,785	435,732
Loans	10,453	15	10,468
Other	94,579	107,837	202,416
Unrestricted	(1,246,361)	102,603	(1,143,758)
Total net (deficit) position	$ (17,118)	1,026,652	1,009,534

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2017

(In thousands)

	Business-type activities University	Discretely presented component units Supporting organizations	Eliminations	Total
Revenues:				
Operating revenues:				
Tuition and fees (net of scholarship allowance of $881,751)	$ 803,666	34,237	(306)	837,597
Grants and contracts:				
Federal	718,392	3,204	(666)	720,930
New York State	391,853	3,153	(187)	394,819
New York City	150,390	2,416	—	152,806
Private	138,537	360	(115)	138,782
Total grants and contracts	1,399,172	9,133	(968)	1,407,337
Sales and services of auxiliary enterprises	4,960	33,329	(118)	38,171
Other operating revenues	63,845	68,687	(25,808)	106,724
Total operating revenues	2,271,643	145,386	(27,200)	2,389,829
Expenses:				
Operating expenses:				
Instruction	1,947,556	2,891	(150)	1,950,297
Research	155,485	—	—	155,485
Public service	41,622	381	(465)	41,538
Academic support	231,159	61,951	(300)	292,810
Student services	404,934	43,768	(14,236)	434,466
Institutional support	658,571	38,744	(2,345)	694,970
Operation and maintenance of plant	487,645	—	(14)	487,631
Scholarships and fellowships	359,588	20,395	(404)	379,579
Auxiliary enterprises	2,514	63,218	(9,436)	56,296
Depreciation and amortization expense	259,358	5,615	—	264,973
OPEB expense	130,738	—	—	130,738
Total operating expenses	4,679,170	236,963	(27,350)	4,888,783
Operating (loss) gain	(2,407,527)	(91,577)	150	(2,498,954)
Nonoperating revenues (expenses):				
Government appropriations/transfers:				
New York State	1,480,075	—	—	1,480,075
New York City	479,647	—	—	479,647
Gifts and grants	6,236	96,905	—	103,141
Investment income, net	6,002	21,618	—	27,620
Interest expense	(195,918)	(174)	—	(196,092)
Net appreciation in fair value of investments	23,060	64,203	—	87,263
Other nonoperating revenues, net	15,968	261	(150)	16,079
Total nonoperating revenues, net	1,815,070	182,813	(150)	1,997,733
(Loss) gain before other revenues	(592,457)	91,236	—	(501,221)
Capital appropriations	555,754	—	—	555,754
Additions to permanent endowments	512	20,815	—	21,327
Transfer to University (from Foundation)	17,584	(17,584)	—	—
Total other revenues	573,850	3,231	—	577,081
(Decrease) increase in net position	(18,607)	94,467	—	75,860
Net (deficit) position at beginning of year	1,489	932,185	—	933,674
Net (deficit) position at end of year	$ (17,118)	1,026,652	—	1,009,534

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Statement of Cash Flows

Year ended June 30, 2017

(In thousands)

		Business-type activities University
Cash flows from operating activities:		
Collection of tuition and fees	$	827,252
Collection of grants and contracts		1,373,018
Collection of loans from students		6,456
Sales and services of auxiliary enterprises		4,960
Collection of other operating revenues		52,540
Payments to suppliers		(199,608)
Payments for utilities		(56,455)
Payments to employees		(2,944,898)
Payments for benefits		(756,211)
Payments for pensions		(302,104)
Payments for scholarships and fellowships		(359,588)
Payments for OPEB		(31,104)
Loans issued to students		(35,795)
Net cash flows used by operating activities		(2,421,537)
Cash flows from noncapital financing activities:		
New York State and New York City appropriations/transfers		2,293,706
Gifts and grants for other than capital purposes		6,236
Private gifts for endowment purposes		512
Increase in deposits held in custody for others		4,671
Receipt from third parties		18,848
Net cash flows provided by noncapital financing activities		2,323,973
Cash flows from capital and related financing activities:		
Proceeds from capital debt		266,391
Capital appropriations		555,754
Purchases of capital assets		(471,269)
Principal paid on capital debt		(234,204)
Principal amount refunded		(7,424)
Interest paid on capital debt		(207,931)
Amounts paid for bond issuance costs		(2,320)
Decrease in restricted deposits held by bond trustees		162,030
Increase in restricted amounts held by the Dormitory Authority of the State of New York		(11,435)
Transfer from foundations		17,584
Net cash flows provided by capital and related financing activities		67,176
Cash flows from investing activities:		
Investment income		6,002
Proceeds from sales and maturities of investments		252,845
Purchases of investments		(247,014)
Increase in restricted cash		(4,631)
Net cash flows provided by investing activities		7,202
Decrease in cash and cash equivalents		(23,186)
Cash and cash equivalents at beginning of year		703,342
Cash and cash equivalents at end of year	$	680,156

(Continued)

THE CITY UNIVERSITY OF NEW YORK

Statement of Cash Flows

Year ended June 30, 2017

(In thousands)

		Business-type activities University
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	$	(2,407,527)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation and amortization expense		259,358
Bad debt expense		35,569
Change in operating assets and liabilities:		
Receivables		(51,481)
Prepaid expenses and other assets		8,546
Accounts payable and accrued expenses		(341,673)
Unearned tuition and fees revenue		(17,303)
Compensated absences		29,677
OPEB liability		99,634
Net pension liabilities		(13,270)
Unearned grant revenue		(9,996)
Other liabilities		(13,071)
Net cash flows used by operating activities	$	(2,421,537)
Noncash transactions:		
Net appreciation in fair value of investments	$	23,060
Change in accounts payable attributable to capital assets		12,296

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

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

Senior Colleges

Bernard M. Baruch College

Brooklyn College

The City College

The College of Staten Island

Hunter College

John Jay College of Criminal Justice

Herbert H. Lehman College

Medgar Evers College

New York City College of Technology

Queens College

York College

Graduate and Professional Schools

The Graduate School and University Center

CUNY School of Law

The CUNY Graduate School of Journalism

The CUNY School of Professional Studies

The CUNY Graduate School of Public Health and Health Policy

Other Schools

The William E. Macaulay Honors College

Community Colleges

Borough of Manhattan Community College

Bronx Community College

Eugenio María de Hostos Community College

Kingsborough Community College

Fiorello H. LaGuardia Community College

Queensborough Community College

Stella and Charles Guttman Community College

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

The State of New York presents the Senior Colleges and Graduate and Professional Schools as part of the primary government of the State of New York, in its financial statements. Similarly, the City of New York presents CUCF and RF-CUNY as component units in its financial statements. In addition, the Community Colleges are reported as part of the primary government of the City of New York.

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

(a) RF-CUNY

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

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

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

(b) CUCF

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

(Continued)

(c) Discretely Presented Component Units

The majority of the University's colleges maintain auxiliary services, association organizations and child care centers. These entities are legally separate, nonprofit corporations, which operate, manage and promote educationally related services for the benefit of the campus community. Almost all of the University's colleges also maintain foundations, which are legally separate, nonprofit, affiliated organizations that receive and hold economic resources that are significant to, and that are entirely for the benefit, of the colleges, and are required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the campus related auxiliary services corporations, associations, child care centers, and foundations are separately presented as discretely presented component units in the University's financial statements in accordance with presentation requirements prescribed by Governmental Accounting Standards Board (GASB). As a result, the combined totals of the campus related auxiliary services corporations, associations, child care centers, and foundations are separately presented as discretely presented component units in the University's financial statements in accordance with presentation requirements prescribed by GASB. Separate financial statements are issued for each of these organizations and may be obtained from the individual colleges or The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

Each of the 27 Foundations, 20 Auxiliary Enterprise Corporations, 21 Student Association Organizations, 13 Child Care Centers, and 5 Other Component Units listed below met the above criteria, and are, therefore, discretely presented in the University's basic financial statements. All of the discretely presented component units (which are collectively called Supporting Organizations) listed below have June 30th year-ends.

Foundations

Senior College and Graduate and Professional Schools Foundations:

- The Baruch College Fund
- The Brooklyn College Foundation, Inc.
- The City College 21st Century Foundation, Inc.
- The City College Fund
- The City University School of Law Foundation, Inc.
- The College of Staten Island Foundation, Inc.
- CUNY Graduate School of Journalism Foundation, Inc.
- CUNY TV Foundation
- Friends of the John D. Calandra Italian American Institute Foundation
- The Graduate Center Foundation, Inc.
- The Hunter College Foundation, Inc.
- John Jay College Foundation, Inc.
- Herbert H. Lehman College Foundation, Inc.

- Macaulay Honors College Foundation
- Medgar Evers Educational Foundation, Inc.
- New York City College of Technology Foundation, Inc.
- Queens College Foundation, Inc.
- School of Professional Studies Foundation, Inc.
- York College Foundation
- CUNY Graduate School of Public Health and Health Policy Foundation

Community College Foundations:

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

Auxiliary Enterprise Corporations

Senior College Auxiliary Corporations:

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

Community College Auxiliary Corporations:

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

Student Association Organizations

Senior College Association Organizations:

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

Community College Association Organizations:

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

(Continued)

- Stella and Charles Guttman Community College Association, Inc.

Child Care Centers

Senior College Child Care Centers:

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

Community College Child Care Centers:

- Borough of Manhattan Community College Early Childhood Center, Inc.
- Hostos Community College Children's Center, Inc.
- Fiorello H. LaGuardia Community College Early Childhood Learning Center Programs, Inc.

Other Component Units

Senior College Other Component Units:

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

Community College Other Component Units:

- LaGuardia Education Fund, Inc.

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

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

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

(b) New Accounting Standards Adopted

In fiscal year 2017, the University adopted the following new accounting standard:

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB 14* (GASB 80) amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There was no impact on the University's financial statements as a result of the adoption of GASB 80.

(c) Use of Estimates

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

(d) Cash Equivalents

Cash equivalents are composed of highly liquid assets with original maturities of 90 days or less.

(e) Investments and Restricted Deposits Held by Bond Trustees

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

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

(f) Noncurrent Assets

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

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

(g) Capital Assets

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

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

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

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

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

(h) Unearned Revenue

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

(i) Noncurrent Liabilities

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

(j) Other Postemployment Benefits

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

(k) Net Position

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

Net investment in capital assets

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

Restricted

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

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

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

Unrestricted

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

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

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

(l) Revenue Recognition

Revenues are recognized in the period earned. Appropriations from New York State and City are recognized as the related expenses are incurred.

New York State and City appropriations remain in effect provided the expense has been incurred at June 30, 2017 and a liability established at September 30, 2017. Accordingly, an appropriation receivable and a corresponding liability for activity that occurs during the period is recorded.

(m) Classification of Revenues

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

(n) Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances and bad debt in the accompanying statement of revenues, expenses, and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on behalf of students. To the extent that these revenues are used to satisfy tuition and fees, the University has recorded a scholarship allowance.

(o) Income Tax Status

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

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

Purchase Accounting for Acquisition of Real Estate

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

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

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

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

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

(3) Cash, Cash Equivalents, and Investments

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

(a) *Custodial Credit Risk – Deposits*

At June 30, 2017, cash and cash equivalents and restricted cash were held by depositories and, amounted to $723,626,484 of which $177,950,348 was insured and $545,676,136 was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the University’s name. The carrying value of such funds amounted to $707,010,377 at June 30, 2017.

(b) Investments

At June 30, 2017, the University had the following investments (in thousands):

Investment type		Amount
Cash and cash equivalents	$	53,104
Certificates of deposits		4,316
Commingled funds:		
U.S. Fixed income		20,209
U.S. Equity funds		68,303
U.S. Money market fund		4,199
Equities		764
International bonds		2,523
Mutual funds:		
Equity fund		64,808
Fixed income		3,938
U.S. Corporate bonds		14,073
U.S. Treasury bills		35,713
U.S. Treasury notes		104
Investment measured at net asset value:		
Event driven hedge funds		11,643
Global equity		14,123
Global equity long/short hedge funds		4,344
Limited partnerships		11,089
Multi-strategy funds		27,049
Private investments		1,266
Privately offered partnership		9,205
Variable annuity		12,600
Total investments		363,373
Less short-term investments		75,218
Long-term investments		288,155
Long-term investments, unrestricted		106,735
Long-term investments, restricted	$	181,420

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

(c) Investment Pool

Certain assets included within investments in the accompanying financial statements are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined on a quarterly basis. At June 30, 2017, the investment pool had a fair value of $299,811,340. The investment pool includes certain gifts and bequests received by the University, the use of which is restricted by donor-imposed limitations. During fiscal year 2017, the University recorded approximately $17,518,246, of net realized and unrealized appreciation related to these investments.

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

(d) Custodial Credit Risk – Investments

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

(e) Credit Risk

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

At June 30, 2017, the University's investments in debt securities were rated as follows (in thousands):

Type of debt security		Fair value	S&P credit rating
U.S. corporate bonds	$	1,469	AA-
U.S. corporate bonds		1,828	A
U.S. corporate bonds		1,739	A-
U.S. corporate bonds		6,663	BBB+
U.S. corporate bonds		2,374	BBB
Total U.S. corporate bonds		14,073	
International bonds		1,020	A+
International bonds		503	A
International bonds		1,000	A-
Total International bonds		2,523	
Total	$	16,596	

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

(f) Interest Rate Risk

At June 30, 2017, the University's investments in certificates of deposits and fixed income securities had the following maturities (in thousands):

Investment type		Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years
Certificates of deposits	$	4,316	4,316	—	—	—
International bonds		2,523	1,519	1,004	—	—
U.S. corporate bonds		14,073	6,425	7,648	—	—
U.S. Treasury bills		35,713	35,395	318	—	—
U.S. Treasury notes		104	24	54	26	—
	$	56,729	47,679	9,024	26	—

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

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

(h) Fair Value

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

Level 1: Investments include cash and money market funds, equity and fixed income securities with observable market prices. Fair value is readily determinable based on quoted market prices in active markets for those securities at the measurement date.

Level 2: Investments whose inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Investments have significant unobservable inputs. The inputs into the determination of fair value are based on the best information available.

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

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

As a practical expedient to estimate the fair value of the University's interests, certain investments in hedge funds, private equity, and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by the University, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investment existed, and such differences could be material. The investments measured at NAV are not categorized within the fair value hierarchy. As of June 30, 2017, the University had no plans or intentions to sell such investments at amounts different from NAV.

At June 30, 2017, the University's investments were valued as follows (in thousands):

Description		Quoted prices in active markets for identical assets (Level 1)	Significant other observable (Level 2)	Significant unobservable (Level 3)	Fair value
Certificates of deposits	$	4,316	—	—	4,316
Commingled funds:					
U.S. Fixed income		20,209	—	—	20,209
U.S. Equity funds		68,303	—	—	68,303
U.S. Money market fund		4,199	—	—	4,199
Equities		522	242	—	764
International bonds		2,523	—	—	2,523
Mutual funds:					
Equity securities		64,808	—	—	64,808
Fixed income		3,938	—	—	3,938
U.S. Corporate bonds		14,073	—	—	14,073
U.S. Treasury bills		30,254	5,459	—	35,713
U.S. Treasury notes		104	—	—	104
Total investments in the fair value hierarchy		213,249	5,701	—	218,950
Investments measured at net asset value		—	—	—	91,319
Investments at fair value	$	213,249	5,701	—	310,269

Investments measured at Net Asset Value (in thousands):

Description		Fair value	Unfunded commitments	Redemption frequency (If currently eligible)	Redemption notice period
Event driven hedge funds	$	11,643	—	Quarterly, Annually	45-65 days
Global equity		14,123	—	Semi-Monthly	N/A
Global equity long/short hedge funds		4,344	—	Quarterly	45 days
Limited partnerships		11,089	3,313	Illiquid, N/A	N/A
Multi-strategy funds		27,049	—	Monthly, Quarterly	T-10, 60-90 days
Private investments		1,266	1,710	Illiquid	N/A
Privately offered partnership		9,205	—	Daily	T-10 business
Variable annuity		12,600	—	Monthly	30 days
Investment measured at net asset value	$	91,319	5,023		

1) *Event driven hedge funds* – Includes three hedge fund limited partnerships: Davidson Kempner, Gruss Global Investors and Mason Capital. Each focuses on event-driven situations that attempt to extract value by using multiple strategies, including distressed and other credit investing, merger arbitrage, long/short equity investments, and convertible securities globally. Fair value is determined using the NAV per share. Investments in Davidson Kempner and Gruss Global may be redeemed on a quarterly basis with 65- and 45-day notice, respectively. Investments in Mason may be redeemed annually with 45-day notice.

2) *Global equity* – Includes two global equity funds: NCS Int'l Fund LLC [aka Walter Scott], which invests primarily in global developed markets and Caravel Partners, which invests in non-U.S. emerging and frontier markets. Both firms use a bottom-up stock selection strategy with macro overlays. Fair value is determined using the NAV per share. Investments in NCS Int'l Fund LLC may be redeemed twice per month on appointed days with no notice required. Caravel Partners is in the process of liquidating and returning capital to partners. The firm has redeemed approximately half of the investments and the remainder will be returned to investors by early 2018.

3) *Global equity long/short hedge funds* – Includes one hedge fund, Hoplite Capital Management, which invests using both long and short strategies. While the Fund will invest primarily in equities and related securities or financial instruments, the Fund has broad and flexible investment authority. Accordingly, the Fund may include the following types of positions: long or short positions in U.S. or non-U.S.; publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights; sovereign debt, corporate debt; bonds, notes or other debentures or debt participations; convertible securities; swaps; options (purchased or written); futures contracts; commodities and other derivative instruments; partnership interests; and other securities or financial instruments including those of investment companies. Fair value is determined using NAV per share. Investments may be redeemed quarterly with 45-day notice.

4) *Limited partnerships* – private real assets funds – Includes private limited partnership investments with EMR Capital Resources Fund I LP, EnCap Energy Capital Fund IX and Encap Energy Capital Fund X. EMR invests in metal and mining companies with a focus in the post-discovery phases of the life cycle of 4 commodities (gold, copper, potash and coking coal). EnCap IX and EnCap X invest primarily in North American upstream oil and gas operating companies at varying stages of development. There are no redemptions. Instead, the Fund's commitment period [i.e. the time new investments are made] is 5 years. During this period, the investor's contractual commitment is drawn-down as opportunities are identified. When realizations are made and divested, they are distributed to investors. Therefore, the actual term of the investment can be up to 15 years.

5) *Multi-strategy funds* – Includes investments in (1) hedge funds with Elliott International Ltd Fund and HBK Offshore Fund II LP, which invest in a diversified group of investment strategies utilizing both long and short positions in an unlimited range of financial instruments throughout the world. Fair value is determined using NAV per share. Investments may be redeemed on a quarterly basis with 60- and 90-day notice, respectively; (2) a hedge fund with BlueCrest Allblue Ltd, which invests to provide consistent long-term appreciation of assets through active management of a diversified portfolio of underlying Funds, all of which are managed by the Investment Manager and/or other members of the BlueCrest Group. Fair value is determined using NAV per share. The firm is returning client assets to focus exclusively on its investments. The bulk of assets have been redeemed and remaining investments will be redeemed by early 2018; and (3) a multiple common

trust fund with Wellington Diversified Inflation Hedges Portfolio (Wellington DIH). Wellington DIH is a master fund of multiple strategically weighted global portfolios, where the underlying asset classes include global equities, commodities, inflation-linked and other types of fixed income securities. Strategic weights may vary tactically based upon the firm's top-down views by using cash or derivatives in an overlay portfolio. Investments are in commingled funds valued at NAV. Redemptions may be made monthly with notification on the 22nd calendar day of a month, prior to trade date, which is the first business day of the following month.

6) *Private investments* – Includes two private investments: (1) Greenspring Global Partners Fund VII LP, that invests primarily in a portfolio of venture capital firms that is diversified by geography, sector (information technology, communications, healthcare and life sciences), stage (from early to late stage companies) and via both direct investments and investments managed by other firms. Investments are not redeemed. Instead, the Fund's commitment period [i.e., the time new investments are made] is 5 years. During this period, the investor's contractual commitment is drawn-down as opportunities are identified. When realizations are made and divested, they are distributed to investors. Therefore, the actual term of the investment can be up to 15 years. (2) Morgan Stanley floating rate Residential Mortgage-Backed security rated CA by Moody's and CCC by Standard & Poor's and mature in 2036.

7) *Privately offered partnership* – Includes one global fixed income manager, Colchester, which invests primarily in global debt instruments in a private partnership valued at NAV. Investments may be redeemed daily with 10 business days notice prior to requested trade date.

8) *Variable annuity* – Includes investments via a life insurance contract/group variable annuity with Lombard International. Lombard International invests in Harvest, a public limited partnership that invests in Master Limited Partnerships (MLP) and the returns on the variable annuity match the returns on Lombard's underlying investment with Harvest less the annuity expenses. Investments may be redeemed monthly with 30-day notice.

(4) Receivables, Net

Receivables consist of the following at June 30, 2017 (in thousands):

Current:		
Appropriations receivable	$	433,778
Students and financial aid receivable		196,551
Grants and contracts receivable		139,114
Student loans receivable and accrued interest receivable		31,126
Other receivables		66,586
Total receivables		867,155
Less allowance for doubtful accounts		(143,751)
Total short-term receivables, net	$	723,404
Noncurrent:		
Student loans receivable and accrued interest receivable	$	20,169
Other receivables		492
Total long-term receivables		20,661
Less allowance for doubtful accounts		(2,404)
Total long-term receivables, net	$	18,257

(Continued)

(5) Capital Assets, Net

Capital assets consist of the following at June 30, 2017 (in thousands):

		June 30, 2016	Additions	Reductions	June 30, 2017
Buildings	$	3,537,008	792,710	—	4,329,718
Building improvements		2,936,492	65,093	—	3,001,585
Construction in progress		1,837,266	401,076	814,424	1,423,918
Equipment and software		791,908	31,970	30,295	793,583
Infrastructure and infrastructure improvements		166,661	5,891	—	172,552
Land		410,897	—	—	410,897
Land improvements		82,433	77	—	82,510
Leasehold improvements		46,875	34	—	46,909
Copyrights		11,930	—	—	11,930
Works of art and historical treasures		14,060	2,689	31	16,718
Total capital assets		9,835,530	1,299,540	844,750	10,290,320
Less accumulated depreciation:					
Building	$	1,679,926	95,254	—	1,775,180
Building improvements		1,793,756	90,580	—	1,884,336
Equipment and software		492,679	59,139	28,158	523,660
Infrastructure and infrastructure improvements		76,015	10,007	—	86,022
Land improvements		71,440	1,570	—	73,010
Leasehold improvements		15,856	2,006	—	17,862
Copyrights		1,610	186	—	1,796
Total accumulated depreciation		4,131,282	258,742	28,158	4,361,866
Total capital assets, net	$	5,704,248	1,040,798	816,592	5,928,454

Added to construction in progress is capitalized interest of $33,723,359 for the year ended June 30, 2017.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2017 (in thousands):

Accounts payable and accrued expenses		Amount
Personnel services	$	175,463
Fringe benefits		102,055
Capital projects		99,979
Due to City of New York		15,879
Due to State of New York		25,692
Vendors and other		256,815
Total accounts payable and accrued expenses	$	675,883

(7) Noncurrent Liabilities

Noncurrent liabilities at June 30, 2017 consist of the following (in thousands):

Noncurrent liabilities		June 30, 2016	Additions	Reductions	June 30, 2017	Current portion
Long-term debt:						
Mortgage loan payable	$	66,573	—	1,144	65,429	1,245
Capital lease agreements with DASNY		5,139,331	265,370	261,316	5,143,385	206,837
Capital lease obligation for Condominium		43,917	1,081	60	44,938	65
Certificate of Participation (PIT)		10,542	—	2,255	8,287	2,319
Total long-term debt		5,260,363	266,451	264,775	5,262,039	210,466
Other liabilities:						
Compensated absences		149,442	29,677	—	179,119	117,316
Federal refundable loans		18,346	1,079	1,657	17,768	—
Other noncurrent liabilities		45,499	3,723	6,633	42,589	—
Net pension liabilities		1,035,838	—	288,294	747,544	—
OPEB liability		708,382	99,634	—	808,016	—
Interest rate swap agreements		87,000	—	26,921	60,079	—
Total other liabilities		2,044,507	134,113	323,505	1,855,115	117,316
Total noncurrent liabilities	$	7,304,870	400,564	588,280	7,117,154	327,782

(a) Mortgage Loan Payable

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

The loan bears interest at a rate of 4.75%. The monthly principal and interest payments of $365,153 begin on July 1, 2014. The mortgage is amortized over 30 years with options to be called by the bank in 10 years and then every 5 years thereafter until the mortgage matures. The new loan is collateralized by the property and assignment of rents and other payments from the tenants and is guaranteed by the University. The LLC incurred $1,307,121 of financing costs in connection with obtaining the new loan, which are being amortized over the life of the loan. The unamortized balance at June 30, 2017 was $1,170,435.

At June 30, 2017, future minimum principal payments are as follows:

Fiscal year		Amount due
2018	$	1,245,230
2019		1,305,684
2020		1,369,072
2021		1,435,538
2022		1,505,230
Thereafter		59,738,926
		66,599,680
Less unamortized balance of financing costs		(1,170,435)
Total mortgage loan payable	$	65,429,245

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

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

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

The following is a schedule by year of future minimum lease payments under these capital leases, together with the net swap amount, assuming current interest rates remain the same, and the present value of the minimum lease payments at June 30, 2017 (in thousands):

Capital lease agreements with DASNY		Principal	Interest	Swap, net		Total
Fiscal year:						
2018	$	183,750	232,708	11,478		427,936
2019		202,175	224,078	10,741		436,994
2020		228,995	214,663	10,087		453,745
2021		270,365	201,657	8,776		480,798
2022		172,995	190,920	7,630		371,545
2023–2027		953,310	835,644	27,503		1,816,457
2028–2032		872,065	602,884	5,111		1,480,060
2033–2037		977,540	375,324	—		1,352,864
2038–2042		744,555	143,754	—		888,309
2043–2046		169,550	13,690	—		183,240
Total minimum lease payment	$	4,775,300	3,035,322	81,326		7,891,948
Less amount representing interest						(3,035,322)
Less swap, net						(81,326)
Present value of net minimum lease payments						4,775,300
Plus unamortized original issue premium, net						368,085
Carrying amount of obligation					$	5,143,385

Interest rates on DASNY obligations range from 2.0% to 6.1%.

During fiscal year 2017, DASNY issued bonds for new construction with a par value of $210,730,000 and original issued premium of $47,323,766. In addition, DASNY issued refunding bonds with a par value of $6,530,000 and original issued premium of $786,156. Bond proceeds of $7,224,809 were used to defease $7,085,000 of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is defeased. The economic gain related to the defeased bonds amounted to $775,451. The excess of the bond proceeds over the amount of debt defeased, $139,809, and remaining unamortized premium and discount of $339,286 are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

As of June 30, 2017, a total of $13,580,000 of previously defeased debt was still outstanding.

(i) Interest Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY issued certain variable interest rate bonds, and concurrently entered into 21 separate pay-fixed, receive-variable interest swaps with three counterparties. The swaps are undertaken as a part of the State's overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swaps were entered into at the same time the bonds were issued. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bond payable" category. The terms, including the fair values and credit ratings of the outstanding swaps at June 30, 2017, were as follows (in thousands):

Pay-fixed, receive-variable swaps

Counterparty	Notional amount	Termination date	Swap fixed rate paid	a Variable swap rate received	Swap fair value	b Counterparty credit rating	Swap insured	Change in fair value
City University System Consolidated Revenue Bonds, Series 2008C and 2008D:								
Hedging derivatives:								
Citibank	$ 211,244	1/1/25 to 7/1/31	3.00%	65% of LIBOR	$ (27,807)	A1/A+/A+	Yes	$ 12,455
Merrill Lynch	122,643	1/1/25 to 7/1/31	3.00	65 of LIBOR	(16,136)	Aa3/AA/NR	Yes	7,233
UBS	122,643	1/1/25 to 7/1/31	3.00	65 of LIBOR	(16,136)	A1/A/A	Yes	7,233
Total pay-fixed swap	$ 456,530				$ (60,079)			$ 26,921

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

At June 30, 2017, the swaps had a fair value of $(60,079,000) and are included in interest rate swap agreements in the statement of net position. These swaps had a change in fair value during fiscal year 2017 of $26,921,000. Interest rates have changed since the swaps were entered into; the pay-fixed, receive-variable swaps have a fair value of $(60,079,000) (the fixed swap payment rate is higher than current comparable fixed rates). The fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps. These swaps are recorded net of a credit valuation adjustment that reflect the credit risk of the parties to the agreements. These swaps are classified in Level 2 of the fair value hierarchy.

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

Credit Risk. At June 30, 2017, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rates change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps' fair value.

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

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

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

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

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

(c) Capital Lease Obligation for Condominium

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

The following is a summary of future minimum payments required under this agreement at June 30, 2017 (in thousands):

	Principal	Interest	Total
Fiscal year:			
2018	$ 65	853	918
2019	70	1,323	1,393
2020	75	1,318	1,393
2021	80	1,313	1,393
2022	86	1,307	1,393
2023–2027	532	10,003	10,535
2028–2032	4,881	10,162	15,043
2033–2037	13,629	6,322	19,951
2038–2042	21,963	2,955	24,918
2043–2044	3,557	56	3,613
Total minimum lease payment	$ 44,938	35,612	80,550
Less amount representing interest			(35,612)
Carrying amount of obligation			$ 44,938

(d) Certificate of Participation Agreements

The University has entered into various arrangements for the acquisition/rehabilitation of capital assets through the issuance of personal income tax bonds (PIT) also known as certificates of participation. The bonds are issued through a trustee and the University is responsible for payment to the trustee in an amount equal to the interest and principal payment made by the trustee to the certificate bond holders. There is no collateral associated with the bonds. The following is a summary of future minimum payments required under this agreement at June 30, 2017 (in thousands):

		Principal	Interest		Total
Fiscal year:					
2018	$	2,319	204		2,523
2019		1,933	144		2,077
2020		1,989	87		2,076
2021		2,046	29		2,075
Total minimum lease payment	$	8,287	464		8,751
Less amount representing interest					(464)
Carrying amount of obligation				$	8,287

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

(e) Compensated Absences

Employees accrue vacation leave based upon time employed, with the maximum accumulation generally ranging from 45 to 50 days. The recorded liability for accrued vacation leave, including the University's share of fringe benefits, is approximately $122.6 million at June 30, 2017. Employees also earn sick leave credits, which are considered termination payments and may be accumulated up to a maximum of 160 days. Accumulated sick leave credits are payable up to 50% of the accumulated amount as of the date of retirement. The recorded liability for sick leave credits is approximately $56.5 million at June 30, 2017.

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

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

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

Restricted deposits held by bond trustee and restricted amounts held by DASNY by type at June 30, 2017 are as follows (in thousands):

Deposits held by trustee and amounts held by DASNY		Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable (Level 2)	Rating
Type:					
Cash and cash equivalents	$	191,555	—	—	No rating
U.S. Treasury notes and bonds		45,057	—	45,057	No rating
U.S. Treasury bills		100,185	3,486	96,699	No rating
U.S. Treasury strips		—	—	—	No rating
U.S. federal agency obligations		24,459	—	24,459	AA/Aaa *
Total	$	361,256	3,486	166,215	

* S&P and Moody’s, respectively

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

(a) Custodial Credit Risk

Custodial credit risk for restricted deposits held by bond trustee and restricted amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the University will not be able to recover the value of its cash and investments in the possession of an outside party. At June 30, 2017, all of the $361,256,000 are held by DASNY or the bond trustee, not in the University’s name.

(b) Credit Risk

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

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investment in a single issuer. During fiscal year 2017, restricted deposits held by bond trustee and restricted amounts held by DASNY were not exposed to concentration of credit risk.

(d) Interest Rate Risk

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

(9) Pension Plans

Defined Benefit Plans – NYCERS and NYCTRS

The University participates in both the New York City Employees Retirement System (NYCERS) and the Teachers Retirement System of the City of New York (NYCTRS), which are cost-sharing, multiple-employer public employees' retirement system. NYCERS provides defined pension benefits to 185,800 active municipal employees and 144,500 pensioners through $70 billion in assets. Classified employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCERS, and all other employees are eligible to participate in NYCERS. NYCERS provides pay-related retirement benefits, as well as death and disability benefits. The total amount of the University's employees' covered payroll related to NYCERS for the year ended June 30, 2017 is approximately $222.9 million. NYCTRS provides defined pension benefits to 114,600 active teachers and 82,800 pensioners through $75.6 billion in assets. Instructional full time staff employees (teaching and non-teaching) are required to choose either NYCTRS or the Optional Retirement Plan (ORP) administered by Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA) within 30 days of their initial permanent appointment. If an active selection is not made, the employee will be placed into NYCTRS. The pension system election (NYCTRS or the ORP) is irrevocable as long as the employee remains continuously employed in any position within CUNY. Adjuncts may participate in NYCTRS on a voluntary basis. NYCTRS provides pay-related retirement benefits, as well as death and disability benefits. The total amount of the University's employees' covered payroll related to NYCTRS for the year ended June 30, 2017 is approximately $179.8 million. Both NYCERS and NYCTRS issue a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS at 335 Adams Street, Brooklyn, New York 11201 or NYCTRS at TRS at 55 Water Street, New York, New York 10041.

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

Statutorily required contributions (Statutory Contributions) to NYCERS and NYCTRS, determined by the New York City Office of the Actuary in accordance with State statutes and City laws, are funded by the employer within the appropriate fiscal year. The University made its contractually required contributions to both NYCERS and NYCTRS in fiscal year 2017 of approximately $38.8 million and $84.6 million, respectively.

NYCERS and NYCTRS provide three main types of retirement benefits: service retirements, ordinary disability retirements (nonjob-related disabilities), and accident disability retirements (job-related

(Continued)

disabilities) to members who are in different “Tiers.” The members’ Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 years of service. Annual pension benefits can be calculated as a percentage of final average salary multiplied by the number of years of service and changes with the number of years of membership within the plan. Benefits for members can be amended under the State Retirement and Social Security Law.

The University’s respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense related to the Senior Colleges and Graduate and Professional Schools for NYCERS and NYCTRS are calculated by the Office of the Actuary, City of New York. At June 30, 2017, the University reported a liability of $242.3 million and $505.2 million for NYCERS and NYCTRS, respectively, for its proportionate share of the respective NYCERS and NYCTRS net pension liabilities. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to the University’s measurement date of June 30, 2017 for both NYCERS and NYCTRS. The University’s proportionate share of the respective net pension liabilities for the fiscal year was based on the University’s actual contributions to NYCERS and NYCTRS relative to the total contributions of participating employers for each plan for fiscal 2017, which was 1.167% and 2.175% for NYCERS and NYCTRS, respectively. The proportionate share of the NYCERS and NYCTRS net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense for the University’s community colleges is included in the financial statements of the City of New York.

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

(a) Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation for both NYCERS and NYCTRS was determined using the following actuarial assumptions:

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

Mortality rates and methods used in determination of the total pension liability for both NYCERS and NYCTRS were adopted by the New York City Retirement System (NYCRS) Boards of Trustees during fiscal year 2017. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCRS are conducted every two years.

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

(b) Expected Rate of Return on Investments

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

NYCERS

Asset class	Target asset allocation	Real return arithmetic basis	Long-term expected real rate of return
U.S. public market equities	29.00 %	5.70 %	1.65 %
International public market equities	13.00	6.10	0.79
Emerging public market equities	7.00	7.60	0.53
Private market equities	7.00	8.10	0.57
U.S. fixed income	33.00	3.00	0.99
Alternatives	11.00	4.70	0.52
Total	100.00 %		5.05 %

NYCTRS			
Asset class	Target asset allocation	Real return arithmetic basis	Long-term expected real rate of return
U.S. public market equities	29.00 %	5.70 %	1.65 %
International public market equities	12.00	6.10	0.73
Emerging public market equities	9.00	7.60	0.68
Private market equities	6.00	8.10	0.49
U.S. fixed income	33.00	3.00	0.99
Alternatives	11.00	4.70	0.52
Total	100.00 %		5.06 %

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2017 for both NYCERS and NYCTRS was 7.0%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS and NYCTRS respective fiduciary net position was projected to be available to make all projected future benefit payments of current active and nonactive NYCERS and NYCTRS members. Therefore, the long-term expected rate of return on NYCERS and NYCTRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate (in millions):

	1% Decrease (6.0%)	Discount rate (7.0%)	1% Increase (8.0%)
University's proportionate share of the net pension liability:			
NYCERS	$ 350.2	242.3	147.5
NYCTRS	672.1	505.2	365.6

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

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2017 (in thousands):

		NYCERS	NYCTRS	Total
Deferred outflows of resources:				
Differences between actual and expected experience	$	—	39,136,145	39,136,145
Changes in proportionate share		(13,690,684)	(121,971,658)	(135,662,342)
Changes in assumptions		11,946,548	25,355,151	37,301,699
Total	$	(1,744,136)	(57,480,362)	(59,224,498)

		NYCERS	NYCTRS	Total
Deferred inflows of resources:				
Differences between actual and expected experience	$	6,466,250	—	6,466,250
Difference between projected and actual investment earnings on pension plan investments		9,902,216	71,198,029	81,100,245
Changes in proportionate share		(3,393,279)	(27,509,599)	(30,902,878)
Total	$	12,975,187	43,688,430	56,663,617

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

		NYCERS	NYCTRS	Total
Fiscal years ending June 30:				
2018	$	(932)	(5,548)	(6,480)
2019		4,007	7,136	11,143
2020		(4,707)	(28,681)	(33,388)
2021		(10,914)	(36,887)	(47,801)
2022		(2,173)	(16,904)	(19,077)
2023		—	(16,904)	(16,904)
2024		—	(3,381)	(3,381)
	$	(14,719)	(101,169)	(115,888)

(e) Annual Pension Expense

The University’s annual pension expense for NYCERS and NYCTRS for the fiscal year ended June 30, 2017 was approximately $33.7 million and $77.7 million for NYCERS and NYCTRS, respectively.

Defined Contribution Plan – TIAA

The University also provides a defined contribution plan for its employees in TIAA. TIAA is a privately operated, multi-employer defined contribution retirement plan. TIAA obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

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

Funding Policy

Employer and employee contribution requirements to TIAA are determined by the New York State Retirement and Social Security Law. Participating University employees contribute 1.5% for tiers one through four and 3.0% for tier five of salary on an after-tax basis. Employer contributions range from 10.5% to 13.5% for tiers one through four, depending upon the employee's compensation, and 8.0% to 10.0% of salary for tier five, depending upon the employee's years of service. Employee contributions for fiscal year 2017 amounted to approximately $110.9 million.

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

Fiscal year:		
2017	$	131,729
2016		105,499
2015		103,774

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

(10) Postemployment Benefits

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

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

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

The City of New York is assumed to pay for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS and TIAA who retired from Community Colleges. The City of New York also pays for the Welfare Fund costs for nonpedagogical CUNY Senior College retirees of NYCRS. In addition, the City of New York reimburses the Part B premium for Medicare-eligible retirees and covered spouses for all covered CUNY employees, whether they retired under NYCRS or TIAA, and whether retired from a Senior or Community College. The obligation for the coverages assumed to be paid by the City of New York are considered an obligation of the City of New York and not included in CUNY's actuarial valuation.

CUNY currently reimburses the City of New York for Basic Coverage and Welfare Fund coverage for NYCRS Senior College retirees except for those who retired from one of the NYCRS in nonpedagogical positions. CUNY is also currently billed for Basic Coverage and Welfare Fund coverage for all TIAA retirees, whether retired from a Senior or Community College.

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

Funding Policy. OPEB includes Health Insurance and Medicare Part B Reimbursements; Welfare Benefits stem from the University's collective bargaining agreements. The University is not required by law or contractual agreement to provide funding for postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2017, the University paid $38.1 million, of which $32.0 million was for Senior Colleges and $6.1 million was for Community Colleges, which were paid to the New York City Health Retirement Trust Fund.

Annual OPEB Cost and Net OPEB Obligation. For the June 30, 2016 valuation, the Entry Age Actuarial Cost Method was used to determine the annual required contribution (ARC) and the Unfunded Actuarial Accrued Liability (UAAL). Under this method, the Actuarial Present Value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of Future Normal Costs is called the Actuarial Accrued Liability. The calculation of the ARC reflects a 30-year amortization as a level percentage of payroll of the UAAL on an open basis.

The following table shows the elements of the University's annual OPEB cost for the year, the amount paid, and changes in the University's net OPEB obligation for the year ended June 30, 2017 (in thousands):

		Amount
Annual required contribution	$	129,906
Interest on net OPEB obligation		28,306
Adjustment to annual required contribution		(28,123)
Annual OPEB cost		130,089
Payments made		(31,105)
Increase in net OPEB obligation		98,984
Net OPEB obligation – beginning of year		707,659
Net OPEB obligation – end of year	$	806,643

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2017 and 2016 were as follows (in thousands):

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost paid		Net OPEB obligation
June 30, 2017	$	130,089	23.9 %	$	806,644
June 30, 2016		123,113	23.9 %		707,659
June 30, 2015		119,959	24.7 %		613,921

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $1,239 million (which represents the total present value $0, resulting in a UAAL of $1,239 million). The covered payroll (annual payroll of active employees by the Plan) was $1,069 million, and the ratio of the UAAL to the covered payroll was 116.0%.

The schedule of funding progress included as required supplementation information, presents the results of OPEB valuations as of June 30, 2017 and looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Actuarial Cost Methods and Assumptions: CUNY employees and retirees are eligible for the same health benefits (both in active service and in retirement, if eligible) as employees and retirees of the City of New York. The health benefits are administered by the Office of Labor Relations (OLR).

The discount rate was derived from a building block approach of combining the 2.5% CPI and 1.5% real rate of return on short-term investments. The 2.5% CPI is consistent with the inflation assumption discussed in the City of New York Silver Books. The 4.0% nominal rate of return on short-term investments has been reviewed using information derived from GEMS. Using GEMS, the Conduent 2016 Q4 Capital Market Assumptions shows expected long-term rates of return on cash like short-term investments to be 4.06% arithmetic basis and 4.04% on a geometric basis, using a 30 year time horizon.

The actuarial assumptions used for CUNY members of the NYCRS are the same as those used for City of New York members of the applicable retirement systems.

The assumptions and methods are the same as those used in the June 30, 2015 valuation except the per capita claims costs have been updated to reflect more recent experience including changes that have been part of the New York City health care savings initiative. The pre-Medicare trend rate for fiscal year 2018 for the HIP and Other HMO arrangements and the Medicare trend rate for fiscal year 2018 have been adjusted to reflect the announced fiscal year 2018 rate increases.

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

Calculations are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical patterns of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members of the future.

Discount Rate: 4.0% per annum, compounded annually.

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

	Pre-Medicare Plans	Medical (Post-Medicate)	Welfare Fund contributions
Fiscal year ending:			
2018	7.50 %	5.00 %	5.00 %
2019	7.00	5.00	5.00
2020	6.50	5.00	5.00
2021	6.00	5.00	5.00
2022	5.50	5.00	5.00
2023 and thereafter	5.00	5.00	5.00

Wage Inflation: 3.0% per annum, compounded annually.

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

Blended Component Unit

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

The following table sets forth RF-CUNY's information with respect to the postretirement plan at June 30, 2017 (in thousands):

Benefit obligation	$	(150,478)
Fair value of plan assets		149,105
Funded status	$	(1,373)

(11) Commitments

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2017, these outstanding contractual commitments were approximately $337.8 million.

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

Contractual commitments		Principal amount
Fiscal year:		
2018	$	85,259
2019		84,118
2020		84,980
2021		79,706
2022		76,576
2023–2027		352,116
2028–2032		288,773
2033–2037		122,554
2038–2042		56,659
2043–2047		25,624
2048–2052		20,145
2053–2057		20,145
2058–2061		13,486
	$	1,310,141

For the year ended June 30, 2017, rent expense, including escalations of $14.8 million, was approximately $96.7 million.

(12) Litigation and Risk Financing

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

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

CUNY is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. CUNY's residence hall facilities are covered by insurance. However, in general, CUNY does not insure its educational buildings, contents, or related risks and does not insure its equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by CUNY are covered by the State or City on a self-insured basis. The State and City do have fidelity insurance on State/City employees.

(13) Financial Dependency

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

(14) Support Agreements

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

City College Dormitory

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

Graduate Center Foundation Housing Corporation, LLC

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

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

(15) Subsequent Events

On July 13, 2017, DASNY issued refunding bonds with par value of $332,275,000 and original issued premium of $56,652,335 on behalf of the University. On July 27, 2017, DASNY issued bonds for new construction with par value of $56,955,000 and original issued premium of $8,622,213 on behalf of the University. On October 13, 2017, DASNY issued bonds for new construction with a par value of $260,850,000 and original issued premium of $26,673,132 on behalf of the University.

(16) Condensed Combining Financial Statement Information

The condensed combining statements of net position, revenues, expenses and changes in net position, and cash flows for the University and blended component units as of and for the year ended June 30, 2017 are as follows:

Condensed statement of net position (in thousands):

	University	RF-CUNY	CUCF	Eliminations	Total
Current assets	$ 1,425,918	256,674	51,481	—	1,734,073
Other noncurrent assets	390,921	53,287	24,658	—	468,866
Capital assets	5,883,841	44,613	-	—	5,928,454
Total assets	7,700,680	354,574	76,139	—	8,131,393
Deferred outflows of resources	24,255	—	—	—	24,255
Current liabilities	1,094,519	254,240	62,871	(84,900)	1,326,730
Noncurrent liabilities	6,723,816	65,556	—	—	6,789,372
Total liabilities	7,818,335	319,796	62,871	(84,900)	8,116,102
Deferred inflows of resources	56,664	—	—	—	56,664
Net investment in capital assets	907,980	(20,816)	1,766	—	888,930
Restricted:					
Nonexpendable	65,220	—	—	—	65,220
Expendable	275,093	—	—	—	275,093
Unrestricted	(1,398,357)	55,594	11,502	84,900	(1,246,361)
Total net (deficit) position	$ (150,064)	34,778	13,268	84,900	(17,118)

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

Description	University	RF-CUNY	CUCF	Eliminations	Total
Operating revenues:					
Tuition and fees, net	$ 803,666	—	—	—	803,666
Grants and contracts	966,659	457,563	83	(25,133)	1,399,172
Other operating revenues	66,161	45,758	14,882	(57,996)	68,805
Total operating revenues	1,836,486	503,321	14,965	(83,129)	2,271,643
Operating expenses:					
Other operating expenses	4,005,873	494,193	14,987	(95,241)	4,419,812
Depreciation and amortization	256,124	3,234	—	—	259,358
Total operating expenses	4,261,997	497,427	14,987	(95,241)	4,679,170
Operating (loss) gain	(2,425,511)	5,894	(22)	12,112	(2,407,527)
Nonoperating revenues (expenses):					
Government appropriations	1,959,722	—	—	—	1,959,722
Gifts and grants	6,236	—	6	(6)	6,236
Investment income, net	5,492	469	41	—	6,002
Interest expense	(192,685)	(3,233)	(6)	6	(195,918)
Net appreciation in fair value of investments	23,175	(115)	—	—	23,060
Other nonoperating revenues (expenses), net	21,731	—	(192,968)	187,205	15,968
Total nonoperating revenues (expenses), net	1,823,671	(2,879)	(192,927)	187,205	1,815,070
Loss before other revenues	(601,840)	3,015	(192,949)	199,317	(592,457)
Capital appropriations	555,754	—	192,950	(192,950)	555,754
Additions to permanent endowments	512	—	—	—	512
Transfer to University (from Foundation)	17,584	—	—	—	17,584
Total other revenues	573,850	—	192,950	(192,950)	573,850
(Decrease) increase in net position	(27,990)	3,015	1	6,367	(18,607)
Net (deficit) position, beginning of year	(122,074)	31,763	13,267	78,533	1,489
Net (deficit) position, end of year	$ (150,064)	34,778	13,268	84,900	(17,118)

Condensed statement of cash flows (in thousands):

Description	University	RF-CUNY	CUCF	Eliminations	Total
Net cash (used) provided by:					
Operating activities	$ (2,439,341)	8,336	9,468	—	(2,421,537)
Noncapital financing activities	2,323,973	—	—	—	2,323,973
Capital and related financing activities	70,605	(3,416)	(13)	—	67,176
Investing activities	8,389	(1,188)	1	—	7,202
Net (decrease) increase in cash and cash equivalents	(36,374)	3,732	9,456	—	(23,186)
Cash and cash equivalents at beginning of year	532,446	147,257	23,639	—	703,342
Cash and cash equivalents at end of year	$ 496,072	150,989	33,095	—	680,156

(17) Discretely Presented Component Units

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

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

(a) Summary of Significant Accounting Policies

(i) Contribution Revenue

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

(ii) Split Interest Agreements

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

(iii) Charitable Remainder Trusts

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

(b) Investments

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

Investment type		Amount
Cash and cash equivalents	$	18,815
Certificates of deposits		5,863
CUNY investment pool		37,330
Equities		57,904
International bonds		221
Mutual funds:		
Equity securities		364,359
Fixed income		109,779
U.S. Corporate bonds		32,431
U.S. Government bonds		22,510
U.S. Treasury bills		1
Other investments		16,360
Investments measured at NAV:		
Event driven hedge funds		23,095
Global equity		19,640
Global equity long/short hedge funds		28,656
Global macro hedge funds		1,612
Limited partnership/liability company		24,986
Multiple common trust fund		16,145
Multi-strategy funds		2,980
Private investment		5,555
U.S. fixed income		4,010
Total investments	$	792,252

The separately issued financial statements of the discretely presented component units provide the fair value hierarchy disclosure information. The summarized categories include investments in Level 1 totaling $565.8 million, Level 2 totaling $47.7 million, and Level 3 totaling $52.1 million. Total investments measured at NAV are $126.7 million and are redeemable ranging from monthly to 3 years with redemption notice periods of 10 to 95 days.

(c) Contributions Receivable

Unconditional promises to give are recorded as contributions receivable, and in most cases are discounted over the payment period using the applicable discount rate in effect at the time of the contribution. Contributions receivable due in fiscal year 2018 amount to $47,937 thousand and are recorded in current receivables. Contributions receivable that are due in fiscal year 2019 and later amount to $56,563 thousand and are recorded in long-term receivables. At June 30, 2017, contributions receivable consisted of (in thousands):

		Amount
Contributions receivable	$	121,611
Less allowance for doubtful accounts		7,907
Less discount to present value		9,204
Contributions receivable, net	$	104,500

(d) Capital Assets

Capital assets consist of the following at June 30, 2017 (in thousands):

		June 30, 2016	Additions	Reductions	June 30, 2017
Building and building improvements	$	157,892	2,634	487	160,039
Equipment		18,447	703	608	18,542
Land		22,642	—	—	22,642
Land improvements		3,776	252	142	3,886
Works of art and historical treasures		3,829	131	26	3,934
Total capital assets		206,586	3,720	1,263	209,043
Less accumulated depreciation:					
Building and building improvements	$	25,434	4,336	43	29,727
Equipment		16,698	1,318	95	17,921
Land improvements		1,868	272	4	2,136
Total accumulated depreciation		44,000	5,926	142	49,784
Total capital assets, net	$	162,586	(2,206)	1,121	159,259

Note: in the "Works of art and historical treasures" row, the dashes in the Additions and Reductions columns are printed on the first line and the figures on the second.

(e) Long-term Debt

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

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

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

3) The Graduate Center Foundation:

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

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

The following is a summary of future minimum payments under these agreements at June 30, 2017:

Loans and bonds		Principal	Interest		Total
Fiscal year:					
2018	$	10,064	6,584		16,648
2019		1,869	6,373		8,242
2020		2,025	6,322		8,347
2021		2,502	6,259		8,761
2022		3,005	6,174		9,179
Thereafter		131,311	84,345		215,656
Total minimum loan payment	$	150,776	116,057		266,833
Less amount representing interest					(116,057)
					150,776
Plus unamortized bond premium					6,959
Carrying amount of obligations				$	157,735

THE CITY UNIVERSITY OF NEW YORK

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

June 30, 2017

(In thousands)

New York City Employees' Retirement System

		2017	2016	2015
Contractually required contribution	$	38,839	41,980	38,587
Contributions in relation to the contractually required contribution		38,839	41,980	38,587
Contribution deficiency (excess)		—	—	—
University employee covered-payroll at University year-end		222,976	217,088	214,226
Contributions as a percentage of employee covered payroll		17.42%	19.34%	18.01%

Teachers' Retirement System of The City of New York

		2017	2016	2015
Contractually required contribution	$	84,575	102,884	84,468
Contributions in relation to the contractually required contribution		84,575	102,884	84,468
Contribution deficiency (excess)		—	—	—
University employee covered-payroll at University year-end		179,810	189,767	174,983
Contributions as a percentage of employee covered payroll		47.04%	54.22%	48.27%

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2017

(In thousands)

New York City Employees' Retirement System

		2017	2016	2015
University proportion share of the net pension liability		1.167%	1.247%	1.221%
University proportionate share of the net pension liability	$	242,344	302,981	247,140
University employee covered-payroll at measurement date		222,976	217,088	214,226
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		108.7%	139.6%	115.4%
Plan fiduciary net position as a percentage of the total pension liability		74.80%	69.57%	73.13%

Teachers' Retirement System of The City of New York

		2017	2016	2015
University proportion of the net pension liability		2.175%	2.779 %	2.540%
University proportionate share of the net pension liability	$	505,200	732,857	527,957
University employee covered-payroll at measurement date		179,810	189,767	174,983
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		281.0%	386.2%	301.7%
Plan fiduciary net position as a percentage of the total pension liability		68.32%	62.33 %	68.04%

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Required Supplementary Information (Unaudited)

Schedule of Funding Progress – Other Postemployment Benefits

June 30, 2017

(In thousands)

Actuarial valuation date	Actuarial value assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/c
June 30, 2016	$ —	1,239,139	1,239,139	— %	$ 1,068,592	116.0%
June 30, 2015	—	1,186,415	1,186,415	— %	1,025,685	115.7%
June 30, 2014	—	1,123,998	1,123,998	— %	1,019,888	110.2%

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Net Position Information – Senior and Community Colleges

June 30, 2017

(In thousands)

	Business-type activities		
	Senior colleges	Community colleges	Total University
Assets:			
Current assets:			
Cash and cash equivalents	$ 623,679	56,477	680,156
Short-term investments	69,718	5,500	75,218
Restricted deposits held by bond trustees	119,942	15,217	135,159
Restricted amounts held by the Dormitory Authority of the State of New York	58,620	33,234	91,854
Receivables, net	578,616	144,788	723,404
Prepaid expenses and other current assets	20,316	7,966	28,282
Total current assets	1,470,891	263,182	1,734,073
Noncurrent assets:			
Restricted cash	20,024	6,830	26,854
Long-term investments, unrestricted	93,449	13,286	106,735
Long-term investments, restricted	163,618	17,802	181,420
Restricted deposits held by bond trustees	113,517	20,726	134,243
Long-term receivables, net	17,356	901	18,257
Capital assets, net	5,061,632	866,822	5,928,454
Other noncurrent assets	1,357	—	1,357
Total noncurrent assets	5,470,953	926,367	6,397,320
Total assets	6,941,844	1,189,549	8,131,393
Deferred outflows of resources:			
Pension liabilities	(59,224)	—	(59,224)
Interest rate swap agreements	53,402	6,677	60,079
Deferred amount on debt refundings	20,905	2,495	23,400
Total deferred outflows of resources	15,083	9,172	24,255
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	531,618	144,265	675,883
Compensated absences	87,863	29,453	117,316
Unearned tuition and fees revenue	59,454	6,909	66,363
Accrued interest payable	72,205	9,267	81,472
Current portion of long-term debt	185,453	25,013	210,466
Unearned grant revenue	94,845	4,344	99,189
Other current liabilities	23,461	9,234	32,695
Deposits held in custody for others	22,447	20,899	43,346
Total current liabilities	1,077,346	249,384	1,326,730
Noncurrent liabilities:			
Compensated absences	46,366	15,437	61,803
OPEB liability	807,812	204	808,016
Long-term debt	4,517,929	533,644	5,051,573
Federal refundable loans	16,792	976	17,768
Pension liabilities	747,544	—	747,544
Interest rate swap agreements	53,402	6,677	60,079
Other noncurrent liabilities	23,351	19,238	42,589
Total noncurrent liabilities	6,213,196	576,176	6,789,372
Total liabilities	7,290,542	825,560	8,116,102
Deferred inflows of resources:			
Pension liabilities	56,664	—	56,664
Total deferred inflows of resources	56,664	—	56,664
Net (deficit) position:			
Net investment in capital assets	533,230	355,700	888,930
Restricted:			
Nonexpendable	50,139	15,081	65,220
Expendable:			
Debt service	42,026	5,088	47,114
Scholarships and general educational support	119,358	3,589	122,947
Loans	10,058	395	10,453
Other	91,069	3,510	94,579
Unrestricted	(1,236,159)	(10,202)	(1,246,361)
Total net (deficit) position	$ (390,279)	373,161	(17,118)

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Revenues, Expenses, and Changes in Net Position Information -
Senior and Community Colleges

Year ended June 30, 2017

(In thousands)

		Business-type activities	
	Senior colleges	Community colleges	Total University
Revenues:			
Operating revenues:			
Tuition and fees (net of scholarship allowance of $881,751)	$ 658,208	145,458	803,666
Grants and contracts:			
Federal	457,031	261,361	718,392
New York State	257,835	134,018	391,853
New York City	138,597	11,793	150,390
Private	119,672	18,865	138,537
Total grants and contracts	973,135	426,037	1,399,172
Sales and services of auxiliary enterprises	4,960	—	4,960
Other operating revenues	58,065	5,780	63,845
Total operating revenues	1,694,368	577,275	2,271,643
Expenses:			
Operating expenses:			
Instruction	1,363,442	584,114	1,947,556
Research	148,811	6,674	155,485
Public service	25,994	15,628	41,622
Academic support	170,099	61,060	231,159
Student services	271,431	133,503	404,934
Institutional support	431,190	227,381	658,571
Operation and maintenance of plant	341,883	145,762	487,645
Scholarships and fellowships	233,071	126,517	359,588
Auxiliary enterprises	2,514	—	2,514
Depreciation and amortization expense	222,743	36,615	259,358
OPEB expense	130,657	81	130,738
Total operating expenses	3,341,835	1,337,335	4,679,170
Operating (loss) gain	(1,647,467)	(760,060)	(2,407,527)
Nonoperating revenues (expenses):			
Government appropriations/transfers:			
New York State	1,233,809	246,266	1,480,075
New York City	48,691	430,956	479,647
Gifts and grants	4,970	1,266	6,236
Investment income, net	5,831	171	6,002
Interest expense	(175,680)	(20,238)	(195,918)
Net appreciation in fair value of investments	21,056	2,004	23,060
Other nonoperating revenues, net	(20,055)	36,023	15,968
Net nonoperating revenues, net	1,118,622	696,448	1,815,070
Loss before other revenues	(528,845)	(63,612)	(592,457)
Capital appropriations	443,906	111,848	555,754
Additions to permanent endowments	512	—	512
Transfer to University (from Foundation)	17,584	—	17,584
Total other revenues	462,002	111,848	573,850
(Decrease) increase in net position	(66,843)	48,236	(18,607)
Net (deficit) position at beginning of year	(323,436)	324,925	1,489
Net (deficit) position at end of year	$ (390,279)	373,161	(17,118)

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flow Information – Senior and Community Colleges

June 30, 2017

(In thousands)

	Business-type activities		
	Senior colleges	Community colleges	Total University
Cash flows from operating activities:			
Collection of tuition and fees	$ 667,478	159,774	827,252
Collection of grants and contracts	947,262	425,756	1,373,018
Collection of loans from students	5,376	1,080	6,456
Sales and services of auxiliary enterprises	4,960	—	4,960
Collection of other operating revenues	47,517	5,023	52,540
Payments to suppliers	(51,637)	(147,971)	(199,608)
Payments for utilities	(33,214)	(23,241)	(56,455)
Payments to employees	(2,122,756)	(822,142)	(2,944,898)
Payments for benefits	(555,930)	(200,281)	(756,211)
Payment for pensions	(221,321)	(80,783)	(302,104)
Payments for scholarships and fellowships	(233,071)	(126,517)	(359,588)
Payments for OPEB	(31,104)	—	(31,104)
Loans issued to students	(17,986)	(17,809)	(35,795)
Net cash flows used by operating activities	(1,594,426)	(827,111)	(2,421,537)
Cash flows from noncapital financing activities:			
New York State and New York City appropriations/transfers	1,495,935	797,771	2,293,706
Gifts and grants for other than capital purposes	4,970	1,266	6,236
Private gifts for endowment purposes	512	—	512
Increase in deposits held in custody for others	1,936	2,735	4,671
Receipt from third parties	(17,451)	36,299	18,848
Net cash flows provided by noncapital financing activities	1,485,902	838,071	2,323,973
Cash flows from capital and related financing activities:			
Proceeds from capital debt	235,472	30,919	266,391
Capital appropriations	443,906	111,848	555,754
Purchases of capital assets	(352,785)	(118,484)	(471,269)
Principal paid on capital debt	(184,664)	(49,540)	(234,204)
Principal amount refunded	(6,757)	(667)	(7,424)
Interest paid on capital debt	(186,177)	(21,754)	(207,931)
Amounts paid for bond issuance costs	(2,044)	(276)	(2,320)
Decrease in restricted deposits held by bond trustees	109,339	52,691	162,030
Increase in restricted amounts held by the Dormitory Authority of the State of New York	(5,400)	(6,035)	(11,435)
Transfer to/ from foundations	17,584	—	17,584
Net cash flows provided (used) by capital and related financing activities	68,474	(1,298)	67,176
Cash flows from investing activities:			
Investment income	5,831	171	6,002
Proceeds from sales and maturities of investments	236,242	16,603	252,845
Purchases of investments	(229,191)	(17,823)	(247,014)
Increase in restricted cash	(1,259)	(3,372)	(4,631)
Net cash flows provided (used) by investing activities	11,623	(4,421)	7,202
(Decrease) increase in cash and cash equivalents	(28,427)	5,241	(23,186)
Cash and cash equivalents at beginning of year	652,106	51,236	703,342
Cash and cash equivalents at end of year	$ 623,679	56,477	680,156

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flow Information – Senior and Community Colleges

June 30, 2017

(In thousands)

		Business-type activities		
		Senior colleges	Community colleges	Total University
Reconciliation of operating loss to net cash flows used by operating activities:				
Operating loss	$	(1,647,467)	(760,060)	(2,407,527)
Adjustments to reconcile operating loss to net cash flows used by operating activities:				
Depreciation and amortization expense		222,743	36,615	259,358
Bad debt expense		18,245	17,324	35,569
Change in operating assets and liabilities:				
Receivables		(35,676)	(15,805)	(51,481)
Prepaid expenses and other assets		11,606	(3,060)	8,546
Accounts payable and accrued expenses		(237,255)	(104,418)	(341,673)
Unearned tuition and fees revenue		(14,258)	(3,045)	(17,303)
Compensated absences		21,685	7,992	29,677
OPEB liability		99,553	81	99,634
Pension related		(13,270)	—	(13,270)
Unearned grant revenue		(8,071)	(1,925)	(9,996)
Other liabilities		(12,261)	(810)	(13,071)
Net cash flows used by operating activities	$	(1,594,426)	(827,111)	(2,421,537)
Noncash transactions:				
Net appreciation in fair value of investments	$	21,056	2,004	23,060
Change in accounts payable attributable to capital assets		14,744	(2,448)	12,296

See accompanying independent auditors' report.